was designed to operate, when Germany was to carry out the basic requirements of unconditional surrender, should be made as short as possible and be succeeded by a second phase to be decided by the governments. The EAC representatives also mentioned they had proceeded on the assumption that there would be a central German administration through which the Allied Control organs would work, although they envisaged that their plan could be adjusted to meet other conditions. So far neither of these contingencies has occurred. In September 1945 the French disapproved a plan to establish German central agencies and have maintained their opposition ever since, while to date the governments have taken no steps to modify or replace the present control regime for Germany.

Sitting as the Allied Representatives rather than as the Control Council, the four Commanders-in-Chief held their first meeting in Berlin on 5 June 1945 at which time, it will be recalled, they signed the Declaration on the Defeat of Germany and the Assumption of supreme authority. The Control Council as such was not set up until the concluding days of the Potsdam Conference and first convened on 30 July 1945. The Potsdam declaration reaffirmed the basic Article I of the Agreement on Control Machinery which provided that “Supreme authority in Germany will be exercised, on instructions from their respective Governments, by the Commanders-in-Chief of the armed forces of the United Kingdom, the United States of America, the Union of Soviet Socialist Republics and the French Republic, each in his own zone of occupation, and also jointly, in matters affecting Germany as a whole, in their capacity as members of the supreme organ of control constituted under the present Agreement.”

The sum total of the quadripartite Allied administration, called the Allied Control Authority (ACA) consists of four echelons, namely, the Control Council of the four Commanders-in-Chief at the top; their deputies comprising the Coordinating Committee; the 10 Directorates in charge of specific fields of military government; and the Secretariat and subsidiary organs of control. Decisions taken by all bodies of the

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*For a report on the meeting under reference here, see telegram FWD 23724, June 6, 1945, from General Eisenhower to the Joint Chiefs of Staff, Foreign Relations, 1945, vol. III, p. 328.

*For the text of the Declaration under reference, see Treaties and Other International Acts Series No. 1520, or 60 Stat. 1649.


ACA must be by unanimous vote (cf., the practice of the League of Nations Council that decisions respecting the Saar could be adopted by a majority vote). Throughout all echelons of the ACA chairmanship rotates each month between the various national elements.

THE CONTROL COUNCIL

In matters affecting Germany as a whole the Control Council is the sovereign body which exercises the supreme authority of the four Allies, "including all the powers possessed by the German government."

As defined by the Agreement on Control Machinery the functions of the Control Council are: (i) to ensure appropriate uniformity of action by the Commanders-in-Chief in their respective zones of occupation; (ii) to initiate plans and reach agreed decisions on the chief military, political, economic and other questions affecting Germany as a whole, on the basis of instructions received by each Commander-in-Chief from his Government; (iii) to control the German central administration, which will operate under the direction of the Control Council and will be responsible to it for ensuring compliance with its demands; (iv) to direct the administration of "Greater Berlin" through appropriate organs.

It is stipulated that the Control Council will meet at least every ten days and meetings are customarily held on the 10th, 20th and 30th of every month. While the Control Council may convene more frequently if occasion requires, the only extraordinary sessions called so far were those which dealt with the appeals of the war criminals condemned by the Nuremberg Tribunal. Thus it has resulted in effect that the Control Council is removed from the ordinary business of administering Germany or the work of the lower echelons. Generally speaking, only important issues upon which there has been disagreement find their way up to the Control Council. Several meetings have taken place at which no questions were presented for discussion. Point (iii) of the prescribed functions relating to the control of central agencies remains a dead letter, and in view of the lack of progress hitherto made in unifying Germany, the work of the Control Council has been so limited in scope as to occasion a suggestion from the French Commander that only bi-monthly meetings be held. The Control Council however has abided by its schedule and tri-monthly meetings taken place if only for the salutary contact they offer between the four commanders.

As the supreme Allied authority, the Control Council signs all laws and proclamations which are to take effect throughout Germany in its name.
The permanent Coordinating Committee, whose delegates must be of General rank or its equivalent, is the next highest echelon and is charged with performing the following duties, acting on behalf of the Control Council and through the Control Staff: (i) the carrying out of the decisions of the Control Council; (ii) the day-to-day supervision and control of the activities of the German central administration and institutions; (iii) the coordination of current problems which call for uniform measures in all three zones; (iv) the preliminary examination and preparation for the Control Council of all questions submitted by individual Commanders-in-Chief.

The frequency and time of meetings of the Coordinating Committee were not specified in the basic agreement but its present practice is to meet four days before and two days after each meeting of the Control Council so that it may prepare the latter's work and later execute its decisions. During the first days of the inauguration of control when many fundamental steps had to be urgently taken, the Coordinating Committee held frequent meetings and it has done likewise when dealing with difficult problems such as reparations and the level of German industry. By virtue of its direct and permanent association with the affairs of the ACA in Berlin the Coordinating Committee has become the higher level working organ which resolves or attempts to resolve the problems of quadripartite administration and is in effective charge of the everyday operation of the machinery in Berlin. It assigns tasks to the Directorates, passes upon their decisions and deals with the questions on which agreement has not been reached. It is furthermore the body to which the Allied Kommandatura in Berlin is directly responsible.

In the absence of a German Central Administration or institutions mentioned in Point (ii) above, and with the standstill in quadripartite government resulting from the lack of German unity, the Coordinating Committee has recently been concerned with far fewer problems of basic national importance. Since it has been found that some Commanders in the Control Council merely maintain the position of their representatives on the Coordinating Committee and leave small room for negotiation, papers on which no agreement is reached in the latter body are frequently withdrawn since reference to Control Council would serve little useful purpose. The same inflexibility of action by certain delegations runs down through the various Directorates; although changes in a taken position only infrequently occur, the Coordinating Committee is nevertheless obliged to attempt to resolve differences in the lower echelons of control.
ADVISERS

The Agreement on Control Machinery provides that each member of the Control Council will be assisted by a Political Adviser, who may attend meetings, as well as by Naval or Air Advisers if necessary. This provision was proposed in the EAC by the British delegation who indicated clearly that they desired representation of the civilian element of their government. Early British proposals furthermore contained the suggestion that the term of the military Control Council be limited with a view to later replacement by a civilian High Commission.

All four of the present Political Advisers have the personal rank of Ambassador and their special position in each national delegation is signified by the fact that other Foreign Office officials are designated to serve as members of the subordinate Political Directorate.

THE DIRECTORATES

The Control Staff or Directorates were originally envisaged as the Allied counterparts of the German governmental departments they were to supervise. At present they perform certain duties which would normally devolve upon such departments and they also serve in an advisory capacity to the Coordinating Committee when required. Several of the Directorates have numerous committees, subcommittees and "working parties", the latter being a kind of informal group assigned to report on special problems. The Agreement on Control Machinery provided for twelve Directorates (or Divisions as they were then called), but as of 1 January 1947 the Military, Air and Naval Directorates have been brought together in a Combined Services Directorate. Enumerated briefly below are the functions and committees of the various Directorates.

The Combined Services Directorate concerns itself with the disbandment and disarmament of all branches of the German Wehrmacht, disposition of their arms, ammunition, equipment, etc. As the successor of the former Air Directorate it is also responsible for military and civilian air traffic in relation to Germany as a whole.

Committees:

Air Intelligence Committee
Air Committee on Meteorology
Aviation Committee
Air Committee on Disposal of War Material
Naval Steering Committee
German Hydrographic Institute

The Political Directorate has a dual function in that it is charged with the handling of political matters and also acts as point of contact between the ACA and countries not represented by military
missions in Berlin. Diplomatic correspondence with these nations is transmitted by the Chairman member through his Foreign Office and its missions abroad. Since information control has many political aspects, this field nominally comes under the Directorate. Committees:

Information Control

The Transport Directorate deals with questions involving motor, rail and water transportation, including inland waterway transport. Committees:

Railways Committee
Tariff Sub-Committee
Mechanics Sub-Committee
Highways Committee
Coastal Shipping Committee
Inland Waterways Committee
Ports Committee

The Economic Directorate is the largest and covers the broadest field of activity. Such matters as the level of industry plan, price control and control of scientific research fall within its sphere. Its wide area of competence may be judged from the following list of committees:

Industry Committee
Chemical Sub-Committee
Building Industries Sub-Comm.
Machinery & Optics Sub-Comm.
Metals Sub-Committee
Textiles & Consumer Goods Sub-Committee

Fuel Committee
Gas & Electricity Sub-Comm.
Oil Sub-Committee
Coal Sub-Committee

Food and Agriculture Committee
Forestry Sub-Committee
Veterinary Sub-Committee
Research & Education Sub-Committee

Committee for Liquidation of German War Potential
Trade and Commerce Committee
Export Import Sub-Committee
Price Control Sub-Committee
Interzonal Trade Sub-Committee

Committee on Central German Administrative Agencies
L. G. Farben Control Committee

The Finance Directorate is generally responsible for banking, fiscal, currency and price control policy. Committees:

Banking Committee
Property Control Committee
Committee for Balancing of Foreign Accounts
Committee for Financing Reparations Costs
Currency and Printing Committee
Public Finance Committee
Committee on Financing Occupation Costs
Price Policy Committee
Joint Finance Transport Committee
Taxation Committee
Committee on Financial Regulations

The Reparations, Deliveries and Restitution Directorate performs the functions indicated in its title. It works closely with the Economic Directorate, the latter having the responsibility for determining the plants to be declared available for reparations. When availability has been determined, the RD & R Directorate proceeds with the evaluation of the individual plants and notification of their availability to the various claimant nations. Following the allocation of plants as between the western powers and the Soviet Union, the Directorate establishes procedures for the dismantling and delivery of the allocated plants. The Directorate has a similar competence with respect to the restitution of property removed from countries occupied by Germany. Owing to the failure of the ACA to achieve the economic unity of Germany, the US in May 1946 placed a ban upon further dismantling and deliveries of reparations plants except those included in the earlier plan for advanced delivery and except for general purpose equipment in German war plants.

Committees:

Restitution Procedures Committee
Reparations, Procedure and Valuations Committee

The Internal Affairs and Communications Directorate deals with civil administration, public safety, public health and welfare and the organization and operation of the communications system within the four zones, including the postal services. Committees:

Allied Communications and Posts Committee
Communications Sub-Committee
Organization and Finance Sub-Committee
Postal Sub-Committee
Intelligence Committee
Censorship Sub-Committee
Allied Welfare Committee
Health Committee
Civil Administration Committee
Governmental Structure Sub-Committee
Joint Committee with Legal Directorate on Rights of Citizenship of German Expellees from Poland, Czechoslovakia, Hungary and Austria
Allied Public Safety Committee
    Nazi Arrest and Denazification
    Sub-Committee
Allied Religious Affairs Committee
Allied Education Committee
    Sub-Committee on Museums

The Legal Directorate has the responsibility of supervising the German legal structure. It also drafts in appropriate legal form the legislative enactments of the Control Council and the Coordinating Committee. One of its primary duties has been the denazification of the legal code. It also advises the ACA on policy relating to war crimes. Committees:

    Committee on Reform of German Law
    Legislative Drafting Committee
    Industrial Property Committee
    Juvenile Delinquency Committee
    CROWCASS
    Committee for the Revision of the Criminal Code

The Manpower Directorate is analogous to a cabinet office for labor. Matters affecting trade union organization, employment, unemployment insurance, work codes and general wage policy fall within its competence. Committees:

    Labor Supply Committee
    Social Insurance Committee
    Trade Unions and Labor Law Committee
    Wages and Labor Standards Committee
    Housing Committee

The Prisoner of War and Displaced Persons Directorate is the last of the ten. Insofar as prisoners of war are concerned its responsibility is generally limited to coordinating the movement of discharged prisoners between the zones. It advises the ACA on matters affecting the return to their native countries of Allied displaced persons formerly brought to Germany for labor by the Nazi regime. It is also concerned with the transfer to Germany of the German populations expelled from Austria, Czechoslovakia, Hungary and Poland, as well as with the groups of obnoxious Germans sent back to Germany from other countries. In caring for Allied displaced persons it works closely with UNRRA and other similar organizations. Committees:

    Combined Policy Tracing Board
    Combined Repatriation Executive

The German External Property Commission has been performing some of the functions of a Directorate although it was not envisaged in the original Agreement on Control Machinery. Control Council Law No. 5 provided for the vesting and marshalling of German external
assets and set up the German External Property Commission as the quadripartite body in which would be vested title to such property. In practice this arrangement has proved far from ideal and may eventually be liquidated.

**THE ALLIED SECRETARIAT**

A quadripartite Secretariat composed of personnel designated and paid by each of the four control powers performs the necessary secretarial duties such as keeping central files, providing interpreting and translating services and preparing documents for the various echelons of the Control Authority. In each control body and Directorate the duty secretary for the month writes the first draft of the minutes and the pertinent papers. The acts of the Secretariat are subject to the unanimity rule and its members are not international public servants as in the case of the League of Nations and the UN.

The Secretariat has two special departments: a Liaison and Protocol Section, which deals with Foreign missions, and an Administrative Section which operates the ACA building made available by the US in its sector. The US element, which is slightly larger than the other national Secretariat groups, numbers some 45 military and civilian personnel.

**ALLIED MISSIONS AND ORGANIZATIONS**

It is stipulated in the Declaration of 5 June 1945 on the Defeat of Germany that the four occupying powers shall act in Germany “in the interests of the United Nations.” The Agreement on Control Machinery provides that the necessary liaison with the governments of other United Nations “chiefly interested” will be carried out by military missions (which may include civilians) accredited by these governments to the Control Council. The Control Council agreed to receive missions from the following 16 countries: Australia, Belgium, Brazil, Canada, China, Czechoslovakia, Denmark, Greece, India, Luxembourg, the Netherlands, New Zealand, Norway, Poland, South Africa and Yugoslavia. New Zealand has not yet set up its mission in Berlin.\(^7\)

It has been emphasized, particularly by the Soviets, that these missions are of a military and not a diplomatic character. Each is headed by an officer with high military rank. Certain nations, however, have designated Foreign Office officials as head of their missions to whom

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\(^7\) For documentation on the negotiations in 1945 in the European Advisory Commission and the Allied Control Commission for Germany regarding the representation in Germany of foreign governments after surrender and the establishment of four-power control in Germany, see *Foreign Relations, 1945*, vol. III, pp. 1084 ff.
they have given military rank. Precedence is based on seniority of accreditation and arrival in Berlin and the missions have chosen one of their number dean. The Allied Liaison and Protocol Section of the Secretariat is nominally the official point of contact and is charged with keeping them informed of the activities of the ACA. Mainly as a result of Soviet insistence, documents and information regarding current discussions are at present withheld from the missions, many of which have recently been pressing for an improvement in their status.

The military missions concern themselves chiefly with matters that would normally be handled by diplomatic agencies but under present conditions they have found it difficult to accord what they consider adequate protection to their respective countries' nationals and interests throughout Germany. Certain Zone Commanders, including the U.S., have attached to their headquarters separate missions from Allied nations which handle such special questions as repatriation, restitution, etc.

The Agreement on Control Machinery provides that United Nations organizations may be admitted to operate in Germany but shall be subordinate and answerable to the Allied Control Authority. Several such organizations as UNRRA and ECITO at present have representatives in Berlin.

LIAISON AND MOVEMENT BETWEEN THE ZONES

It is stipulated in the Agreement on Control Machinery that each Commander-in-Chief in his zone will have attached to him military, naval and air representatives of the other Commanders-in-Chief for liaison duties. At the present writing the U.S. and Soviet Commanders are only just now negotiating for the reciprocal establishment of liaison missions at Potsdam and Frankfurt respectively. Owing to Soviet refusal to permit foreign consuls in their zone, consulates have not been set up throughout Germany, although the US, UK and France receive Consuls one from the other in several cities in each of their zones. At present there are British and French Consuls in Frankfurt and Munich and the US has Consular establishments in Bremen, Frankfurt, Munich, Stuttgart, Hamburg and Baden Baden. All four powers have Consulates in Berlin. In view of the services of protection rendered US interests by the Swiss during the war, Swiss Consulates are permitted in Frankfurt and Munich, and the US has moreover agreed to the opening of Consulates by the UK, Denmark, Norway, Sweden, and Switzerland in Bremen. The possibility of authorizing additional consulates is under consideration.

In general there are restrictions on all types of inter-zonal movement. Germans in one zone who have business to perform in another
are cleared by a system of passes operated by an Inter-zonal Facilities Board in the Administrative Section of the Allied Secretariat. Since the merger of the US and British Zones, Germans may freely travel from one to the other. Entry into the western zones from abroad is decided by a US, British and French Combined Travel Board in Berlin on the basis of applications filed with appropriate agencies of the three nations in their own and other countries. The Soviets determine entry into their zone on a unilateral basis.

Each of the Zone Commanders is responsible for his national personnel as well as for the personnel of other countries attached to his forces (UNRRA, special missions, etc.). Personnel assigned to one Zone Commander who are found to be in another zone without authorization are considered to be delinquent and an informal agreement has been elaborated between the Zone Commanders whereby such persons are returned to the Zone Commander having authority over them.

THE GOVERNMENT AND CONTROL OF BERLIN

The Inter-Allied Governing Authority for Berlin provided for in the Agreement on Control Machinery and called the Kommandatura (as a result of combining German and Russian terminology) is organized along lines roughly parallel to those of the Allied Control Authority. The four Commandants of the US, British, French and Soviet troops garrisoning Berlin sit at the head of the Kommandatura. The Committee of Deputy Commandants, who are in charge of Military Government of the four Allied Sectors, serve in the capacity of Coordinating Committee. The Commandants’ Chiefs-of-Staff perform secretarial duties analogous to those of the Allied Secretariat of the ACA. Vis-à-vis the City government of Berlin, the following committees exercise functions similar to those planned for the Directorates of the ACA: Building and Housing; Cultural Affairs; Education and Religion; Electricity; Finance; Food; Fuel; Labor; Legal; Local Government; Monuments and Fine Arts; Personnel and Denazification; Property Control; Public Health; Public Safety; Posts and Telephone; Public Utilities; Trade and Industry; Transportation; and Welfare and Refugees.

As is well known the city of Berlin is a virtual international island in the Soviet zone and access to it from the western zones is governed by a limited number of air, train, and road corridors through the Soviet zone. Inside the city, however, there is freedom of movement between the various sectors. The area of international occupation and control corresponds to the city of “Greater Berlin”, as defined by municipal decree of 27 March 1938, which comprises 20 administrative districts (Verwaltungsbezirke), 8 of which are in the Soviet
Sector, 6 in the US, 4 in the British and 2 in the French Sector. Each administrative district has a local mayor while the central city government is in the hands of the Magistrat. By the terms of the new Provisional Constitution of 1946 under which the city at present operates, the Magistrat consists of a chief mayor, 3 mayors, and a maximum of 16 additional members who head the central city administrative departments. The first post-surrender Magistrat was Soviet appointed. As a result of municipal elections held October 20, 1946, a new Magistrat, chosen by the City Assembly, has taken office.

The city government of Berlin is an operating concern and the Kommandatura performs in miniature what the Control Council was originally intended to do for the whole of Germany. All the work of actual administration is undertaken by the Germans and the Kommandatura's functions are primarily those of control and direction. At the same time agreements are not always easy to reach in the Kommandatura and many of the problems handled by that body foreshadow those that will be met if all of Germany is administered and controlled on a uniform basis. One of the chief points at issue in the Kommandatura has been Soviet support of the Communist-dominated Socialist Unity Party (SED), and their reluctance to permit freedom of action to German agencies not under SED control. In general the delegations of the Western Powers, and particularly the US, have favored returning responsibility to German elected bodies as soon as possible and to as great a measure as is consistent with Allied objectives.

**THE US OFFICE OF MILITARY GOVERNMENT**

Although this report is concerned chiefly with the quadripartite administration of Germany, a brief description of one of the national elements, the Office of Military Government US (OMGUS) may assist in understanding the operation of the ACA as a whole.

OMGUS in Berlin is the central office from which Military Government in the US Zone is directed and comprises at the same time the US delegations and groups on the various bodies of the ACA. The French on the other hand run their zone from their military headquarters at Baden Baden and maintain in Berlin a smaller office which is, so to speak, their negotiating group in the ACA. The British are adopting the US pattern of unified control and negotiation, and this is also believed to be the system employed by the Soviets for whom, however, the problem of operating their zone from Berlin is considerably simpler.

OMGUS is an anomaly of US military organization since it corresponds to none of the general staff departments of US military
practice but is patterned roughly after the organization of the ACA, although certain adjustments have been made to meet special requirements including those of the zonal administration. The US Commander-in-Chief, who is US representative on the Control Council, is also US Military Governor. The Deputy Military Governor is the US member of the Coordinating Committee and head of OMGUS which is separate from US Forces Theater Headquarters at Frankfurt (USFET), although the latter has a small conventional staff division in G-5 which serves as liaison and also handles special military government problems such as displaced persons.

An organization chart of OMGUS is enclosed for reference.* The special advisers occupy the same position they hold in the ACA, and generally speaking the heads of OMGUS Divisions serve as the US members on ACA Directorates. Since Political Affairs is not regarded as an “operating” division, it is given a special status as a staff office, together with Information Control. Although an integral part of the OMGUS, military organization, the State Department Mission, which comprises the Office of Political Affairs is under the immediate jurisdiction of the Political Adviser. The head of the Office of Political Affairs is US member on the Political Directorate. In the ACA there is no Directorate of Information Control, but for this field there is a quadripartite group which is nominally a committee of the Political Directorate.

When policy on a particular question originates in Washington, it is referred to the appropriate Division in OMGUS. The Divisions themselves play a certain role in initiating policy and are responsible for coordination between each other as well as in certain cases with the US Military Government Coordinating Office established to supervise the work of the German three Laender council at Stuttgart. At weekly staff conferences with the heads of the Divisions, the Deputy Military Governor personally reviews the whole field of current activity and determines the course of action. As a member of the Coordinating Committee which passes on the work of the ACA Directorates, he is obliged to keep himself informed regarding the evolution of policy at each stage and the US position in respect thereto.

Military Government Legislation

The history of the occupation is reflected to some extent in the development of Allied legislation.

*Lt. Gen. Clay, the newly-appointed US Zone Commander, announced he will have his headquarters in Berlin and changes in the present organization will doubtless be made when he assumes office in March 1947. [Footnote in source text. The chart under reference is not reproduced here.]
As the Soviets fought their way into Germany from the East and the SHAEF forces from the West, they set up their own separate military government laws and regulations. Since the US, British and French armies were under combined command, uniform military government legislation prevailed in their areas of control. Shortly after the SHAEF forces had first set foot in Germany in September 1944, General Eisenhower issued his Proclamation No. 1 assuming supreme legislative, judicial and executive authority. SHAEF Law No. 1 abrogated Nazi legislation and SHAEF Ordinance No. 1 defined crimes and offenses against the occupation. In all some 15 laws and four ordinances were issued by SHAEF which likewise promulgated a certain number of formal notices to the German populace.

The combined SHAEF command formally came to an end with the promulgation on 14 July 1945 of Proclamation No. 1 by General Eisenhower who announced, in his new capacity as US Zone Commander, that all previous SHAEF legislation would remain in effect unless modified by him. In issuing new laws and ordinances, USFET, General Eisenhower’s new command, continued with the SHAEF number series.

Proclamation No. 1 of the Control Council dated 30 August 1945 announcing assumption by the Control Council of supreme authority in matters “affecting Germany as a whole”, provided that all military laws, proclamations, etc. previously issued by the respective Commanders-in-Chief for their respective zones should continue in force. At one of its early meetings in July 1945 the Kommandatura, the first quadripartite body to sit in Berlin, had already decided to retain in force the earlier regulations of the Soviet military administration in Berlin.) It will be recalled that Control Council Proclamation No. 2 set forth the additional terms to be imposed on Germany. Control Council Law No. 1 abrogated Nazi legislation on a Germany-wide basis, and thereafter followed the Control Council series of laws and ordinances.

The Control Council decided on 20 September 1945 that its acts would be executed in one of the following forms:

a. Proclamations: to be issued to announce matters or acts of special importance to the occupying powers or to the German people, or to both.

b. Laws: to be enacted on matters of general application, unless expressly provided otherwise.

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8 For the text of the Control Council Proclamation No. 1, see von Oppen, Documents on Germany, p. 58.
9 For the text of Control Council Proclamation No. 2, September 20, 1945, see ibid., p. 68. For the text of the Agreement on Certain Additional Requirements to be Imposed on Germany, as signed by the European Advisory Commission in London on July 25, 1945, see Foreign Relations, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1011.
c. Orders: to be issued in other cases when the Control Council has requirements to impose on Germany and when laws are not used.

d. Directives: to be issued to communicate policy or administrative decisions of the Control Council.

e. Instructions: to be issued in cases when the Control Council wishes to impose requirements direct upon a particular authority.

In all, the Control Authority has issued 43 laws, 4 orders, and 45 directives to date. Its prescriptions are theoretically paramount throughout Germany but in view of the powers of the respective zone commanders and since there exists no form of quadripartite inspection or examination, the extent to which ACA legislation is carried out in certain zones cannot always be definitely established.

It might be held that during the period of quadripartite control the ACA has not achieved a very full legislative record, but two factors must be borne in mind. The first is that apart from the abrogation of obnoxious Nazi statutes the main body of German law still continues in effect. Another consideration stressed in a recent meeting of the Coordinating Committee is that the Germans should bear primary responsibility for legislating on matters affecting themselves and that the Control Authority should limit itself to legislative matters relating directly to the occupation. In the absence of political and economic unity, disparities both in German and military government enactments have grown up between the zones. With a view to achieving some form of coordination a directive was issued on 20 September 1945 that the national delegations of the Legal Directorate should furnish currently to the Allied Secretariat information regarding military government regulations in their respective zones as well as data on the types, competence and procedure of the German courts.

In the present report references have been made to many basic statutes and laws which it would be impracticable to enclose. A compilation of the important documents can be readily found, however, in Title 23 of the US Military Government Regulations headed “Military Government Legislation”.

CONCLUDING COMMENTS

A word of comment may be useful by way of summary. That the present quadripartite administration of Germany has been a failure from the US standpoint is almost universally acknowledged. The machinery has been called upon to perform labors inconsistent with its original purposes. It was always intended, at least by the US and British, that the Allies should direct and control Germany. It was never envisaged that they should govern, and the present system has proved unequal to this unforeseen task.
The consequences of the failure to establish German governmental or central agencies are too well known to require rehearsal. A corollary deficiency is the inability of the present Allied machinery to develop. The more recalcitrant parties in the ACA have constantly maintained that with respect to Germany as a whole, only those agreements approved by the four governments are valid. Taken by and large these prescriptions are extremely meager as compared with the magnitude of the problems of Germany. Essentially they are: (a) the Declaration of 5 June 1945 on the Defeat of Germany and Assumption of Supreme Authority; (b) the EAC Agreement on Control Machinery; (c) the additional terms to be imposed on Germany promulgated in Control Council Proclamation No. 2; and (d) the Potsdam Agreement. The swift passage of events has already rendered many of these dispositions obsolescent. Attempts to move a step forward or away from the inadequacies of past decisions have been frustrated by the adherence of the more recalcitrant parties to the letter of the written statutes which they claim can only be amended by agreement of all the governments.

It is of course well known that even these agreements have not been honored by certain parties who have perverted to their own use the autonomy reserved to the zonal administrations. Under these conditions the Allied Control Authority has become a moribund organism incapable of withstanding the virus of Allied dissension. A living German organism, or democratic identity resistant to particular outside interests, has not evolved but in certain instances is in danger of degenerating into regional cell-clusters of forced growth. In other cases the zone commanders have exercised their supreme authority with restraint and a transitional advance to hoped-for unity has been achieved in the fusion of the US and British zones. Nevertheless, taking Germany as a whole, separate regimes have arisen which daily become more hardened by usage and established interest and which will be all the more difficult to absorb into a responsible and viable entity. Such is the history of the "first period" of Allied control.

Respectfully yours,

ROBERT MURPHY

740.00119 E.W./1-1747: Telegram

The Acting Political Adviser for Germany (Muccio) to the Secretary of State

SECRET

BERLIN, January 17, 1947—11 p.m.

161. Clay's prompt and effective query made at 99th meeting Coordinating Committee and Soviet member's reply (mytel 148, Jan-
uary 16\textsuperscript{10} place latest indication of Soviet policy towards Germany (outlined mytel 147, January 16\textsuperscript{11}) in a somewhat uncertain light. At the moment, Soviets have repudiated statement on a high quadripartite level without as yet agreeing to publications of repudiation, as result of which its sensational nature may at least temporarily continue to win them and Communist cause favor vis-à-vis German people. It is difficult to believe that these press and radio statements were unauthorized, including as they did feature publication in Soviet overt \textit{Taegliche Rundschau}\textsuperscript{12} and specific mention of both Sokolovsky and Kurotschkin, despite latter's denial in Coordinating Committee. Soviets did not anticipate being pressed at quadripartite level so quickly or firmly.

At any rate this latest indication of Soviet policy in Germany is interesting and presumably significant, coming as it does on the eve of the CFM discussions, following last autumn's electoral defeats of German Communist cause and several months in which Soviet propaganda has been charging Western Occupation Powers with seeking to protect and strengthen Germany.

Press and radio statements in question suggest attack away from economic exploitation in direction of another effort to win political support of German people. That this new statement was put out in the name of Socialist Unity Party even in the Soviet overt organ \textit{Taegliche Rundschat} suggests, however, that Soviets are still determined to pin their main hopes on German Communist leadership.

Soviets have earlier indicated there would be no further plant dismantling in their zone, having made such promises early as autumn 1945, again last summer in connection with nationalization of industry program, and, in fact, whenever such promises appeared appropriate to influence German opinion. However, this statement of Soviet intention was given much greater prominence than heretofore, and also more definite form through published commitment in contrast to previous verbal promises made by top Soviet officials to German political leaders. Furthermore, almost all plants of any importance in Soviet zone have by now either been dismantled or incorporated into the Soviet combines. Whether the 200 less 74 large concerns now to

\textsuperscript{10} Not printed; it reported that at the 99th Meeting of the Coordinating Committee of the Allied Control Authority for Germany, January 16, 1947, General Clay had asked the Soviet member, General Kurochkin, for a clarification of the statement issued on the previous day by the Central Secretariat of the Socialist Unity Party following a meeting with representatives of the Soviet Military Administration in Germany. General Kurochkin denied that Soviet officials had authorized the statement, but he would not give General Clay permission to advise the press that the statement was not correct (740.00119 EW/1-1947). For the text of the statement, see Ruhm von Oppen, \textit{Documents on Germany}, pp. 202-203.

\textsuperscript{11} Not printed.

\textsuperscript{12} Newspaper in the Soviet zone of Berlin published by Soviet authorities.
be recognized as part of the latter represent additions to this group is not known. It is also fair to ask whether these two examples of Soviet beneficence actually add up to very much from German viewpoint. Soviet promise to reduce deliveries of reparations from current production should be considered against background of apparent extreme shortage of consumption goods in USSR and political necessity of the regime to increase their supply. If this situation is as portrayed by Moscow's 80 to Dept January 14 [13], it might prove extremely difficult for Soviets to live up to this promise. As indicated by Clay, Sokolovsky's undertaking to raise level of industry in Soviet zone would appear criticizing as a unilateral action by one of the 4 Occupation Powers.

That Soviets saw fit to issue this new statement of policy now suggests possibility other surprises before Moscow meeting, as for example, plan for central German Government or new stand on present eastern frontier, to win further German opinion. Regards latter, Kremlin may be still too firmly committed to supporting Polish regime, though after January 19 elections[14] this will no longer be such a compelling consideration. It will be interesting to note effect of this declaration on Communist causes in both Poland and France.

Finally, despite Kurotschkin's statement in Coordinating Committee, Berlin Soviet controlled press January 17 continues emphasize this question. Neues Deutschland[15] and Tageliche Rundschau in particular feature articles containing comments by various Polish leaders on "Sokolovsky's declaration" and its great importance for the needs of German people.

Sent to Dept as 161; repeated to London for Ambassador Murphy as 26, Moscow as 26, Paris as 20.

Muccio

862.5043/2-147 : Telegram

The Acting Political Adviser for Germany (Muccio) to the Secretary of State

CONFIDENTIAL

URGENT

279. After three hour debate Berlin Kommandatura Jan 31 was unable to reach agreement on Free German Trade Union League (FDGB) electoral procedure and left question in abeyance without

[14] i.e., the Polish general elections.
extending life of present leadership beyond Feb 3 deadline. Remytel 251, Jan 29, America, Britain and France originally held out for three points raised by Britain in Jan 28 Deputies meeting. Soviet General Kotikov refused to accept any of them and once again denied Kommandatura right to interfere in what he called internal trade union affairs. Britain, supported by America and France, then offered to leave new directing committee at 45 members, to let FDGB city convention confirm legality of election of 18 union members on directing committee and to let present FDGB leadership choose a uniform key figure for ratio between members and delegates to borough FDGB and city union conventions. This was stated to be our absolute minimum position. When Kotikov became convinced that America, Britain and France would not yield further, he read a long and angry previously prepared statement denouncing western allies, particularly America, for holding up elections and trying to destroy FDGB. Statement charged US with following AF of L policy, with publicly criticizing trade unions of Soviet Union and Soviet zone, with seeking to impose outside ideas of organization on German unions. Kotikov concluded by saying Soviets would know how to meet this challenge and that present FDGB directing committee would continue in office for Soviet Berlin sector.

Vehemence of Soviet attack and absolute unwillingness to live up to their Jan 17 agreement are evidence of importance Soviets attach to maintaining SED domination over powerful FDGB (491,000 members as of Dec 31, 1945).

The trade unions are perhaps the last means short of blockade the SMA has of maintaining its power over the entire city of Berlin in spite of Oct 20 municipal elections. FDGB has co-decision on production and distribution plans in most Berlin economic enterprises. Through SED-dominated Dept of Labor it controls hiring, firing, social insurance, et cetera, and can paralyze any recalcitrant employer by taking skilled workers away from him. Through a contract signed with Soviet appointed magistrat it has right of co-decision on all hiring and firing of city employees. Its Appeals Commission, set up to implement this contract, contains six SED members and no others. Lord Mayor Ostrowski has just dismissed this commission but FDGB refuses to accept dismissal. Meanwhile SED officials who cannot be

15 Not printed; it reported on the status of negotiations for a revised electoral procedure for the FDGB and on the meeting of Allied Deputy Commandants for Berlin on January 28. The British, supported by the French and American Commandants, opposed three electoral procedure changes proposed by the Communist FDGB leadership aimed at nullifying the election of 18 FDGB directing-committee members by individual trade unions (862.5043/1-2947).

removed continue to dominate city administration. If present leadership of FDGB were replaced with non-SED leaders, which would almost certainly happen under democratic electoral procedure, the elected city govt. could then purge administration and control the city. Present disagreement among allies means FDGB probably will be dissolved in American, British and French sectors 0001 hours Feb. 4, unless sector commanders decide contrary. Dissolution would give western allies chance to build up new trade unions on democratic basis, but new unions would have no money and few other resources and would surely be fought by present FDGB leadership and entire Soviet controlled press and radio. Though some American and British officials are reluctant to be “union busters” and fear showdown fight, OMGUS manpower division feels that any other course would sacrifice basic democratic principles and considers it important that American labor movement give strong support to aid US Military Govt action in this matter.

Sent Dept as 279; repeated Moscow as 49; London for Murphy as 61; Paris as 39.

Department please relay to Moscow as Berlin’s 49.

Muccio

862.5043/2-547 : Telegram

The Acting Political Adviser for Germany (Muccio) to the Secretary of State

SECRET.

BERLIN, February 5, 1947—2 p.m.

300. Controversy over Berlin FDGB elections like 1946 struggle for Berlin municipal elections has serious implications some of which extend far beyond Berlin. Remytels 279, February 1 \(^{18}\) and 297 February 5. \(^{19}\) Most direct issue is whether Soviets can control through trade unions city they lost in political elections. It is questionable even if FDGB elections were carried on under procedure desired by Western Allies whether SED leadership would be thrown out and democratic unions created. Labor officer this mission believes that if workers knew party affiliations of candidates and had fair chance to vote they would eliminate SED control. On other hand 51,000 SPD members in Berlin (20,000 in FDGB) who would have to do bulk of fighting only slightly exceed number of shops in which elections would be held (50,000). SED has 120,000 members in Berlin, about 60,000 of whom are in FDGB. Entire trade union machine is SED

\(^{18}\) Supra.

\(^{19}\) Not printed; it reported that as the Berlin FDGB directing committee expired on February 3, 1947, both Germans and the western allies had adopted an attitude of watchful waiting (740.00119 Control (Germany)/2-547).
controlled. Headquarters and all important property including money and FDGB newspaper are in Soviet control. Union specialists like Paul Merker and Hans Jendretzky are more than match for harrassed and overworked SPD and CDU opposition leaders. Bribes to membership like Sokolovski and Kotikov distribution of cloth and shoes are potent arguments to cold and hungry Berliners which Western Allies cannot match. However, fact that Kotikov came to January 31 Kommandatura meeting prepared for disagreement indicates Soviets may be afraid of any election now.

Beyond Berlin [is the?] issue of control over all German unions and their possible incorporation into World Trade Union Federation. Fourth Inter-zonal Conference of Trade Unionists scheduled to open Berlin February 10. Reference my airgram A-1020, December 23, 1946. WFTU Delegation now touring Germany will attend, as will Henry Rutz of AFL. Soviets obviously wanted clearcut victory in Berlin before conference. Once again unity of German unions and eastern versus western concept of union organization will be on agenda and victory may go to biggest battalions. Soviet zone unions now claim about 3,500,000 members, Berlin FDGB 491,000. British zone over 1,750,000, American zone over 1,000,000, French zone about 250,000. However, it seems Soviet zone unions losing membership. Reliable report says Land Saxony has dropped from 1,200,000 to 975,000. Membership still rising in west, though leveling off American zone.

British and American zone trade union leaders opposed to Communist-controlled national union, but feel insecure and cannot fight national unity for long. Thus Berlin is apt to prove key point.

In view of above situation attitudes of occupying powers are crucial since German trade unionists extraordinarily sensitive to will of victors. US is only power which can take strong line opposing Soviet aims. High official British political division who is Labor Party stalwart says TUC would not countenance suppressing or splitting Berlin unions or any move opposing FDGB elections. Gautier, French Labor officer Berlin and close friend Jouhaux, has successfully urged strong anti-Soviet line here but expects momentarily to be overruled by Communist CGT leadership and by his Government. French MG in Baden Baden openly supporting WFTU aims and early formation national unions. US Manpower officers frankly admit they have not offered leadership, reason being mainly lack of aggressive and trained Manpower personnel detailed to Berlin MG and also lack of newprint and other means of helping Democratic opposition. OMGUS now assigning two good Labor Relations men to job.

* Not printed.
For time being only course is to organize and strengthen SPD and file opposition against SED leadership. SPD however, refuses to split unions on sector basis since this would justify SED attacks on "splitters of working class and lackeys of imperialist forces."

Christian Democratic Union will be negligible force in struggle.

Repeated to Paris for Eldridge and Kennan as 44, to London for Murphy and Berger as 67, to Moscow as 54.

Muccio

862.5043/2-1247 : Telegram

The Acting Political Adviser for Germany (Muccio) to the Secretary of State

CONFIDENTIAL

BERLIN, February 12, 1947—10 a.m.

354. Allied Kommandatura February 11th reached agreement on Berlin FDGB electoral procedure (reference my telegrams 279, February 121 and 297, February 522). Basis was Soviet compromise proposal secretly suggested to the French February 3rd and amended by French. Kommandatura now orders FDGB to set uniform key figure for all boroughs and all unions and directs that FDGB city conventions may approve only legality of election of 18 union members on new directing committee. New committee may have 45 members. Elections in 1948 must be held one year after 1947 elections. American representative in agreeing made reservation that United States does not consider electoral procedure final but assumes Kommandatura will examine later modifications as part of FDGB constitution. British said their attitude toward FDGB in future would be determined by its actions.

Background of agreement appears to be stiffened US attitude and increased militancy of SPD opposition within trade unions. FDGB staged series of shop meetings protesting Allied interference but nobody impressed. On February 7 FDGB directing committee met with directing committee of 18 unions and borough committees (mainly SED dominated) and resolved to ask Allies to keep hands off internal union matters. City chairman Roman Chwalek (KPD-SED), however, indicated in opening speech at this meeting that question of key figures and confirmation of 18 union representatives could be adjusted. Next day over 1,000 SPD trade union and works council functionaries meeting in freezing hall resolved non-confidence in present FDGB leadership and demanded city convention of dele-

21 Ante, p. 848.
22 Not printed.
gates elected directly from shops to straighten out disputed issues. Young SPD executive committee member Kurt Schmidt announced at this meeting that present SED trade union leadership would have to go if FDGB unity was to be preserved.

Kommandatura agreement sets stage for election struggle more bitter than that in January–February 1946. This time opposition will not be behind scenes but will fight in open. US information control division now conducting poll on membership attitudes.

Sent Department as 354; repeated Moscow 61; Paris as 52; London for Murphy and Berger as 77.

Muccio

740.00119 Control (Germany)/2-2647 : Telegram

The Acting Political Adviser for Germany (Muccio) to the Secretary of State

secret

Berlin, February 26, 1947—noon.

urgent

461. Presaging possible Soviet line at Moscow CFM, Marshal Sokolovsky at 56th [55th] meeting ACC February 25 read long prepared statement bitterly attacking US-British zonal fusion. He referred to reported plans for establishment of economic and political bi-zonal bodies and alluded to last Wiesbaden meeting of ministers presidents which had approved Political Committee to assume political direction (see Frankfurt’s 8, February 19). Reports indicated this body will have governmental authority and be in fact embryo govt. Since bi-zonal fusion produced such plans Sokolovsky considered clarification necessary on substance of agreement. ACC had no connection with bi-zonal fusion which in fact violated principles of quadripartite work and might endanger German political future.

According to Sokolovsky, first stated reason for fusion was to lighten burden US-British taxpayers. It was unjust to use such arguments in view of Soviet occupation costs. Now these arguments have been dropped and the taxpayers were paying for US-British monopolies. Agreement did not carry out Potsdam requirements for liquidation war potential and provision of reparations but instead encour-

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23 Telegram 732, March 28, 1947, from Berlin, not printed, reported that the Soviet-sponsored Socialist Unity Party leadership had scored a smashing victory in the Berlin FDGB elections on March 23. The telegram cited the following reasons for the SED victory: (1) FDGB indirect election procedure forbade political identification of candidates; (2) overwhelming strength of the SED apparatus supported by Soviet occupation authorities; (3) organization weakness of the Socialist Party opposition and its failure to mobilize membership (982.5043/3-2647).

24 For the text of Sokolovsky’s statement, see Ruhm von Oppen, Documents on Germany, pp. 211-217.

25 Not printed.
aged Fascism as represented by Junkers estates. Democratic world opinion had become aroused by these arrangements which gave full scope to Fascist elements. German leader Agartz had openly boasted about abrogation of Potsdam reparations decision. Germany cannot obtain confidence other nations by evading its reparations obligations.

Sokolovsky asserted that fusion represented separate economic plan embracing two-thirds German iron and steel industries; it militated against economic unity and produced concentrations violating Potsdam principles of equal distribution. Plan neglected inter-zonal trade and treated rest of Germany as a foreign country as shown by dollar payment demand for exports to French zone.

In Sokolovsky's view, ACC should aim at uniform standard of living. US-British fusion benefited nobody and meant splitting Germany. US credit of one billion dollars will place heavy burden on German debtors, will determine flow of trade and will enable US and British monopolists to dictate Germany's future. Taking advantage of occupation, plan deprives western zones of their independence and transforms them into appendages of western monopolies. Such economic penetration entails subjugation and uncontrolled activity of monopolists to sorrow of country concerned. It works serious damage to peaceful German economy and position in world market. Europe needs German grounds and can be assisted by a peaceful and independent Germany.

Sokolovsky asserted that if short-sighted bi-zonal policy prevails it will lead to partition of Germany and a threat to European security by enabling Junkers to regain control. New aggression will develop which will mean final disaster for Germany and Europe. ACC cannot stand accused of such incorrect policies before history and seriousness of situation forced him to raise matter for inquiry.

Dealing with political consequences, Sokolovsky attacked rearrangement of western Laender as artificial and aiming at transforming Germany from single national state to a number of small, competitive weak states. Allies were being invited to sanction a kind of "carcass" Germany and to set up a form of federalism like a United States of Germany restricted to the framework of a customs union. Sokolovsky doubted if federalist plan had popular support, particularly since in times of stress certain people are always prepared to betray their country. Federalism is the desire of the Junkers and monopolists. The German people should be allowed to express their view without restraint. Germany cannot be put back one hundred years.

Sokolovsky concluded that Allies had agreed to demilitarize Germany, remove Fascist remnants and develop it as a democratic peaceful nation which one day will take an equal place with the other peace
loving nations. This cannot be done by repeating mistakes of bi-zonal arrangement. He was confident that difficulties could be overcome by agreement along lines of Yalta and Potsdam Conferences.

Clay said he would advise his govt accordingly and pointed out fusion as agreed by US-British Govts after invitations had been extended to Soviet and French zones. He was not prepared to discuss statement but assumed it will be repeated at CFM.

British member denied existence of political fusion. As regards US and British monopolists whom he had not had the pleasure of meeting, he could give assurance that there has been no such transfer of ownership of industry to British hands as there has been to Soviet hands. With respect to alleged iniquities of bi-zonal fusion Soviet could remedy them by extending fusion to four zones.

In reply to Robertson’s question whether statement was for press, Sokolovsky said it will not appear in Soviet zone newspapers but he could not control press of other countries. Clay asked permission to publish Sokolovsky’s statement with US reply. Sokolovsky said he could answer neither yes nor no. Clay said that burden of remarks had already appeared in Soviet press; if statement were printed elsewhere than in Germany, he reserved right to publish his reply.

Repeated Paris as 76, Moscow as 92 and London for Ambassador Murphy as 100.

Muccio

740.00119 Control (Germany)/2-2647: Telegram

The Acting Political Adviser for Germany (Muccio) to the Secretary of State

SECRET BERLIN, February 26, 1947—8 p.m.

URGENT

467. Control Council Fifty-sixth [Fifty-fifth] meeting Feb 25 approved and signed law abolishing Prussia along lines of draft mentioned my telegram 444, Feb 24.26 Law will be promulgated March 1, 6 p.m. Section in report to CFM 27 dealing with Prussia simply contains text of law.

26 The telegram under reference is not printed. For the text of Control Council Law No. 46 on the abolition of the State of Prussia, see Germany 1947-1949, p. 151, or Ruhm von Oppen, Documents on Germany, pp. 210-211.

27 At the close of its Third Session in New York, November 4–December 12, 1946, the Council of Foreign Ministers agreed to instruct the Allied Control Council for Germany to submit by February 25, 1947, a report dealing with the work of the Control Council since its creation and the problems of the political, economic and financial situation of Germany; see Items II, 1 and III of CFM (46) (NY)74, December 12, 1946, Foreign Relations, 1946, vol. II, p. 1557. The final version of the Control Council’s Report to the Council of Foreign

Footnote continued on following page.
Control Council approved remaining sections of CFM report. Apparently out of pique Marshal Douglas absented himself from meeting and had Robertson read homily regarding haste and lack of consideration with which report was rushed through Coordinating Committee and ACC. Clay and Sokolovsky ironically thanked Robertson for his lecture but maintained ACC had acted correctly in completing work by date set by CFM. Sokolovsky thereafer read statement summarized in my telegram 461, Feb 26.28

Ten copies of report, each weighing over six pounds, left by air courier for Washington evening Feb 25. OMGUS summary and critical analysis being forwarded today.

Report is historical document clearly recording failure of present quadripartite government of Germany as frequently stressed by General Clay in Coordinating Committee meetings and as tacitly acknowledged by General McNarney at his last Berlin press conference on Feb 21. (See also this mission’s despatch 8336 of January 6.29) In effect ACA has not reached a single important decision since level of industry plan which in itself is not being implemented. Since deterioration of German situation and initial announcements last summer that Germany demanded attention of the Foreign Ministers, the ACA has taken no forward step but has actually retrogressed in relation to subsequent developments. This has occurred despite General Clay’s leadership and energetic efforts to assert ACA authority. Tendency and atmosphere of last few months has been to leave everything to CFM. Report presents vivid picture of separate zonal autonomies and will be found useful in delineating issues awaiting decision; it is impressive in foreshadowing magnitude of tasks facing Moscow Conference.

Sent to Dept as 467. Repeated Paris as 77 to Moscow as 93 and to London for Ambassador Murphy as 101.

MUCCIO

740.00119 Control (Germany)/3–1547: Telegram

_The Acting Political Adviser for Germany (Heath) to the Secretary of State_

SECRET

BERLIN, March 15, 1947—3 p.m.

644. Following recent establishment of so-called Arbeitsgemeinschaft between Socialist Unity Party (SED) in Berlin and Soviet

Ministers was divided into the following major sections: I. Demilitarization, II. Denazification, III. Democratization, IV. Economic Problems, V. Reparations, VI. Central Administration, VII. Population Transfers, VIII. Territorial Reorganization, IX. Liquidation of Prussia. The complete text of the Report, which has not been printed, is included in CFM Files, Lot M–88, Box 69. For General Clay’s description of the circumstances attending the preparation of the Control Council’s Report, see Clay, _Decision in Germany_, pp. 143–145.

28 Supra.

29 Not printed.
zone and Communist Party (KPD) in western zones (reference Morris' memorandum 227, February 26 addressed Raymond Murphy\(^{39}\)), it now appears Communists have decided endeavor spread SED immediately to western zones as well presumably with objective of presenting CFM with fait accompli including nation-wide SED capable of playing major role in establishment any central agencies or provisional government.

Prominent SED leaders, including Grotewohl and Pieck, began speaking tour American zone March 8, concentrating first on Hesse. Their speeches have emphasized necessity to establish united workers party throughout Germany. KPD convention for Hesse held March 8–9 formally endorsed constitution and objectives of SED, recommended all KPD organizations within land to consider merger of SED and KPD, and decided to hold special delegates convention to take “necessary organizational steps”. Neues Deutschland for March 11 described this action as of “great historical significance, and the first step towards merger of the two Socialist parties in western Germany.” Within last few days KPD leaders Hesse have inquired at local military government how party can change its identity and name to SED. This procedure will presumably be followed in remainder American zone if it proves successful Hesse. All available information still indicates, however, that vast majority SPD members American zone oppose merger idea. This also holds for British and French zones, except for certain localities where life is particularly hard, such as Ruhr and Hamburg. British, however, have thus far consistently refused to permit speaking tours their zone by SED leaders, on ground of absence of reciprocity for SPD and other leaders from western zones to visit Soviet zone, and fact that SPD not authorized there.

There is some difference of opinion in OMGUS as to whether: we can in fact forbid KPD changing its name to SED in our zone; and if we can do so, whether it would be wise. One school of thought believes that an SED so formed would attract so few social democrats that its hollow pretensions would rapidly become clear, thus not benefitting but in practice damaging the whole merger cause. However, it seems likely that SED would attract some Social Democrats, that the resulting party would be at least larger than present KPD and gradually attract more supporters. More important, we would thus permit extensions of a SED, organized almost year ago in northeastern Germany in a most undemocratic manner, to our zone, without at same time extracting any quid pro quo for reestablishment of SPD in Soviet zone. We would thus throw away trump card with which we might endeavor redress present situation Soviet zone, under which one of

\(^{39}\) The memorandum under reference is not printed.
main democratic parties has been forcibly suppressed and the two other
non-Communist ones (CDU and LDP) given such treatment that they
may be regarded as little more than stage effects to give illusion of
political democracy.

Under existing military government regulations we could well re-
quire referendum of members of both SPD and KPD throughout
American zone, on land basis, in order decide this issue democratically
as it was decided in Berlin last spring. Regardless of foregoing possi-
bility, I suggest we should indicate clearly that question of authorizing
SED in our zone hinges on equal rights for other parties
throughout Germany, i.e. including SPD in Soviet zone.

This may well be one of major decisions yet made regarding politi-
cal parties, and we would appreciate receiving views of Department
as soon as possible.

Sent to Department as 644; repeated Moscow for Ambassador
Murphy as 166; Paris as 105; London as 115.

HEATH

740.00119 Control (Germany) 2-1547 : Telegram
The Acting Secretary of State to the Acting Political Adviser for
Germany (Heath)

SECRET

WASHINGTON, March 21, 1947—7 p.m.

631. It is Dept's view that question raised urtel Mar 15 (rptd Mos-
cow for Murphy as 166) is mainly tactical one which should there-
fore be decided in the field where you and MG officials in close touch
with developments. Question one of tactics because no important
change in political balance appears to be involved in decision to refuse
or permit KPD to change name to SED in US zone. While reluctant
set forth definitive views on this subject on basis info available here
we glad outline tentative reaction to alternatives suggested urtel.

We are not convinced permission to let KPD change name to SED
in US zone would result in attracting large numbers SPD, with con-
sequent strengthening of SED organizations and weakening of rival
democratic parties. On contrary it is possible that those disgruntled
SPD members who might initially join SED would become thor-
oughly disillusioned, and that resulting demonstration of how SED
works and exposure of its weakness might prove of definite benefit
to all parties opposing SED and help to thwart SED hopes of bring-
ing leftist forces in western zones under its control.

Ambassador Murphy was in Moscow for the Fourth Session of the Council
of Foreign Ministers, March 10—April 24, 1947.

Supra.
As far as *quid pro quo* concerned we have some doubts regarding effectiveness bargaining SED entrance US zone against SPD entrance Sov zone. We understand technically SMA willing accept application SPD to function Sov zone but that SPD has not made application on grounds it would not be permitted function freely. As long as Soviets unwilling permit equal rights all political parties their zone, it is doubtful any practical results would follow attempt to bargain since they would advance technicality that SPD always at liberty submit application their zone. If, as we view it, practical realities of situation indicate little hope using this issue successfully as means opening up Sov zone to SPD, question reduces itself to local issue. We have idea SED leaders believe permission will be refused KPD to change name in US zone and that they intend use US refusal for propaganda purposes in order to claim “reactionary” US authorities oppose proletarian unity. Therefore, if granting request would not appreciably increase KPD (SED) strength in US zone and if bargaining this issue unlikely achieve real equalization rights all political parties in Sov zone, we see possible advantage in what would amount to surprise move on our part in interposing no objection to proposed change of name.

On basis foregoing we would not suggest requiring referendum on merger SPD and KPD, which of course would be one way to refuse SED entrance US zone. Rather than make permission SED in our zone conditional upon equal rights for SPD Sov zone, US authorities might reiterate US views regarding equal rights for all parties throughout Germany at time of granting request. These tentative views based on our estimate present situation. Situation may be clearer after CFM meeting Moscow when for example, *quid pro quo* may be easier to evaluate.

Sent Berlin as 631, rptd Moscow for Murphy as 620 Moskco 20.

Acheson

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740.00119 Control (Germany)/3–2447: Telegram

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

SECRET

Moscow, March 24, 1947—7 p.m.

983. Reported impending merger of German Socialist Unity Party (SED) of Berlin and Soviet zone with Communist Party (KPD) in western zones (Berlin’s 644, March 15, to Dept, repeated Moscow 166, Paris 105, London 155 [115] 33) appears from here to be significant

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33 *Ante*, p. 856.
step in Soviet program for extending its political influence into western zones. Not to take active measures to resist this tactic would seem to me failure in respect to our responsibility to protect democratic and progressive elements of US zone (mytel 33, January 7, repeated Berlin 4, Paris 2, London for Delscc 3, paragraph 8*).

Although it is not possible for Embassy Moscow to evaluate technical considerations raised in Deptel 631, March 21, to Berlin (repeated Moscow 602 [620]** I wish to express concurrence in Berlin’s general view that to permit this development without exacting substantial concrete reciprocal concessions from Russians would seem to be playing right into their hands. At same time I should add I fail to understand why SED leaders Grotewohl and Pieck are permitted to operate in US zone, and why democratic treatment of US zone requires opening the door to the very forces hostile to that democracy it is our avowed purpose to nourish and support. Granted that political leaders from the west have been admitted to the Soviet zone, the fact remains that we are bound to lose on such exchanges until we are in position to insure the same freedom for the emissaries of democracy from the west as we have been according the missionaries of Communism from the east. It would be naive to assume that such a condition exists now.

Sent Dept as 983, repeated Berlin 154, London 103. Dept pass to Paris as 83.

SMITH

740.00119 Control (Germany)/4-847: Telegram

The Acting Political Adviser for Germany (Heath) to the Secretary of State

SECRET

BERLIN, April 8, 1947—8 p.m.

830. ReDeptel 631, March 21,** and Moscow Embassy’s 154, March 24.*** In reply to specific inquiry from SED Central Secretariat re party’s authorization US Zone, CAD, OMGUS, has replied that we have no objection to holding of KPD conventions throughout American zone to express party sentiment on question of merging KPD with SED, reserving, however, right to approve or disapprove such organizational change at a later date. In this connection, SED’s attention was drawn to current Moscow Conference discussion re unification Germany and establishment national German organizations including parties. Brief statement along these lines, omitting however reference Moscow Conference discussions, appeared Neues

* Ante, p. 139.
** Supra.
*** Ante, p. 858.
**** Supra.
Deutschland and Taegliche Rundschau April 3; articles also announcing holding KPD conventions in all parts American zone during April for above purpose.

It seems clear that these conventions will unanimously vote for merger KPD US zone with SED. OMGUS plans consider question in light outcome Moscow discussions before making final decision either to admit SED in US Zone without requiring some quid pro quo, or requiring majority vote by both KPD and SPD party memberships.38

Though British have not yet made final decision re this matter, British Acting Political Adviser thinks they will not permit SED British Zone as long as a freely operating SPD is not permitted Soviet Zone. French Liaison Officer Stuttgart advises confidentially SED may be expected very shortly French Zone, possibly as result high level Paris negotiations. Thus far, however, no outward indications along this line.

Though opinion top SPD leaders is apparently not very strong either way, Schumacher seems inclined to think that authorization SED western zones would be good idea, tending to identify party and Communist cause there more closely with Soviets, and as SED would not be much larger than present KPD.

Sent to Dept, repeated to Moscow for Ambassador Murphy as 245 and to Paris as 144.

HEATH

862.00/4-1447: Telegram

The Acting Political Adviser for Germany (Heath) to the Secretary of State

CONFIDENTIAL

BERLIN, April 14, 1947—4 p.m.

871. Dramatic extraordinary session Berlin City Assembly April 11 voted non-confidence in Lord Mayor Otto Ostrowski (SPD) by 85 against 20 with one abstention. Remyetel 493, February 28.39 Motion

38Telegram 929, April 18, from Berlin, not printed, reported that Gen. Clay, during a press conference at Frankfurt on April 16, made the following statement regarding prospects for the authorization of the Socialist Unity Party to operate in the United States zone:

"Regarding authorization new parties, US policy insists only that they be organized on democratic foundations. I am not convinced SED established democratically. But as party has not yet made official application for authorization US zone, I cannot answer question. However, it is my opinion that its authorization is dependent upon that of SPD in Soviet Zone." (740.00119 Control (Germany)/4-1847)

39Not printed; it reported a strong movement among some German Socialist Party (SPD) leaders, who had long been critical of Ostrowski's delay in eliminating the excessive number of Communist officials from the city government, to force Ostrowski's resignation (862.00/2-2847).
of non-confidence was put by Ostrowski's own party and supported by CDU and LDP. SED leaders strongly defended Ostrowski. Motion was originally to demand resignation entire Magistrat. Necessary two-thirds majority to carry this was lacking since about ten CDU leaders were campaigning in British Zone elections and LDP would not support motion.

Although Ostrowski has not yet resigned, crisis of major importance in relations between Berlin city govt and allied Kommandatura may be forced by non-confidence vote. SPD dissatisfaction with Ostrowski stems not only from his inefficiency and his unauthorized coalition negotiations with SED but also from his failure to remove excessive SED members from city administration. Elected Magistrat was originally hindered from making widespread purge by contract between previous Soviet appointed Magistrat and FDGB, each have joint appeals commissions of six SED members final authority on hiring and firing. Ostrowski had legal authority denounce this contract but did not exercise it. SPD now intends renegotiate contract to eliminate FDGB political controls over city govt. Moreover, Magistrat feels hindered by Kommandatura agreement February 28 on leading persons whose hiring, firing or transfer require Kommandatura approval. In city assembly debates, SPD speakers pointed out that Ostrowski had asked Kommandatura for such directive. SPD leaders feel Ostrowski should have fired SED officials first and told Kommandatura of new appointments. As situation now exists, SED still runs city administration through its control of bureaucracy and sabotages from Communist policies.

SPD plans elect Ernst Reuter new Lord Mayor. Reuter is strong man and vigorously anti-Communist. He is now department chief for electricity and gas, Berlin Magistrat. Reuter has never been confirmed in office by Kommandatura because of Soviet opposition but holds position provisionally. Soviets have led steady fight in Kommandatura against him, charging inefficiency, failure obey Kommandatura electricity sub-committee orders and insolence to allied representatives. French have sided with Soviets in demanding his removal, which Americans and British oppose. Therefore seems certain Reuter would not be confirmed as Lord Mayor. Although he might be permitted provisionally hold office since Americans and British have never admitted that elected Magistrat members need Kommandatura approval, Soviets could prevent him from entering office. This would probably lead to SPD, CDU and possibly LDP refusal to govern Berlin further.

Russians through Kommandatura have already obstructed city government to point of exasperation through refusal permit reorganization education department and firing ten SPD officials there (Soviet
view agreed to by Kommandatura Education committee), rejection creation youth department and department for defense of democracy, refusal permit dissolution SED dominated womens committee, delay in handling some city assembly laws, attacks on Reuter and others, etc. French have often supported Soviets, and Americans and British have sometimes and reluctantly acceded to compromises on Soviet proposals when to have done otherwise appeared inadvisable. SPD directed by Schumacher now intends force showdown as to what democracy means as regards Berlin Govt.

Sent Department as 871; repeated Moscow for American Delegation CFM as 255, Paris as 149; London as 137.

HEATH

862.5043/4-1447: Telegram

The Acting Political Adviser for Germany (Heath) to the Secretary of State

CONFIDENTIAL

BERLIN, April 14, 1947—9 p.m.

879. Communists have made further progress in their attempt achieve control entire German Trade Union movement and seem still to be gaining strength among workers. Following are latest milestones in Communist march:

1. After winning 83 percent of delegates to Berlin FDGB city convention through allegedly non-political shop elections and borough conventions, SED easily elected new directing committee in March 29-30 convention (reference my telegram 732, March 26 40). SPD proposition announced rejection Walter Ulbricht's offer of one-third representation and contented itself with five members representing individual unions. Nevertheless, SED elected six more nominal SPD members, not members of independent democratic opposition. Composition new directing committee: 17 KPD, 13 non-Communist SED, 11 SPD, 4 CDU, 0 non-party. April 8 new directing committee elected executive of 7 SED, 1 CDU (Minna Amann), 1 SPD (Nicolaus Bernhard, who follows SED line and refused membership in opposition); Roman Chwalek (KPD-SED) remains first chairman, Hermann Schlimme (SED) second chairman, Bernhard third chairman. Thus Communists control 500,000 Berlin members in addition to 3,500,000 Soviet zone members. Only 3,000,000 in three western zones.

2. In last two months with active help Louis Saillant and at least no visible interference by French MG, Communists have gained almost all leading positions in French zone trade unions (500,000 members). Saillant appointed Communist to head Provisional Zonal Committee. By order Governor General, Henry Rutz, AF of L representative in Germany, now forbidden visit French zone.

40 Not printed.
3. Communists have long controlled most work councils of Ruhr miners, now hold 40 percent leading positions British zone miners union (250,000 members) including First Vice Presidency (Wilhelm Agartz). While doubt exists that they precipitated recent miners strikes, they certainly took leadership of them while Social Democratic leaders opposed strikes and counseled moderation.

4. Metal workers unions throughout Germany (1,000,000 members) now for all practical purposes under Communist control though some respected old SPD leaders still tolerated in top positions (Brunner, President Wuerttemberg-Baden metal workers; Max Bock, President Hessian’s Union.)

5. Trade Union Federations Nuremberg, Mannheim, Wiesbaden and other US zone cities effectively under Communist leadership.

6. At first official convention Bavarian Trade Union Federation March 27-29, Wilhelm Schmidt (KPD, former Bavarian de-Nazification Minister), who was not delegate and was forcibly excluded from hall, received 104 of 450 votes for Presidency and was elected to nine-man land executive with 170 votes.

Above information collected by labor officer this Mission from newspapers, OMGUS Manpower Division, Henry Rutz, SPD leaders, etc. Analysis of causes follows.

Sent Department as 879, repeated Moscow for American Delegation CFM as 258, to London as 141, to Paris as 151.

Heath

862.00/4-2347: Telegram

The Acting Political Adviser for Germany (Heath) to the Secretary of State

CONFIDENTIAL

BERLIN, April 23, 1947—9 p.m.

974. Crisis Berlin city government sharpened by resignation Lord Mayor Ostrowski April 17 and Soviet refusal accept it in Kommandatura April 22. Remytel 871, April 14. Uninterrupted attacks by SED press on SPD and CDU for forcing resignation presaged strong Soviet effort to prevent non-Communist majority from having its way, although city assembly has refrained from electing new Lord Mayor. Ostrowski has taken leave after appointing Luise Schroeder (SPD) his alternate. In Kommandatura April 22 Americans, British and French favored immediate acceptance Ostrowski’s resignation but Soviet proposed that local government committee investigate reasons behind it. When other Allies remained firm, General Kotikov read long statement accusing city assembly of playing politics instead of doing constructive administrative work, charging that SPD forced Ostrowski out because he was too friendly to Soviets, and complaining

4 Ante, p. 861.
of alleged American support to SPD intrigues. General Keating replied that political issue behind resignation was of no interest but that real issue was whether Allies were willing to let Germans govern themselves. After three hour debate, issue was postponed to special Kommandaturs meeting April 28.\footnote{At an extraordinary Kommandatura meeting on April 28, no agreement was reached regarding the acceptance of Ostrowski's resignation, and the matter was referred to the Allied Control Council.}

Sent Dept, repeated Moscow for American Delegation CFM as 290; Paris as 171; London as 158.

HEATH

862.00/4-2547: Telegram

The Acting Political Adviser for Germany (Heath) to the Secretary of State

BERLIN, April 25, 1947.

997. Soviet-overt Taegliche Rundschau, April 23, published text General Kotikov's statement\footnote{For the text of Gen. Kotikov's statement, see Berlin (West) Landesarchiv, Berlin: Quellen und Dokumente 1945-1951, 2 Halbbände (Berlin, Helmz Spitzing Verlag, 1964), No. 668, p. 1181.} in Kommandaturs April 22 on resignation Ostrowski (Remytel 974, April 23\footnote{Supra.}).

Colonel Howley in press conference afternoon April 23 answered this statement as follows:

It is not American policy to discuss differences among the Allies before the German press but we had no choice when one ally brings its own standpoint before the public. It offended our sense of political fairness when we must repeatedly see how the Soviet representative in Allied Kommandaturs attacked one of the political parties when this party could not defend itself. A part of the Soviet assertions also were not in accord with the facts. Functioning of the Democratic elected city government had up to now repeatedly been hindered by Soviet representatives in Kommandaturs. (Howley read extracts from minutes of Kommandaturs meetings to prove this point.) The Americans were of the opinion that city assembly may decide completely independently as to the qualifications of lord mayor and may freely elect successor to Ostrowski without necessity Allied approval. It was important that Berlin population know which power from first day of office of new magistrat had attempted oppose this city government. It was that power which tolerated no criticism of former city government which was the Communistic and SEDistic appointee of Red Army. Under the given circumstances the new city government had worked well according to American opinion, since it has been in office there has been no scandal and no disappearance of food has occurred as under the previous magistrat. (At this point, Howley read figures of food losses in 1945-46 and in name of American Military Govern-
ment Colonel denied interference in German political matters.) The assertions printed in *Tägliche Rundschau* were in American opinion not only a violation of Control Council Directive No. 40 but also a violation of gentlemen's agreement regarding secrecy of proceedings in Kommandatura. A year ago we said that it was of no concern to us whether SPD or some other party controlled government. We shall support any elected government. We had never attempted to kill any of the political parties in this city. Howley added opinion American MG that on basis provisional Berlin Constitution city assembly elected its own government which automatically takes office. Soviet MG had always been of opinion that every official must be approved by Kommandatura. Soviets also insisted that all measures of *magistrat* must be approved by Kommandatura. American view was that this would give present *magistrat* fewer rights than its predecessor which needed approval only in fundamental matters. In answer to question Howley declared he could not believe that a power would not approve Ostrowski's resignation, however, if this occurred then Ostrowski would remain in office since unanimous approval for his resignation was necessary.

British issued similar declaration April 23 concluding that since city assembly with overwhelming majority expressed non-competence against Ostrowski and he therefore resigned, allied Kommandatura has no choice but to recognize resignation.

April 25 *Tägliche Rundschau* and Soviet licensed press carried reply to Howley by Colonel Jelisarov which differed only slightly from Kotikov's original statement by which he attacked Ulrich Biel (official of American Berlin Military Government) for alleged support SPD intrigues.

HEATH

740.00119 Control (Germany)/5-547

Press Release Issued by the Office of Military Government (US), May 3, 1947

"US Military Government has received application from the Bavarian Communist Party (KPD) to merge with the Socialist Unity Party (SED) of Germany. Permission has been denied for the following reason:

"While the SED Party claims to represent an amalgamation of the Social Democratic and Communist Parties, no request has been received from Social Democratic (SPD) leaders to join in the proposed merger. Military Government cannot approve a change in"


"The source text was transmitted to the Department of State in telegram 1075, May 5, 1947, from Berlin, not printed."
name by the Communist Party in Bavaria to SED, which would imply an amalgamation of SPD and KPD that has not occurred.

"This decision is made without prejudice to the general freedom of operation which Military Government extends to all democratic political parties in the US zone of Germany. There is no objection to amalgamation of parties on a zonal basis, provided the merger is voluntary, mutual and corresponding to the wishes of the members of both parties concerned. The question of the status of Germany-wide political parties has not yet been decided by the Allied Control Authority."

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862.00/5–1147: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, May 11, 1947—noon.

1124. Visit to Frankfurt, Stuttgart and Munich this week afforded me opportunity to meet with the Minister Presidents of Hesse, Wuerttemberg-Baden, Bavaria and Bremen as well as other Germans including a trades-union delegation. Except for the immediate post-combat period in 1945 when Germans were stunned by events I have not found German morale any lower than it is today. In each conversation it was stated that Moscow Conference provided source of great deception not because Germans expected peace treaty but they did hope for decision concerning economic unity and some relief from uncertainty regarding their economic future. No encouragement was vouchsafed them. They expressed anxiety over possibility of US-USSR conflict with Germany occupying a painful position between the upper and nether millstones. This is particularly true in Bavaria. Worry is universal that in absence of allied agreement economic conditions will worsen leading to another terrible winter. There is evident a growing hopelessness based on inadequate diet, acute commodity scarcity, crowded housing conditions and uncertainty.

Bavaria's invitation, extended with our approval to all German Minister Presidents to meet at Munich June 6 stems from desire expressed by Minister Presidents US Zone to improve morale by demonstrating German initiative to cope with practical economic and social problems. The French and Soviet zonal authorities have not yet indicated whether they will approve attendance by Germans residing their respective zones. The keynote of this invitation is determination to improve conditions because "the German people physically and psychologically will be unable to stand another winter of hunger and cold under miserable housing conditions in destroyed cities and in economic and political hopelessness."
In our discussions with Germans we stressed the large and important US contribution of food making comparison with graver plight German people would have suffered if US deliveries of hundreds of millions of foodstuffs were not available. We are urging that continued emphasis be made by information media on this US assistance as compared with absence of any deliveries by USSR for example.

It is apparent that German sentiment is increasingly troubled. The shock of the combat period has subsided. Under pressure of economic misery German determination to survive will undoubtedly be manifest in future political action.

MURPHY

740.00119 Control (Germany)/5-2447: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

CONFIDENTIAL

BERLIN, May 24, 1947—6 p.m.

1255. Soviet member at yesterday’s Kommandatura meeting presented a statement sharply attacking the American attitude on question of relationships between the Kommandatura and Berlin city government organs. Soviets charged that American representatives are seeking to introduce the principle of “unanimous post disapproval of the actions of the authorities in Berlin” in violation of the agreement under which the allied Kommandatura exercises joint control of greater Berlin. This agreement, he stated, can only be changed by agreement of the allied governments. While the American delegation, he said, based its efforts to introduce this principle on allegation that time had come to delegate more freedom and independence to city government in control of Berlin (which he conceded was called for under the temporary constitution approved by the Kommandatura), he declared that the Kommandatura must never forget that occupation regime binds occupying powers to daily observance and control of activity of German organs and that allied Kommandatura has not been relieved of this necessity by Control Council or higher authority. He went on to cite a number of specific instances of alleged violations of Kommandatura orders by city functionaries and of disrespectful conduct toward the allies which the Kommandatura had failed to deal with because of the fruitless discussions in the Kommandatura under the “unanimous post disapproval” principle.

The statement ended by declaring that if the principles which had been agreed upon for control of Germany, and of Berlin in particular, have become burdensome for the US, then it is at liberty to open the question of revision of the four-power agreement of the “control
mechanism in Germany." His concluding words were that the Soviet delegation would not permit disorganization of the occupation regime in Berlin nor allow the allied Kommandatura to be reduced to the status of an unprivileged observer of city government activity.

When pressed by British chairman as to whether he wished to make specific proposal, Soviet member said he only wanted to insist upon observance of agreements under which allies are operating in Berlin.

American member made no reply except to say statement would require careful study.

Soviet statement will, by agreement, be on agenda of next meeting June 13.


MURPHY

740.00119 Control (Germany)/5-2947: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, May 29, 1947—4 p.m.

1287. Dismal atmosphere of disagreement prevented 123rd [meeting] Coordinating Committee May 28 from completing more than half of agenda.47 Items bearing on CFM decisions 48 reported below. Dratvin has succeeded less rigid member Kurochkin, who is reported to have left Berlin permanently.

(1) CORC distributed agreed CFM decisions to various directorates for action. Land reform referred to ECON for periodical progress reports. British chairman considered it waste of time to place on ACC agenda at present date list of disagreed questions in part 1, CFM document 148. Soviet member dissented stating ACC should attempt to resolve these disagreements preparatory to November CFM. CORC adopted solution that these questions could be raised in:

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47 The state of affairs in the Coordinating Committee had been described by Murphy in telegram 1107, May 7, from Berlin, not printed, as follows:

"Although marked by cordiality 121st meeting Coordinating Committee May 7 was largely unproductive and side-stepped most issues presented to it. Memory fails as to when in recent months Coordinating Committee has succeeded in reconciling differences in directorates resulting from largely Soviet and not infrequent French intransigence.

"In present state of impotence of control authority tendency has developed whereby Coordinating Committee has not attempted to debate conflicting positions of delegations in directorates but merely withdraws papers from agenda." (740.00119 Control (Germany)/5-747).

48 The decisions with respect to Germany of the Council of Foreign Ministers at its Fourth Session, Moscow, March 10—April 24, 1947, were transmitted to the Allied Control Council for Germany in document CFM (47) (M) 158, May 10, 1947, p. 470.
pertinent directorates on initiative of any member prepared to discuss them.

(2) With respect to reduction of armed forces, deadlock reached on definition and numbers (mytel 1107, May 7*). US and Britain insisted limitation should apply to all military personnel. Soviet and French maintained it should apply only to occupation forces exclusive of military personnel serving with and assisting military government administrations. French however prepared to consider limitation on latter. British and US ready to agree to any reasonable limit on latter group, and British chairman asked Soviet if he could accept 10,000 maximum. Latter replied he could only give figure for occupation forces. With respect to Soviet proposal maintained in ACA that US and Britain should have combined strength of 200,000 as against same figure for Soviet zone, British chairman stated that despite high regard for US, he opposed sharing armies and must insist on separate quota. He would accept 200,000 for Soviets provided Britain were authorized same maximum, which however, they might not utilize. Citing larger areas and populations of US-British zones, US member asked reason for parity of occupation forces claimed by Soviets. Soviet member said he could not answer and that he adhered to figure proposed for US-British zones. Question referred to Control Council May 31 meeting.

(3) In view of bitter feelings engendered in economic directorate over Soviet obstructionism in delaying departure of inter-allied commissions investigating war industrial potential, British Chairman expressed pessimism regarding agreement and proposed deferment of discussion pending completion of plan by July 1 for liquidation of category one plants as directed by CFM (mytel 665, March 19*). In reply to French question, Soviet member stated he agreed to dispatch of investigating teams although British member pointed out doubt existed as to their competence under directive 39. Coordinating Committee decided teams should depart within ten days and that ECON in meantime should complete category one liquidation plan and submit report on work of first group of teams dispatched in January.

Repeated London as 206, to Paris as 219 and to Moscow as 333.

MURPHY

*Not printed; it reported that the Coordinating Committee had decided to initiate action on decision of the Council of Foreign Ministers regarding the reduction of occupation forces in Germany without waiting for receipt of the official text of the CFM decisions (740.00119 Control (Germany)/5-747). At its 61st Meeting, May 10, 1947, the Control Council had confirmed the Committee's action.

*Not printed.
Secret

Berlin, June 1, 1947—3 p.m.

1313. 1. Control Council May 31 unable to resolve deadlock on reduction of armed forces (mytel 1299, May 29 \textsuperscript{21}). Soviets continued to insist on exclusion of military administration from reduction. With respect to numbers, Soviet member introduced novel and singular argument that Soviets required at least 100,000 more men than any combined figure for US and British Zones, because Berlin lay in center of their zone. Soviet member described Berlin as historic capital of Germany and major political and strategic point against which Soviets must safeguard themselves in any eventuality. Clay pointed out Berlin not yet chosen as new German capital and that its control was quadripartite responsibility. He did not insist on parity of forces and stated he could accept figure of 200,000 for Soviets and 140,000 for US. Clay also stated that if additional forces were necessary for security Berlin, US would be prepared to provide its proportional share. Sokolovsky rejected Clay’s assurance as unfounded and a paper commitment, stating that even if US was prepared to increase its forces in Berlin, there would be no accommodation for them since Soviets themselves were obliged by lack of housing to maintain their headquarters outside of Berlin. He mentioned Soviets had suffered more than other allies and referred to larger figure for Soviets proposed by Secretary Byrnes at New York CFM.

British member described Soviet argument as complete red herring and, stated on area and population basis, British were justified in claiming largest troop contingent but while insisting on theoretical right of party he would agree to 156,000 for British. French member suggested 70,000 figure for French Zone. Soviet member dismissed arguments regarding area and population as unimportant and stated Soviets in any event must have additional 100,000 men because of obligation to maintain security of Berlin.

ACC decided to report disagreement to govts but on Soviet suggestion, it was agreed that if any delegation receives “new information” from its Foreign Minister, discussion may be resumed.

It is evident that Sokolovsky was careful not to slam door on this question. British attitude has not been particularly helpful in obtaining agreement which would reduce ceiling of Soviet forces to 200,000. We know from statements made by Montgomery that British are deter-

\textsuperscript{21} Not printed.
minded to maintain in Germany for troop-training conveniences, difficult in England because of space and financial reasons, a force larger than strict occupational needs dictate. We know also that our own forces will suffer automatic reduction because of smaller appropriations.

As matters now stand in Germany, I see no political advantage in maintenance of large bodies of troops and I doubt that preliminary wrangling with Soviet High Command here will produce results. An analogous case is that of Czechoslovakia. Dept will recall our recommendation in 1945 for removal our forces without prior agreement with USSR. In absence of agreement latter did remove its troops from Czechoslovakia shortly after departure US forces.

I am convinced Soviet authorities also consider large forces in Germany political liability but will maintain them in proportion Allied troop total in western Germany zones. We are thus in vicious circle. I firmly believe we would be justified in taking our own initiative which in any event our appropriation condition will require. I believe General Clay substantially shares this view.

2. With respect to problem of Berlin mayor, Soviet member proposed ACC instruct Kommandatura to approve Ostrowski’s resignation, charge Frau Schroeder to perform temporarily functions of chief mayor, and direct magistrat to proceed with elections of new chief mayor (mytel 1300, May 29). US member accepted proposal on condition it did not sacrifice principle or create a precedent. British and French accepted on same basis. Thus was concluded weeks of debate in Kommandatura and CORC but the question of principle regarding prior or subsequent approval of municipal acts remains undecided.54

54 Not printed.
55 Subsequently a disagreement arose in the Berlin Kommandatura and in the Coordinating Committee regarding the interpretation of the Control Council’s decision on the procedure for the election of a new Berlin Mayor (Oberbürgermeister). The United States, British, and French representatives maintained that the election of a new mayor should be carried out by the Berlin City Assembly at the request of the Magistrat in accordance with the provisions of the Berlin Constitution. The Soviet representatives insisted that the Magistrat should elect the new Mayor. When the problem was again taken up by the Control Council at its 63rd Meeting, June 9, the Soviet Delegation indicated willingness to agree to the election of a new Mayor by the City Assembly if there was recognition of the principle that the election of the new Mayor required the unanimous approval of the Berlin Kommandatura. According to the Minutes of the Council’s meeting, (copy transmitted to the Department as enclosure 1 to despatch 10339, June 26, from Berlin, not printed), Gen. Clay made the following statement which was supported by Gen. Robertson:

"General Clay stated that he did not deviate from the principle that those acts of the Magistrat undertaken in accordance with the rights granted to it in
3. Sokolovsky announced Kurochkin had been given new post and that Dratvin would succeed him on Coordinating Committee.

Repeated London as 210, to Paris as 223, Moscow via Dept as 338.

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[At its 125th Meeting, June 17, 1947, the Coordinating Committee of the Allied Control Authority discussed the agreement reached on May 29, 1947, by American and British occupation authorities for the reorganization of bizonal economic agencies. For a report on this meeting, see page 926.]

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740.00119 Control (Germany)/7-1047: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, July 10, 1947—8 p.m.

1652. ACC discussion of Reuter case at 66th meeting, July 10 ended in a somewhat ambiguous conclusion (mytel 1637, July 9). Clay explained he had agreed to requirement of allied approval for chief mayor for reason Berlin Government should have quadripartite support (mytel 1404, June 10). He had not assumed that one delegate would exercise veto without presenting ACC with valid grounds. He would not expect colleagues to reject a candidate he simply did not like. Clay proposed Soviets submit statement of facts regarding Reuter to next ACC meeting for final decision.

Soviet member replied ACC decisions required unanimous and not majority vote. He reverted to Ryan July 7 press interview as gross

the Berlin Constitution do not require approval by the Allied Kommandatura. He was ready to agree that the election of the Oberbürgermeister by the Municipal Assembly in accordance with the Constitution should be submitted to the Allied Kommandatura for approval." (740.00119 Control (Germany)/8-2647)

The Council then agreed to instruct the Kommandatura to accept Ostrowski's resignation, to authorize Frau Schroeder to act temporarily as Mayor, and to instruct the City Assembly to elect a new Mayor subject to the approval of the Kommandatura.

Ernst Reuter was elected Lord Mayor (Oberbürgermeister) of Berlin by the Berlin City Assembly on June 24, 1947. At its meeting on June 27, the Allied Kommandatura failed to agree on the confirmation of Reuter's election. The American, British, and French Commandants all voted for approval, but the Soviet Commandant objected on the grounds that Reuter was unacceptable to Soviet authorities because of his alleged anti-Soviet attitudes. The question was considered by the Coordinating Committee at its 128th Meeting, July 8, but no agreement was reached.

Not printed; it reported on the Coordinating Committee meeting of July 8 (740.00119 Control (Germany)/7-847).

Not printed; it reported on the Control Council's 63rd Meeting, June 8; see footnote 54, p. 872.

In a statement to the press on July 7, Major General Ryan had outlined the disagreement in the Allied Kommandatura regarding the Reuter election.
violation of secrecy intended to exert pressure on Soviets. Pursuing line of Kotikov interview in this morning’s Taegliche Rundschau attacking SPD for making politics at the expense of efficient city administration, Soviet member pointed out SPD had elected Reuter in defiance of previously announced Soviet disapproval and were determined to place magistrat in opposition to occupation authorities. By supporting SPD, US and British made themselves responsible for present crisis which could only be resolved by election of another candidate. British member referred to Soviet obstructionism in opposing will of large majority in City Assembly. He opposed new election, since magistrat might re-elect Reuter, and he suggested magistrat be informed of non-approval of Reuter and that status quo be maintained with present acting chief mayor.

Soviet member proposed that Kommandatura be informed that no agreement was reached and that Reuter was not approved in view of Soviet objection; he indicated that new election should then be held. British member continued to oppose suggestion regarding new election. The ACC accepted above-mentioned draft of communication to Kommandatura with US member insisting that decision be published in communiqué.  


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740.00119 Control (Germany) /7-1247

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

No. 10442

Berlin, July 12, 1947.

Sir: I have the honor to inform the Department that Herr Jakob Kaiser, a leader of the CDU, called upon me and Mr. Heath and stated he was considerably disquieted over four recent developments:

(1) The recurrence of Soviet deportation of German technicians for work in the Soviet Union.

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58 The text of Kotikov’s interview is printed in Berlin: Quellen und Dokumente 1945-1951, 2 Hlb., No. 674, p. 1195.

59 After four weeks of disagreement regarding the form of the Allied notification on the Reuter case during which the United States Delegation had held out for inclusion of an indication that the Soviet objection was responsible for the non-approval of Reuter’s election, the Allied Kommandatura agreed on August 12 to notify the Berlin City Assembly as follows: “The Allied Kommandatura has not found it possible to approve Dr. Reuter in the post of Oberbürgermeister”; see telegram 1954, August 14, 1947, from Berlin, not printed (740.00119 Control (Germany)/8-1447). Frau Schroeder continued to serve as Acting Lord Mayor until December 1948.
(2) Increased pressure of the Soviet Military Administration on the CDU and the LDP to join with the SED in a "popular front" in the Russian Zone.

(3) The rumors that, as a consequence of the Anglo-American bizonal fusion and now of the "Marshall Plan", the western zones would completely separate from Soviet occupied Germany and that the western Allies would withdraw their representation from Berlin.

(4) The increasingly critical attitude of the CDU of western Germany towards Kaiser's efforts to maintain a modus vivendi with the Soviet Military Administration.

Inquiry was made of Kaiser whether he had a list of recent deportations of German technicians. He said he did not but would furnish one. He displayed a letter ordering an engineer in a Weimar factory to report to Chemnitz for a two-week period. It was remarked that this appeared to be only a temporary matter, but Kaiser insisted that it was a prelude to deportation.

Kaiser said that he was determined not to sacrifice what independence he had been able to maintain for the eastern CDU by putting it into a "popular front" under Communist (SED) domination. However, he was only able to wage a battle for party independence and existence because of the previous confidence of his local leaders that the western Allies would remain in Berlin. If the western powers were going to get out of Berlin, the fight was lost and the Bolshevization of the eastern zone of Germany, which was fairly advanced, would be speedily carried to completion. Kaiser left a memorandum presenting closely-reasoned arguments concerning the danger of a western withdrawal from Berlin. A summary is enclosed with this despatch. ⁶¹

Kaiser was informed personally that United States officials were far from entertaining the belief that the United States would withdraw its representation from Berlin. The United States was here by virtue of a quadripartite agreement, and it would stand on that agreement. The purpose of the bizonal arrangements with the British Zone ⁶² and of the "Marshall Plan" ⁶³ was not to separate Germany. Kaiser was informed that, on the contrary, they were necessary interim steps toward the goal of a unified, democratic Germany.

With respect to items (2) and (4) above, a point to be borne in mind is the tendency of the Berlin branches of the CDU and LDP to seek greater independence from the Soviet zonal organization of their parent parties. In the CDU the leader of this movement has been Herr

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⁶¹ Neither the Kaiser memorandum nor the summary are printed.
⁶² For documentation on American-British bizonal economic arrangements, see pp. 900 ff.
⁶³ For documentation on the European Recovery Plan (the Marshall Plan), see volume iii.
Landsberg, who has worked closely with the SPD but who was replaced by Herr Schreiber in the elections of this spring when party discipline was invoked to insure the choice of a Berlin party chief more amenable to the interests of the zonal party as represented by Herr Kaiser. Although the tendency toward revolt within the CDU has been stilled, the feelings of the Berlin CDU doubtless played a role in the decision to support the SPD candidacy of Reuter for chief mayor of Berlin. However, in the LDP, which comprises a medley of talents ranging from the lowest in mediocrity to a commendable height in independence, the Berlin branch staged an open revolt against Dr. Kuelz at the recent Eisenach party conference and presented a united minority opposition against his re-election as party chief by 253 against 23 votes.

Respectfully yours,  

ROBERT MURPHY

862.515/7-1847

The Department of State to the French Embassy

SECRET

AIDE-MÉMOIRE

It has been almost a year since the United States introduced in the Allied Control Council a proposal for a program of financial reform for Germany. As was then stated, the United States views financial reform along the lines of the United States proposal as an urgent and essential requisite to the revival of the German economy and to the stability of any eventual new German Government to be established along Democratic lines.

This aide-mémoire was also sent to the British Embassy. A memorandum of September 22, 1947, from Charles C. Hilliard, Assistant for Financial Policy, to Assistant Secretary of State Charles E. Salzman, provides the following information regarding this aide-mémoire. During the spring of 1947, British and French representatives on the Allied Control Authority for Germany had agreed to a Soviet proposal that at least a portion of any new German currency issue be printed in Leipzig in the Soviet Zone of Occupation. At a meeting of State, Treasury, and War Department representatives in Washington on June 17, 1947, it was agreed to instruct General Clay to try to obtain British and French agreement to return to their original position, which was also the American position, that the entire new issue of German currency be printed in Berlin. If such British and French agreement were attained, General Clay was to offer to place the Berlin Printing Office, located in the United States zone of that city, under full quadripartite control. If such agreement were not attainable, General Clay was to propose to the British and French that the printing of a new currency issue be initiated on a tripartite basis with the Soviet authorities informed and perhaps invited to send an observer. On July 18, 1947, pursuant to a teleconference between General Clay in Berlin, and General Hilldring and Assistant Secretary of War Petersen in Washington, the aide-mémoire printed here was sent to the French and British Embassies. As of September 22, 1947, no replies had been received from the British and French in response to the Department's aide-mémoire (862.515/6-1247).
Tentative agreement was reached in the Finance Directorate last Fall on the most urgent aspect of the proposal, namely, the replacement of the reichsmark by a new currency to be called the Deutschmark. Agreement has not been reached by the Occupying Powers on where the new currency is to be printed.

The United States proposed the printing of the new currency in the Reichsdrukkerei, which is located in the United States sector of Berlin, under quadripartite supervision which would extend to the distribution and issuance of the currency. To make the Reichsdrukkerei more accessible to all members of the Allied Control Council, the United States volunteered to place this facility under direct control of the Allied Control Council. In the view of the USSR, printing should proceed simultaneously in Berlin and in Leipzig (Soviet Zone) under quadripartite supervision. The Governments of France and the U.K. are understood to have agreed to either proposal provided adequate quadripartite supervision is established.

This Government maintains its position that the appropriate place for the printing of a new German currency to be used throughout Germany is in Berlin where the advantage of equal access by each of the four powers to the printing facility contrasts to the very limited access which will prevail in Leipzig. In addition, there is a further advantage to be gained in the efficiency of printing in a single establishment. In contrast, no particular advantages have been advanced by the USSR in support of its position. The United States Government cannot, therefore, accept the Soviet position.

However, the United States Government believes this impasse should not be continued. So long as currency reform is not achieved, the attainment of economic revival in Germany, which is important to all of Europe and to the attainment of the objectives of the Occupying Powers in Germany, is retarded. The Government of the United States proposes, therefore, that the governments of the United Kingdom and France agree to support the following:

Printing of a new currency for all of Germany should proceed in the Reichsdrukkerei in Berlin which would be placed under the direct control of the Allied Control Council. Should the USSR join in this view, the four powers should agree on the necessary measures to ensure effective and adequate quadripartite control over the printing, distribution, and conditions of issuance of the new currency.

The purposes of this proposal by the United States are manifest: Because of the urgency of a financial reform program it is considered essential that a new currency be available in the event of quadripartite agreement to proceed with such a program.

The United States cannot emphasize too strongly the importance which it attaches to this matter. The delay in introducing financial
reform in Germany has retarded materially the progress of the occupying powers in the achievement of their aims. Inasmuch as it has been estimated that at least eight months is required after the taking of a decision to proceed with the currency printing, before the new currency is available, proceeding with the printing of a currency at this time will keep to the minimum the additional time required between the decision to undertake quadripartite reform and the carrying out of that decision.

If the governments of the United Kingdom and France agree to the United States proposal, the United States representative to the Allied Control Council will be instructed to state the United States position in the Allied Control Council.

WASHINGTON, July 18, 1947.

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740.00119 Control (Germany)/7-3047: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, July 30, 1947—9 p.m.

1816. 1. Despite cordial and congratulatory mood occasioned by Sokolovsky’s return after two months absence and his receipt of Lenin order on fiftieth birthday, 67th ACC July 30 failed to bridge disagreement on audience for German Ministers Presidents (mytel 1759, July 24). Mentioning both draft statements criticized allies British member described Munich document as generally objective and moderate whereas Soviet zone declaration was malicious in many respects. Should Soviet zone representatives still wish to present document he opposed their reception since their object apparently was to exploit allied differences. US member regretted US press leakage on

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69 The German Ministers President met in conference in Munich on June 6, 1947, but the representatives of the Soviet zone withdrew soon after the conference opened. On June 9, the Ministers President assembled in Munich required the Allied Control Council to receive a delegation which would present the resolutions adopted by the conference. On June 20, the Ministers President of the Soviet zone asked the Allied Control Council for an opportunity to give their views on German economic and political unity. Telegram 1759, July 24, from Berlin, not printed, reporting on the 180th Meeting of the Allied Coordinating Committee, read in part as follows:

“In connection with suggested ACC audience of German Ministers-President COBC considered resolutions of Munich conference and inflammatory draft statement from Soviet zone Ministers President. British member [Brownjohn] declared Munich resolutions generally acceptable whereas Soviet zone statement consisted impertinent diatribe against western zones and credited western nations with intent of ‘tearing up Germany.’ While he was prepared for such remarks from his Soviet colleague, he would not accept them from Germans. US member [Keating] characterized statement as untrue and malicious criticism of western powers and said he was not prepared to receive officially now, or at any time, those responsible for it.” (740.00119 Control (Germany)/7-2447)
previous discussion of question. There was no subject which US was unwilling to see discussed by Germans but discussion must consist of constructive proposals, not destructive criticism. Clay affirmed he was not prepared to receive the Soviet zone German officials who made statements in question as long as latter remained expression of their views.

Soviet member engaged in long casuistical argument to effect that Munich and Soviet zone delegations described German situation as they saw it, that ACC could not force them to do otherwise, that neither delegation described present conditions as due to allies, that ACC had not asked either delegation for specific answers and that initiative for audience came from Munich Conference, that ACC had declared readiness two months ago to receive delegations and could not now conveniently refuse because statements were now not acceptable, etc. He said Soviet delegation had no objection to receiving representatives from all Laender. French opposed acceptance of documents and since there was no further discussion it was agreed question should be dropped from agenda and that each delegation in its discretion would inform Ministers Presidents in its zone.

[Here follow reports on other items considered by the Allied Control Council at this meeting.]

MURPHY

740.00119 Control (Germany)/S-847: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

[Extract]

SECRET

BERLIN, August 8, 1947—11 p.m.

1906.

1. Meeting discussed General Clay's proposal for printing currency (mytel 1816, July 30 60). Soviet member said his position unchanged and would not accept General Clay's proposal. French and British

60 Not printed; it reported on the proceedings of the 67th Meeting of the Allied Control Council, July 30, at which General Clay had proposed the following interim measure for the printing of a new German currency issue. The German State Printing Office would be removed from the United States sector of Berlin and be constituted as an enclave under the Allied Kommandatura. The Kommandatura would be instructed to proceed with the printing of a new currency issue without prejudice to the settlement of the question of whether currency would ultimately be printed in two places (740.00119 Control (Germany)/7-3047).
indicated they would accept any solution enabling printing under quadrupartite control and gladly agreed General Clay’s proposal.

British member made long statement on Soviet obstructionism: said failure to agree on currency printing was most humiliating of all disagreements as quadrupartite organization. All agreed currency reform urgently needed and can’t be carried out without new currency. No technical reason for producing currency elsewhere than Staatsdruckerei Berlin (this clearly established by quadrupartite experts). Berlin is obvious place as capital, seat of quadrupartite government and itself under quadrupartite administration. Soviet insistence on printing also in Leipzig is unreasonable but we would even agree that if only under quadrupartite control. Question has never been answered why Soviets insist on Leipzig. If they would give clear answer perhaps we could reach arrangement. Important factor is not where currency printed but what control is exercised over currency once printed. Allocation of currency to Four Powers must be by Four Power agreement. If misgivings as to size allotment is behind Soviet stand please say so frankly and perhaps their needs can be satisfied. British will not tolerate that matter to drag on in present ridiculous manner. That Control Council will make clear that those responsible for holding up matter are taking grave responsibility upon themselves.

United States member stated that if central German finance agency created he would agree to printing in Leipzig as well as Berlin but until then Berlin was only place acceptable to US.

Soviet member took exception British statement that this was “most humiliating of all disagreements”; said failure agreement on liquidation war potentials bordered not only on shame but on crime. Refused to re-state Soviet position on currency printing or answer British questions.

French member asked if US linked printing of new currency with creation of central German finance agency. US replied we favored latter but would not hold up new currency that account. Matter referred to Control Council.

MURPHY

740.00119 Control (Germany)/8-1247: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

BERLIN, August 12, 1947—9 p.m.

1933. 1. Soviet member at 68th meeting Control Council, August 11th, outlined following position re Clay’s proposal on currency
printing (paragraph 1, my telegram 1906, August 8th 67). Soviets had always maintained German financial reform is urgent. They did not feel that printing of currency should necessarily be tied up at this time with question of creation of issuing authority or central finance organization. They believed that in view of urgency of matter, ACC should not deny itself of large technical facilities existing in Leipzig in addition to Berlin printing plant. They would not object to currency printing under quadripartite control in any third or fourth place where there are facilities. Confining printing to Berlin would only increase difficulties. British member asked whether Soviet attitude on printing might be connected with occupation costs. Soviet member disclaimed any connection and reiterated reasons given above. As he saw it, length of occupation was related to progress in demilitarization and democratization of Germany and liquidation of war potential. Lack of progress in these fields would delay reduction in occupation and might even necessitate an increase in occupation force. French member expressed approval of any solution for printing under quadripartite control. Clay explained that his proposal was based on view that failing real quadripartite government of Germany, Berlin is quadripartite center where currency printing could best be carried out under necessary control; to show good faith he had suggested placing printing plant within an Allied enclave. British member pointed out he and French could accept either Soviet or United States position. At Clay’s suggestion ACC decided: (1) to keep question on agenda in suspense pending reports to their governments by respective delegations and receipt of possible new instructions; (2) to instruct Finance Directorate to collect raw material and arrange for supply of currency paper in order to save time pending later decision regarding nature of printing plates and place of printing.

2. Long and confused discussion ensued on question of preparation of further reparations lists, in course of which ACC was forced to seek clarification from French member Economic Directorate present at table (paragraph 5 my telegram 1906, August 8th 68). Soviet and French position in effect was that (a) Economic Directorate should continue with liquidation and delivery as reparations of strictly war plants; (b) that Economic continue with the evaluation of other plants which may be delivered as reparations or be destroyed as war potential. Soviets maintained that work on reparations lists should not be stopped but should be gradually completed; corrections and even great changes might have to be made with respect to plants to be retained following ACC or CFM decision on new level of industry,

67 Supra.
68 The paragraph of the telegram under reference has not been printed.
but present uncertainty should not be allowed to obstruct liquidation war potential. French member asserted that knowledge of interruption of work on reparations plan would have bad psychological effect on non-Germans. United States and British members insisted that preparation of lists additional to those relating to category one war plants, plants declared available as advance reparations or plants approved for evaluation would be waste of time since all delegations including Soviet had agreed that upward revision of industry level was necessary; it would be futile to evaluate plants that may not be allocated for reparations. ACC adopted following decision: (a) Economic will proceed with liquidation and delivery as reparations of strictly war plants and plants available for advance reparations; (b) Economic will complete evaluation of all plants placed on agreed lists for evaluation purposes; (c) ACC is unable to agree to compilation of additional lists for evaluation purposes at present time. Soviet and French delegations requested their position on latter point be recorded in minutes. (ACC incorrectly designated Economic for above functions which will be referred by Secretariat to RD and R Directorate).

Sent to Department as 1933; repeated to Paris as 339, London as 285, Moscow as 445.

MURPHY

USPOLAD Germany Files: 800C Other Pollt. Parties

The Political Adviser for Germany (Murphy) to the Director of the Office of European Affairs (Hickerson)

TOP SECRET

BERLIN, August 19, 1947.

DEAR JACK: In considering our basic objectives in Germany against the background of the current world situation, the question arises whether we should revoke the authorization of the Communist Parties (KPD) to operate in the several Laender in the American Zone.

You will recall that paragraph 5 of the new State-War-Navy directive to OMGUS provides for: "Encouraging bona fide democratic efforts and prohibiting those activities which would jeopardize genuinely democratic developments". Again, paragraph 8a states: "You will adhere to the policy of authorizing and encouraging all political parties whose programs, activities and structure demonstrate their allegiance to democratic principles".69

By now it seems clear that the German Communist Parties in the several Laender (KPD) and the Socialist Unity Party (SED) in the

Soviet Zone are not instruments of democratic development and, like other national Communist parties, are in fact dedicated to the destruction of democracy. As far as written statutes are concerned, about all one can lay a finger on is the last paragraph of the section of the official “Principles and Aims of the SED” entitled “The Fight for Socialism”:

“The present special situation in Germany which arose due to the collaboration of the reactionary despotism of the former State and the erection of a democratic state based on new economic principles, makes it possible to prevent the reactionary forces from stopping by means of despotism and civil war the final liberation of the working classes. The SED aims at following the democratic way leading to Socialism; however, it is prepared to use revolutionary means if the capitalist class forsakes the ground of democracy.”

Needless to say, Communist leaders have been careful to avoid a detailed discussion of just what this means. However, a close study of their tactics and propaganda, and particularly the so-called “immediate aims” of the SED, makes clear that the phrase “if the capitalist class forsakes the ground of democracy” can only mean successful opposition by the non-Communist elements to the establishment of an “anti-Fascist parliamentary democratic republic”, which in effect amounts to the “dictatorship of the proletariat”. Since such a state has already been largely realized in the Soviet Zone, this threat to resort to civil war can refer only to the western occupation zones. It should also be observed that the Communist party in the American Zone has subscribed to this official program of the SED. Thus we find the same threat to overthrow existing governmental forms which authorities in the U.S. have considered as justification for debarring Communists from holding certain offices and enjoying other privileges there.

The question therefore arises as to whether we are justified in continuing to authorize the KPD in the U.S. Zone as a democratic political party. If it is not such a party, should we not forbid it?

I feel that General Clay’s decision not to authorize the SED in our zone was absolutely correct, not only from a moral point of view but also from a tactical one. If we were now to prohibit the KPD as well, the Soviets might reply by suppressing the two remaining non-Communist parties existing in their zone. However, the latter (CDU and LDP) have very little real freedom at the present time; in fact, the Soviets probably find them useful only as stage scenery to give an impression of real political democracy. Hence, they might not prohibit them at all, and even if they did, this would make little practical difference to the control of that zone already exercised by the SED.

Even if, morally, we ought perhaps to forbid the KPD in our zone in view of its undemocratic nature and objectives, I doubt if this would be wise policy. It would tend to make martyrs of the Communists.
This might give a political movement, which at present is comparatively weak, considerably more support, particularly in a country where occupation powers, including our own, have become more and more unpopular in the last year or so. I also believe our Intelligence people would find it considerably more difficult to check on Communist activities and developments were the party prohibited.

One other aspect of this whole problem should also be mentioned. We might forbid the KPD in our zone and use this as a bargaining card to induce the Soviets to again license the SPD in their zone and permit it and the LDP and CDU to operate without persecution and on a basis of equal opportunity with the SED, i.e., in much the same way as a quadripartite bargain was struck in the spring of 1946 for the authorization of the SPD and SED in all four sectors of Berlin. Whether the Soviets would agree to such a bargain and whether it would in fact be worth while for the SPD to seek re-authorization in the Soviet Zone under present conditions—i.e., in the absence of quadripartite supervision of parties throughout Germany to ensure democratic practices—are of course important factors in evaluating the wisdom of such a step, and factors difficult to appraise.

I realize this is a difficult and complicated question. I should, however, be pleased to receive your views some time on it, after you have had an opportunity to discuss it with some of our friends and colleagues in the Department.

Sincerely yours,

ROBERT MURPHY

740.00119 Control (Germany)/8-1947: Telegram  
The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET  
BERLIN, August 19, 1947—8 p.m.

2000. With the approach of the CFM meetings speculation again becomes rife concerning possible changes in Soviet policy respecting Germany and as usual there is considerable conflicting evidence. Reliable German sources and the tacit acknowledgement of a Soviet official indicate however there may have been a shift of influence within the Soviet military administration on the side of the Foreign Office.

OMGUS officials report that the Soviets have shown a new cooperative spirit in fields of communications and transport. Soviets have recently facilitated and participated in reopening of interzonal and international telecommunications circuits. They have also reversed

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The reference here is to the Fifth Session of the Council of Foreign Ministers, London, November 25–December 12, 1947; for documentation on this session, see pp. 676 ff.
themselves in agreeing in transport directorate to discussion by the German rail administration of direct allied train paths between Berlin and Hamburg and Bremen and additional line to point north of Helmsedt. OMGUS Finance Division officers likewise report Soviet readiness to compromise on the points of previous disagreement on calculation of occupation costs and on amendment of Control Council Law No. 12. In other fields of ACA activity however, little change has been noted in Soviet attitude which remains obstructive and dilatory.

Leading German official in Soviet zone central administration has just given me interesting analysis of personalities in Soviet military headquarters. He is a German who claims he talks frankly to both Soviet and US representatives in the interest of trying to prevent a split of Germany and significantly enough he gave his views in presence of Schumacher of SPD with whom he has formed a cordial relationship. According to this German official the Soviet military administration has always been more inclined than the doctrinaire Moscow party group toward western cooperation at least in the sense of trying to hold Germany together. He claims Zhukov was definitely of this inclination and that Sokolovsky has an open mind on German questions. Source also gave Soviet Foreign Office delegation here credit for reasonableness. Koval, former Stakhanovite leader and old Communist fighter who is now Soviet economics Chief charged with reparations, is more unyielding. Koval rejected German official’s suggestion for preparing proposals for next CFM, saying latter could better employ his time working out Soviet zone economic plan for 1948 since allied divergencies in interpretation of Potsdam agreement were matter of record. Source connected Beria visits here with personnel questions recently openly discussed in well-informed US overt Neue Zeitung which wrote that Ivanov is now Moscow policy plenipotentiary in Berlin. Before proceeding to Moscow last week on consultation, Sokolovsky requested long interview with above mentioned German source who states he has repeatedly advised a Soviet policy in Germany which would make possible a compromise with the West.

At a recent social occasion at US official’s house Ivanov delivered a bitter and unprovoked outburst against US calling American press public enemy No. 1 and asking why “US is making war on USSR.” He accused US of forming separate German Government at Frankfurt and of building up Germany on new level of industry plan at the expense of legitimate reparations requirements of the USSR, intimat-
ing that Clay’s decision to suspend dismantling last year resulted from considerations deeper than lack of economic unity in Germany. Ivanov also expressed suspicion concerning series of separate conferences between US, British and French. He stated that “for first time the Russian people are beginning to hate the US.” Appropriate temperate reply was made to Ivanov and in later private conversation he confessed himself “terribly worried about current developments” and said he wished he were out of Germany. At the same time he declared “I am the one man here now who can discuss such matters.”

Conclusion may perhaps be drawn that within Soviet military administration there has been a group favoring compromise for the purpose of avoiding split of Germany or at least maintaining framework of quadripartite government for tactical purposes. Opposed to this may be the motivation that prompted rejection of the “Marshall Plan” and the belief that concessions in Germany are unnecessary on the theory that US aid cannot prevent economic deterioration rendering communization of Europe inevitable. Historically the German Communist Party has been the jewel in Moscow’s crown and its position and needs are furthermore likely to receive closest attention.

Jacob Kaiser of CDU still hopes that Germany can be held together, as against the views of Roger, astute editor of US licensed Tagesspiegel, who maintains the country is irretrievably divided. Kaiser nevertheless is haunted by the obsession that if the London CFM fails the allies will quit Berlin. Kaiser has stated privately that in latter event he will not emigrate to the west but will remain in Soviet zone as protagonist of democracy as long as he can. Kaiser may be influenced by his present loss of prestige in the west resulting from recent alliance between Josef Mueller and Adenauer. He has stated he has more in common with Schumacher than with Adenauer and it is not impossible he may engage in talks with former which may have a bearing on politics in bizonal area.

Sent Department as 2000, repeated London as 295, Paris as 354. Department please relay to Moscow as our 456.

Murphy

Editorial Note

At its 69th Meeting, August 30, 1947, the Allied Control Council discussed the new level of industry plan for the American and British zones of occupation. For a report on the meeting, see telegram 3006, September 1, from Berlin, page 1067.
The Political Adviser for Germany (Murphy) to the Secretary of State

TOP SECRET

BERLIN, September 6, 1947—4 p.m.

3043. Tagesspiegel and Telegraf, September 5, first reported mysterious disappearance Minister President Rudolf Paul of Thuringia and wife September 1, last seen motoring direction Berlin. Western licensed Berlin press September 6 continues reference this sensational news, reporting *inter alia* strict police control throughout Thuringia and along Soviet zone border, evidently connected efforts locate missing Paul. Thus far, Soviet licensed press has not mentioned case.

For Department's secret information only:

Following preliminary contacts with CIC agents some weeks ago, Paul and wife fled Berlin September 1, requesting reception American zone as political refugees. His defection from SED-SMA bandwagon is obviously most sensational such case to date, and intelligence agencies now questioning him in Heidelberg hope obtain much interesting information. His statements regarding election practices, political arrestees, reported existence concentration camps *et cetera* in Soviet zone may also prove valuable coming CFM. We have long regarded Paul as complete opportunist, until now willing to go far in SED service. He claims he decided to take this step only recently, when high Soviet official Thuringia told a German friend that Paul and his kind would be gotten rid of following London CFM, when "remaining bourgeois elements will be liquidated from leading positions Soviet zone”.

MURPHY

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Memorandum by the Secretary of the Office of the Political Adviser for German Affairs (Morris)²³

SECRET

[BERLIN, undated.]

In reviewing current Soviet policy in Germany, i.e., on the eve of the London CFM discussions, the following considerations appear pertinent.

Since the Moscow Conference, the general world situation has shown increasing tension between the USSR, her satellite states and

²³ The source text, which is undated, was transmitted to the Department as an enclosure to despatch 10913, September 16, 1947, from Berlin, not printed.
the Stalintern Communist movement, on the one hand, and the rest of the world on the other. Soviet-American negotiations as regards Austria, Korea and Japan do not suggest any moderation in the Soviet point of view—in fact, if anything, the contrary.

As regards Germany, the gulf between the Soviet and the western zones has, if anything, deepened since the Moscow CFM. In this connection, Soviet opposition to the Marshall Plan should be particularly noted. At the same time that the three western occupation powers are planning for the participation of their zones in the practical application of the Marshall Plan, it seems clear that the Soviet Zone will not be permitted to participate. Thus the economic split in Germany has increased very considerably.

These considerations suggest that the “hard” line taken by Molotov in Moscow will be pursued at London. As before, there is always the possibility of Soviet concessions in the economic sphere, in an attempt to gain material benefits from the western zones in the form of reparations. Most local observers are considerably more skeptical regarding such Soviet concessions than they were before the Moscow Conference.

At the same time, all available information indicates that the economic situation in the Soviet Zone is not only bad but that it will become even more serious during the coming winter. Reparations, removals, fuel, transport and raw material shortages should be mentioned in this connection, as well as the part played by the so-called Soviet AG’s. As Dr. Skrzypczynsky* pointed out to Ambassador Murphy in a recent conversation, these Soviet combines not only account for some 30% of total industrial production in the Soviet Zone, but what is even more important, pretty well dominate the basic industries. Therefore, the fact that their production goes almost entirely abroad without benefit to the German economy is already having serious economic results on the Zone.

Soviet (and German Communist) propaganda is stressing the unity of Germany more strongly than ever.† Prospects for actual unification appear slimmer than ever, due to differences between the occupation powers. The question therefore arises as to why Soviet propaganda

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* Head of the Ministry of Industry for the Soviet Zone and one of the key figures in its recently-organized Economic Commission. [Footnote in source text.]

† This is indicated not only by any review of the actual propaganda of the last few months, but by: Grotewohl’s remarks at the latest meeting of the SED Central Committee (see my Memorandum No. 291 dated September 8 addressed to Raymond Murphy, State Department); the trip through the western zones which former Ambassador Nadoiny is now making, under Soviet auspices, to collect signatures on a petition dealing with the demand for Germany’s unification; as well as Marshal Sokolovsky’s meeting with Kaiser and Lemmer on the eve of the CDU convention [September 4–8]. At this meeting, he strongly urged the ODU leaders to “fight harder than ever for the unity of Germany.” [Footnote in the source text. The memorandum No. 291 cited here has not been printed.]
continues to emphasize this theme. The answer is probably as follows. The Soviets hope to keep German minds off other controversial and less pleasant subjects, such as reparation demands, the eastern frontier, etc. At the same time, this propaganda helps give the impression that the Soviets are actually working for German unity. They probably hope that if they shout louder on this issue than the western occupation powers, this impression will be increased, despite the record of facts to date, i.e., unification on a bizonal basis alone. As regards the latter, there is every indication that by now the Soviets are distinctly worried, for after all, actions speak louder than words, and particularly in view of the possibility that before long the French may agree to unification on a trizonal basis. Meanwhile, however, the Soviet unification trumpet is being loudly blown.

Another interesting and increasingly predominant factor is Soviet condemnation of the Marshall Plan. It is clear that the vast majority of Germans strongly favor the Marshall Plan for Germany, including even numerous Communists as well as former Social Democrats now active in the SED.† The Soviets therefore might do well by soft-pedaling this propaganda. Such, however, is not the case.‡ Not only have they used every possible opportunity to themselves attack the Marshall Plan, but have evidently been making great efforts to induce prominent Germans to do likewise. This has been particularly noticeable in recent weeks as regards the CDU in the Soviet Zone. These Soviet efforts have, to my mind, been both ill-conceived and ineffective. They are, however, presumably typical of the rigidity which totalitarian regimes so often exhibit. In any case, the net result is a serious intensification of the present split in Germany.

As regards general propaganda, the Soviets have continued, at an increasing tempo, with bitter attacks on the policies and objectives of the western occupation powers, particularly “reactionary capitalist” America, under whose predatory influence the French and British have allegedly been coming more and more.

The present attitude of the Soviets towards the various German political parties can be summarized quite simply. The SED and KPD are still very much the favorite and trusted sons. In fact, the general world line of the Stalintern indicates increasing reliance everywhere on the experienced and trusted Communist elements. The Social Democrats are still “public enemy No. 1”. The Soviets are evidently pretty well satisfied with the Liberal Democrats (LDP) in their zone under

† See for example my Memorandum No. 291. [Footnote in source text.]
‡ This Mission’s telegram No. 1797 dated July 28 summarized a declaration by the SED Central Committee opposing the Marshall Plan; numerous press telegrams from this Mission have likewise referred to general Soviet and Communist propaganda of the same character. [Footnote in source text. The telegram cited here is not printed.]
the weak Kuelz leadership. In contrast, the Kaiser leadership of the Christian Democrats (CDU) has been under considerable pressure. It may be presumed that Karlshorst may make an effort after the London Conference to eliminate this remaining irritant in the Soviet Zone. Finally, there are some indications that despite continued reliance on the SED, the Soviets are considering developing a less radical mass political movement on strong nationalist lines, perhaps under the leadership of von Paulus. Such a party might be expected to weaken Kaiser’s present support, and attract elements which the SED has failed to do.

In any appraisal of Soviet policy in Germany, mention should also be made of the apparent division within the Soviet camp between the moderates and radicals, both in Karlshorst and possibly in Moscow as well. In the last few months the radicals have certainly had their way. I presume they will continue to do so, despite rumors to the contrary.†

Considered together, the above factors suggest that the Soviet delegation will not produce any great surprises at the London CFM, and give little reason to expect willingness to compromise on the part of the Soviets. If this analysis is correct, Germany will probably emerge from the London Conference even more seriously split than last spring, following the Moscow discussions.

If this is the case, the possibility remains that the Soviets may attempt to follow up the London Conference by some spectacular move, particularly in view of the deteriorating morale and internal situation in their occupation zone. The following possibilities should be noted. In the first place, a more formal zonal government might be set up,** which would of course have some psychological importance, and particularly so if the western occupation powers could be induced, by one means or another, to abandon Berlin. Furthermore, if part of the area now under Polish administration were “returned” to this “northeastern Germany”, Soviet political prestige might rise greatly. It seems unlikely that the Soviets will in fact reverse their present stand on the Oder–Neisse line in the near future,†† but sooner or later they may do so, for obvious political reasons. Again, there is always the possibility of a reversal in the Soviet policy to date of economic exploitation of Germany. Finally, it should be realized that with the

||See this Mission’s airgram A–473 dated September 4. [Footnote in source text. The airgram under reference is not printed.]
† See for example this Mission’s telegram No. 2000 dated August 19. [Footnote in source text. For the text of telegram 2000 from Berlin, see p. 584.]
** See this Mission’s airgram A–479, referred to above and airgram A–438 dated August 11. [Footnote in source text. Airgrams under reference here are not printed.]
†† See this Mission’s airgram A–498 dated September 11. [Footnote in source text. The airgram under reference is not printed.]
repatriation of the remaining German war prisoners from the USSR in accordance with the Moscow Agreement, the Soviet position vis-à-vis the German people will be considerably improved. These are some of the possibilities by which they may try and win back ground they have lost politically in the last two years. It seems likely, on balance, that of the above, only a new Soviet zonal government need be reckoned with in the period immediately following London. As long as we maintain our position in Berlin, this would have no great psychological effect.

Finally, all available evidence strongly suggests that the Soviets are still reckoning, more than ever, with a severe economic depression in the western capitalist world, which, as far as Germany is concerned, will block our endeavors to restore the economy of the western zones. The latter remains one of the central problems, as far as our German policy is concerned. If it can be solved, our basic objectives can still be realized. If not, prospects for political democracy in Germany appear remote, and in the long run, German Communism may be the victor. The Soviets are presumably just as aware of this situation as we are.

BREWSTER H. MORRIS

USPOLAD Germany Files: 800C Other Polit. Parties
The Director of the Office of European Affairs (Hickerson) to the Political Adviser for Germany (Murphy) 82

TOP SECRET
WASHINGTON, October 21, 1947.

Dear Bob, Your letter of August 19th 83 dealing with the desirability of revoking the authorization for the KPD to operate in the US zone raises a question which we have considered in the past, particularly at the time when we were working on the new SWNCC directive to OMGUS.

You will have noted that paragraph 8 (b) of the new directive contains the following sentence:

"... Every authorized political party should have the right freely to state its views and to present its candidates to the electorate, and you will tolerate no curtailment of nor hindrance to the exercise of that right; if, however, you find that an authorized party is adopting or advocating undemocratic practices or ideas, you may restrict or withdraw its rights and privileges." 84

82 All but the first paragraph of the source text was quoted in a letter of October 29, 1947, from Murphy to Gen. Clay, not printed.
83 Ante, p. 862.
In formulating the latter part of that sentence, we had expressly the question of the KPD in mind, and we sought to provide Military Government with a sufficiently flexible authority to deal with the problem of the KPD as it might develop.

We here are inclined to believe that the time has not yet come for prohibiting the KPD from operating in the US zone. We recognize that the situation may alter very quickly and believe, of course, that the matter requires continual surveillance and a continuing review of the decision. In particular, we will doubtless want to have another look at the question after the November CEF meeting.

From reports received here, we believe that it is preferable to let the KPD operate openly, that Communist activities can thereby be better watched, better controlled and better opposed. To prohibit the KPD would only drive Communist elements underground and make it more difficult for us to watch their operations. We have received several reports recently that the KPD in the Western zone is already organized to go underground on the expectation that the US authorities will ban the KPD. If the KPD does go underground, there is likely also to develop a more widespread penetration of the other political parties by the KPD elements. As long as the KPD is permitted to organize out in the open, it cannot afford to scatter its forces widely into the other political parties. There is also the danger that if the KPD is driven underground, there may develop either underground warfare between KPD and Nazi-minded elements or, what is even more likely, a nefarious cooperation which would be most detrimental to the successful development of democratic elements in Germany.

We are in complete agreement with General Clay's decision not to authorize the SED in our zone. We would only want to consider such authorization in the unlikely case that the Soviet authorities would permit the SPD to function freely in the Eastern zone. As long as the KPD remains operative in Western Germany and the opposition between the SPD and the KPD continues evident, we feel that the SED is bound to appear to the German people as the artificial creation it really is.

Although we do not believe that the KPD should be banned, we most certainly believe that its rights and privileges should be restricted wherever and whenever, in the judgment of Military Government, KPD actions exceed the bounds of propriety. If local KPD units were, for instance, to stage demonstrations that were in any way hostile to the occupying power, such units might well be dissolved either indefinitely or for a period of time in accordance with the nature of the offense. Care should be taken naturally that the Communists are not made to appear as martyrs in the eyes of the German
population, but whenever necessary we should rap them on the knuckles.

I do not think that we should ban the Communist party in our zone until such time as the Communists have made unequivocally manifest to the German people their own true anti-democratic character. It would not be wise in my opinion to have a prohibition against the KPD appear to the Germans as a small item in a larger Soviet-American conflict, rather than a proper result of local KPD conduct.

Although we would be hesitant now to approve prohibition of the KPD, we do not believe that there is any reason for Military Government to afford the same assistance to the KPD as to the other parties. To be sure, the new directive states in paragraph 8, b: "you will likewise give support to the principle that Military Government and the German authorities should afford non-discriminatory treatment to duly authorized political parties." In so far as non-discriminatory treatment under present circumstances may involve material assistance, say in the form of automobiles, gasoline, newsprint, office equipment, etc., I think that the non-Communist parties should be favored in material aid over the KPD. The principle of neutrality, however, should be carefully observed in our treatment of the genuinely democratic parties.

Sincerely yours,

John Hickerson

740.00119 Control (Germany)/10-3047 : Telegram
The Political Adviser for Germany (Murphy) to the Secretary of State

TOP SECRET

BERLIN, October 30, 1947—8 p.m.

3464. For the Secretary—Eyes Only. Referring to Clay’s statement at press conference on October 28 of his intention to carry out a frank expression of American views on Communism to the German people, Clay has instructed Information Control Division to conduct and manage this program. That division will be assisted by an advisory board consisting of directors of Political Affairs, Civil Affairs, Intelligence and Manpower Division. Information Control and Advisory Board are now considering a preliminary report of which the following is a summary:

A. General policy.

Press and radio material will not include attacks on other governments and specifically the Soviet Government, nor will attacks be made on leading personalities of other governments. Attacks will be concentrated on Communism as a system of government and its lack of protection of the rights of the individual. The effect of Communism as
applied in Russia and other countries and in the Soviet zone of Germany may be included. Use will be made of military government and other American personnel.

B. Overt operations.

All overt media will be used including all five radio stations. Radio programs will include talks by American and selected German personnel. Such programs will also include plays with entertainment value and critical of the Soviet system. The overt publications will carry anti-Communist material and present the American viewpoint towards Communism. The circulation of Die Neue Zeitung will be substantially increased and the War Department has been requested to supply additional newsprint for the purpose. With respect to information centers, they will participate in the program only to the extent of disseminating positive information with respect to the American system of democracy and will not ordinarily be used as distribution centers for anti-Communist material.

C. Licensed German press and magazines.

No pressure will be placed upon such licensees and they will retain freedom to express their own political views under limitations set forth in ACA directive 40 and ICD regulation 3. However, licensees will be advised that they may henceforth deal with the subject of Communism as a system and with the attempt being made to apply it in Germany and in other parts of the world, and describe how it functions in the Soviet Union. Criticism of the Soviet Government or of other governments, including their leading personalities, will not be permitted.

D. Interzonal flow of printed matter.

OMGUS will continue to support the principles of ACA directive 55. At present there is a heavy flow of vituperative anti-American material into the American zone from the Soviet zone. While protest may be made to the Soviet military administration regarding contents no action will be taken at this time to ban or confiscate the material. However, if printed matter from American zone is confiscated or refused distribution in Soviet zone retaliatory action in the form of ban or confiscation may subsequently be taken. There is evidence that the KP in US zone is acting as distributor for various anti-American publications and this action, which is in violation of ICD regulations, will be terminated. Party publications and pamphlets issued by the KP in the US zone must abide by ACA directive 40 in the same manner as German publications and will be suspended if violations take place. End summary.

OMGUS divisions represented on the Advisory Board have been requested to designate personnel for continued activity on this project and to submit a list of subjects for which they will be primarily responsible. Political Affairs Division will suggest that its primary contribution will be to make certain that publicity efforts under this program are consistent with American foreign policy toward the USSR. It is foreseen that cases may readily arise where propaganda material
of value inside Germany may have unfortunate reactions in other countries and Political Affairs will attempt to influence the output in such manner as to avoid these difficulties. Furthermore, Political Affairs will supply background information respecting Soviet foreign policy and particularly on its support of Communist activity and policies.

To be effective in this advisory board and to avoid inconsistencies and contradictions which may affect general Departmental policy towards the Soviet Union, I believe that I shall have to assign one officer full time to this project. Furthermore, I very much hope that the flow of information telegrams respecting Soviet action in all parts of the world and important American policy developments touching in any way upon the Soviet Union can be promptly and continuously telegraphed to USPolAd. Otherwise I fear that publicity material may appear in Germany which might contravene established American policies towards other countries.

General Clay has not yet given his final approval to the program outlined above but has indicated his general acquiescence in this plan. In this connection, please see an exchange of cables between Draper and Clay of October 29 and 30. If Department has any serious objections to the plans as outlined to date I recommend that this matter be discussed at once at high level with Department of the Army without reference to this telegram as the project is moving ahead and taking form here.

Murphy

740.00119 Control (Germany)/10–3047 : Telegram

The Acting Secretary of State to the Political Adviser for Germany (Murphy)

TOP SECRET

WASHINGTON, November 1, 1947—1 p.m.

2200. Personal for Murphy. Dept is discussing subject your 3464, Oct 30, with Army on basis info furnished by Army which corresponds generally your message. We propose agree in principle necessity stepped up propaganda in Germany subject to reservations concerned with necessity of overall coordination of policy. We have felt that German info policy has lagged behind our general program but are concerned that it may now go too far, especially with regard to timing

Airgram A–633, November 19, 1947, from Berlin, not printed, reported that the campaign entitled “Democracy versus Communism” was launched in Berlin on November 13 over the United States Zone radio network. In accordance with Gen. Clay’s instructions, the radio broadcasts were to be maintained “on high intellectual and philosophical plane without invective, invidious comparisons, or attacks on the Soviet Government, SMA, or Soviet officials.” The radio broadcasts were to be followed up in the press by factual information in support of the more generalized statements (740.00119 Control (Germany)/11–1947).

Neither printed.

Supra.
and emphasis. We will indicate to Army necessity avoid any action which would support charge US disregarding principles expressed in UN propaganda resolution."

Dept's own policy this subject has been under active consideration for some time and plans are well advanced. An ad hoc committee of SANACC is proposing as a matter of urgency a high level board to coordinate activities of State and Defense in field of political propaganda. If adopted, as seems likely, this will of course have important bearing on proposed German program. Pending such development we will urge on Army necessity of immediate coordination, particularly with respect to Austrian broadcasts and Voice of America programs in German. We will also request arrangement during this period for prompt transmission to State of info policy directives affecting Germany and will furnish those now regularly being prepared by Dept.

LOVETT

740.00119 Control (Germany)/11-647 : Telegram

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

SECRET

Moscow, November 6, 1947—8 p.m.

3177. Personal attention Hickerson. 1. For benefit floorwalkers our opinion.

Berlin’s 3329 October 13 to Department (repeated Moscow 529, Paris 461, London 356) is clear analysis German aspect of problem which would be presented by Soviet proposal withdrawal of occupation troops from Germany. From Moscow, however, problem appears to transcend German aspect and indeed so many advantages to Soviet power position in Europe would result from such withdrawal that it might seem to Kremlin well worthwhile in spite questionable strength SED in Eastern Germany and initial embarrassment to Communist Party propaganda line certain other countries. Elsewhere in Central and Eastern Europe withdrawal of Soviet troops would have minimal

On October 27, 1947, the First Committee of the United Nations General Assembly adopted a resolution on measures to be taken against propaganda and the inciters of a new war. The resolution was subsequently adopted by the General Assembly on November 8; for documentation on this resolution, see vol. 1, The deteriorating political climate in the General Assembly: the War-Mongering Resolution.

In early October 1947, a Paris newspaper had carried a report about a probably early Soviet proposal for the withdrawal of all occupation troops from Germany. Telegram 3329, October 13, from Berlin, not printed, stated that there was little information to confirm such a report and that the available evidence clearly suggested that German Communism, even in the Soviet Zone, was not yet sufficiently consolidated to risk the withdrawal of Red Army support. The telegram pointed out the very considerable strategic and psychological advantages which would accrue to the Soviet Union from any quadripartite withdrawal from Germany. (740.00119 Control (Germany)/10-1347)
effect considering advanced stage of Sovietization already achieved in most areas. Soviet zone Austria appears only probable exception, this principle, but an impoverished Austria languishing in Soviet controlled Danube basin could hardly become political factor of significance.

On other hand withdrawal from Germany of US and allied troops whose presence constitutes political, military and particularly psychological power factor bearing little relationship to their actual numbers and fire power would breach the Lubeck-Trieste line and thus open the gate to flow of Soviet influence into present power vacuum of Western Europe. Implications of such contingency are too obvious to require elaboration. Yet they must be pointed to if only clarify impossibility of US even considering such proposal until power factor now represented by allied troops replaced by native elements of stability. The propaganda problem this proposal would present to Soviet Union and its CP’s in countries bordering Germany should not be exaggerated. Communists are not subject to sustained embarrassment and Germany’s neighbors are presumably coming recognize exaggerated Communist emphasis on bogey of future German aggression as element general Soviet strategy in extending and consolidating its domination Central and Eastern Europe. At any rate CP supporters these areas could be reassured with assertion that Soviet Union had now acquired sufficient strength unilaterally to guarantee against rebirth German military imperialism.

On balance troop withdrawals would offer tremendous boost Soviet aspirations for domination Western Europe particularly if Kremlin, as it gives every indication of doing, really estimates “revolutionary situation” imminent in France and Italy.

2. The foregoing considerations in themselves explain why any show reluctance or hesitation on our part categorically to reject such proposal if made would, as Berlin telegram points out, indeed strike terror into hearts many Europeans and could not but have far-reaching political consequences. It would undo gains achieved by Marshall Plan and convince Europeans that reverting to traditional isolationism we were after all going pull out and let Europe stew in its own juice as in 1922.

My considered opinion is that US tactic face of such Soviet initiative at CFM should be clear and unqualified refusal consider proposal as bona fide contribution to resolution German problem at this time. Our position should be based on fact that when we accepted unconditional surrender we also assumed obligations regarding Germany which have not been fulfilled. Thus our refusal can be accompanied by declaration our desire and recital our many efforts, mostly
thwarted by Soviets, to achieve peace treaty and gradual reintegration of democratic Germany into European political and economic picture, our conviction troops should be first withdrawn from Austria, our offer of 40-year treaty, et cetera, without an application of qualified acceptance. This refusal should be coupled with cross-examination of Soviet delegation, based on careful selection and analysis Soviet policy statements on Germany since and before Potsdam, designed to highlight striking inconsistency and transparency such new Soviet task. In order to counteract propaganda value to Soviets inside Germany we should reiterate our belief in need for substantial rectification of Polish-German frontier. We have little left to lose in Poland and cannot afford to run risks where Germany is concerned.

4. It is perhaps noteworthy that Kremlin in weeks before CFM and since Cominform conference gives appearance of playing down Germany, possibly deliberately, since Soviet press and publications have shifted aggressive emphasis from that country to other areas principally France and Italy in accordance with Zhdanov line spelled out at conference.

5. If Kremlin is indeed planning advance proposal for troop withdrawals from Germany following precedent already established in Korea, in conviction that whether it be accepted or as is more probable rejected, Soviet Union would in either case draw concrete benefit, then possibility should not be excluded that Kremlin may contemplate a gesture in nature of Litvinoff's well-known disarmament proposal. Such proposal would not be limited Germany and Austria alone but would be expressly applicable as well such interesting areas as Greece, Indonesia, and in fact all territories with claim to independence on which there are stationed troops another nationality.

SMITH

740.00119 Control (Germany)/11-1147: Telegram

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

SECRET

BERLIN, November 11, 1947—2 p.m.

3550. Deptel 2240 November 6 and Rio's 1551 November 6 to Department.91

90 At the end of September 1947, representatives from the Communist Parties in the Soviet Union, Bulgaria, Rumania, Yugoslavia, Poland, Czechoslovakia, Italy, and France held a conference in Poland at which the decision was reached to establish a Communist Information Bureau.

91 Neither telegram under reference is printed; they were concerned with the effect of the rupture of diplomatic relations between Brazil and the Soviet Union on the status of the Brazilian Military Mission in Germany (740.00119 Control

Footnote continued on following page.
74th meeting Allied Control Council held November 10 failed agree status Brazilian military mission. British, French and US delegates presented practically identical views, stressing Brazil's participation in common war against Axis and fact that unanimous vote required both make and amend ACC decisions. US statement consisted paraphrase Department views stated Deptel 2240.

Despite unanimity western powers and their efforts indicate understanding Soviet dislike for future relations Brazilian military mission, Soviet representative remained adamant, claiming that fact that Soviets do not agree that Brazilian mission can be accredited Control Council means automatically it can no longer be. Soviet member indicated no desire force his views on other three zonal commanders in their relations with Brazilian mission as zonal commanders, i.e. as contrasted members Control Council.

Following considerable discussion which failed break deadlock, British member suggested only practical solution was for each member maintain his separate views. Council finally decided consider next item agenda, thus without either reaching any agreement or even a decision regarding question.

General Clay in receipt communication from Brazilian mission requesting US Government handle Brazilian interests Soviet zone. Mission will be informed we cannot comply since US member Control Council.

Sent Department as 3550; repeated London for Murphy as 403, Moscow as 561, Paris as 502. Department please relay Rio.

RIDDLEBERGER

(Germany)/10–3147 and 740.00119 Control (Germany)/11–647). Telegram 3476, October 31, from Berlin, not printed, reported that at the 73rd Meeting of the Allied Control Council on October 30, the Soviet representative had read a prepared statement attacking "reactionary and anti-democratic action of Brazilian and Chilean Governments" in breaking diplomatic relations with the Soviet Union "under pressure of internal Fascist groups and external influences". Marshal Sokolovsky maintained that the Soviet Military Authority would henceforth not recognize that the Brazilian Military Mission was accredited to the Allied Control Council and would not maintain any relations with it (740.00119 Control (Germany)/10–3147). Telegram 2240, November 6, to Berlin, instructed General Clay to state that it was the opinion of the United States that the status of the accreditation of the Brazilian Military Mission was in no way affected by the severance of diplomatic relations by the Brazilian Government with the Soviet Union and that the accreditation of the Brazilian Mission could not be terminated by the unilateral action of one Council member. The United States intended to continue to recognize the Brazilian Military Mission as an accredited representative to the Control Council (740.00119 Control (Germany)/10–3147).

Murphy was in London for the meetings of the Deputies for Germany in advance of the 5th Session of the Council of Foreign Ministers.
The Acting Political Adviser for Germany (Riddleberger) to the Secretary of State

BERLIN, November 22, 1947—2 p.m.

3611. Seventy-fifth Control Council meeting 21st November continued discussion of industrial police in US sector Berlin (3551, November 11). US member in attempt to meet desires of other members indicated willingness to place industrial police under ACA Public Safety Committee and subsequently to dissolve force and use Berlin auxiliary police if latter can be made to meet US needs. Pointed out only alternative would be to bring in additional US troops which he wished to avoid.

In concluding statement US member raised question how police force under control of occupying power can be regarded as more dangerous than one under German control. Soviet member opposed placing police under ACA as clearly matter for Kommandatura. US member agreed and after brief discussion meeting decided to return question to Kommandatura for determination in light of Control Council dissension.

Under other business French member announced introduction French franc in Saar as measure to alleviate difficulties arising from establishment of customs union between Saar and France in December 1946 and introduction special Saar mark in June 1947. US-UK members noted statement and reserved comment. Soviet member charged this was another unilateral separatist action by French whereby ACC was presented with another fait accompli on Saar. Stated Soviet position on Saar was defined at Moscow CFM and reserved further comment.

Soviet member then launched into 25-page diatribe unparalleled in Control Council both for time consumed and violence of charges. His tirade synthesized propaganda which has been pouring out of Moscow and Soviet-licensed German press and radio during past months on development in western zones. All the well-worn charges that quadripartite agreements on demilitarization, denazification, and democratization were being undermined and destroyed “behind the backs of the Control Council” were paraded.

He accused western powers of retaining military units and installations in their zones for purpose of “conversion to military base for

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93 Not printed; it reported that at the 74th Meeting of the Allied Control Council on November 10, there was a discussion of the Berlin industrial police which was organized and controlled by American authorities to protect certain installations for which the regular Berlin city police were unable to give adequate security (740.00119 Control (Germany)/11-1147).

94 For additional documentation regarding the special economic measures carried out by French occupation authorities in the Saar, see pp. 1073 ff.
Anglo-American imperialism in Central Europe”. Developments in Soviet zone were correspondingly whitewashed and eulogized. At conclusion British member made clear that courtesy alone required him to listen to such an issue of ludicrous, untruthful statements which had been refuted time and time again. US member proposed that statement in toto be included in press communiqué so public reply can be made before London CFM, since obviously can not be answered in Control Council before that date. Agreed to release statement. Text follows by airmail.56

Meeting agreed Control Council would not meet during CFM unless deemed necessary by Coordinating Committee.

Sent Department as 3611, repeated London for Murphy as 416; pouch to Moscow, Paris.

RIDDLEBERGER

862.00/12-647: Telegram

The Acting Political Adviser for Germany (Chase) to the Secretary of State

SECRET

BERLIN, December 6, 1947—5 p.m.

3679. While no more successful than that reported mytel 3646 November 29,56 in attracting non-Communist organizations, SED Peoples Congress, opening 6th, has apparently received support from appreciable number non-Communist individuals in western Germany, mostly people of no prominence.

FDGB directing committees, Soviet zone and Berlin, have elected delegates. Trade union executives of bizonia have refused. CDU Soviet zone executive December 2 decided not to participate but left door open for individual members, especially those having “other functions”, to participate. CDU declared Congress will have no real all-German or non-partisan character. Some Soviet zone CDU officials have announced acceptance, probably under pressure. LDP Soviet zone executive accepted December 1 with proviso that one-sided political exploitation of action be avoided and that LDP be given

56 For Gen. Clay’s account of Marshal Sokolovsky’s statement and his reaction thereto, see Clay, Decision in Germany, p. 161.

Telegram 3700, December 11, from Berlin, not printed, reported that the 145th Meeting of the Coordinating Committee, December 8—9, consumed almost twelve hours and consisted to a great extent of the Soviet member’s reiteration, with some new details, of Marshal Sokolovsky’s charges at this Control Council meeting (740.00119 Control (Germany)/12—1147).

55 Not printed; it reported that the Communist leadership of the Socialist Unity Party had invited democratic political parties, trade unions, peasant organizations, and others to join in a “German Peoples Congress” to be held in Berlin on December 6 and 7 for the purpose of electing a delegation to go to the Council of Foreign Ministers meeting in London. The telegram further reported that the principal non-Communist German parties were having nothing to do with the Congress which was unlikely to represent more than a fragment of the German populace (862.00/11—2947).
representation in planning committee. Berlin university student council voted to refuse participation.

At secret SED planning meeting December 4 Pieck declared telegrams from western zones showed that attendance will be surprisingly large and heterogeneous. Reliable source in position to know confirms this though apparently western delegates will be "little people".

Statement by Pieck and other private SED utterances furnish clue to motives Congress. SED never expected organized non-Communist support, therefore intended show that SED only true defender German interests and that non-Communist leaders are anti-national. Congress in attempt to split masses from non-Communist leadership, reminiscent of pre-Hitler "united front from below". SED propaganda for Congress is massive, concentrating on German unity, and has provoked considerable counter-propaganda in non-Communist press, thereby keeping issue before public. Slogan of German unity and national representation has been SED mainstay repeated over and over again since party's birth April 1946 and is hard to answer. Further motive is probably to regain support by SED membership, which has recently fallen away markedly. At SED executive meeting, Berlin, November 15–16, representatives from Soviet zone and western zones (Dahlem, Pieck, Koenen, Karsten, Gundelach, Sperling) reported trend and emphasized something must be done. How much popular support People's Congress can mobilize impossible state yet.

Pieck stated December 4 secret meeting that presidium of 60 will be elected at Congress and will, in turn, elect permanent executive presidium of 10. Latter will probably be made up of one representative each of SED, CDU, LDP, SPD (possibly), FDGB, PDJ, Kulturbund, Frauenbund, Consumer Cooperatives, and one other front organization. Plan published December 6 Tagesspiegel.

Pieck further stated favorable reaction from west led to scheduling trips there about December 12: Ulbricht and Ebert to Bremen; Gniffke, Dahlem, Merker, Kaethe Kern to Frankfurt, Mannheim, Stuttgart, Nuremberg, Munich for press conference. Dept and CFM delegation may wish to comment on desirability permitting these trips.77

Repeated London for Murphy 437 copies by pouch to Bremen, Frankfurt, Stuttgart, Munich.

CHASE

77 Telegram 2440, December 9, to Berlin, not printed, replied as follows:
"View here is that trips mentioned in last paragraph until 3679 Dec 6 are undesirable during CFM and should be stalled since their main purpose presumably is to seek further Western German support for SED Peoples Congress in order to create appearance that Peoples Congress is 'representative' of all Germany." (862.00/12–647).
THE OCCUPATION AND CONTROL OF GERMANY

740.00119 Control (Germany)/12-1447: Telegram

The Acting Political Adviser for Germany (Chase) to the Embassy in the United Kingdom

SECRET

BERLIN, [December 12, 1947].

3721. For Ambassador Murphy. Eleven hour meeting CDU executive December 11 attended by Capt Kratin, Lt Col Nazarov, did not pass vote against Kaiser. (Remytels 448 December 10 repeated Dept 3698 and 448 December 11 repeated Dept 3712 and 524 December 11.1

Before beginning meeting Kratin ordered no British or Americans allowed attend and shortly thereafter ejected Capt Browner, British CCG. Kaiser began meeting recounting Soviet attempts force CDU into Peoples Congress and remove him including Kratin's non-confidence declaration. Nuschke then asked Kaiser to resign. Lemmer spoke in Kaiser's defence as did Professor Hickman, Saxony Land Chairman, declaring SMA pressure on Soviet zone leaders beyond human endurance and paralyzing CDU. Herwegen, Saxony-Anhalt Chairman, spoke against Kaiser, followed by Wolf, Brandenburg Chairman, and Thuringian Chairman who spoke for him. During interim Soviet officers spoke with several members of whom some then asked Kaiser to resign. But no non-confidence resolution presented. Resolution by Nuschke to approve Peoples Congress not discussed, nor request that Steidle committee be heard. Conclusion was Land chairmen including Scheiber, Berlin, plus Kaiser and Lemmer would ask for meeting with SMA. Lobedanz, Mecklenburg chairman, absent owing sickness. Friedensburg, Berlin, came half hour before end and took no part. Reported CDU Managing Secretary Saxony as well as many other functionaries had had nervous breakdowns owing daily long "interviews" with Soviet officials. Managing Secretary of another Land removed by SMA account his opposition Peoples Con-

1 Not printed; it reported that the long-standing Soviet distrust of CDU Chairman, Jakob Kaiser, had culminated in a practically open attempt to force his resignation in view of his failure to participate in the SED People's Congress. According to trustworthy information, on December 6, Captain Kratin, the Soviet liaison officer to the CDU, visited Kaiser and said that all important members of the CDU in the Soviet zone of occupation were at the People's Congress, thereby proving that Kaiser was no longer viewed as the party leader. Kratin told Kaiser that he no longer enjoyed the confidence of the Soviet Military Administration. Subsequently, Soviet authorities brought pressure to bear on CDU members at the People's Congress to remove Kaiser as Chairman. On December 9, Kratin again visited Kaiser and asked him to resign, but Kaiser refused to resign except by order of the Soviet Military Administration or as a result of a non-confidence vote of the CDU convention. Kaiser had called a meeting of the CDU executive for December 11 (862.00/12-1047).

2 Not printed; it reported that the entire Western licensed Berlin press had reported Kratin's demand for Kaiser's resignation (862.00/12-1147).

3 Not found in Department files.
gress. Above believed factual and correctly reported western licensed Berlin press December 12.

In discussion with officer this mission December 12 Kaiser added following: never in history Soviet zone CDU has SMA pressure against its officials been so great as in last ten days. Only land chairman unmoved by Soviet tactics is old Professor Hickman. All others will break if these methods continue. No clear evidence Tulpanov really got Moscow order remove Kaiser but if pressure cannot be eased Kaiser and Lemmer will go to save others. Kaiser, however, pointed out to Soviets during December 11 meeting if they force him out they may thereby break up London Conference. This visibly moved Kratin.

In conversation with Lord Pakenham December 10 regarding this matter Kaiser asked whether Peoples Congress delegation would be received in London. Pakenham refused answer immediately but December 11 sent following written personal answer: ”I can express only my personal opinion; from British standpoint there is absolutely no prospect that proposal of delegation elected by unrepresentative congress would find our support.” (End first-hand Kaiser report).

Probably nothing more will happen Kaiser and Lemmer until they and land chairman interview SMA couple days hence. Questionable Soviets would proceed oust Kaiser by direct action unless possibility political unity zones extinguished.

Sent London for Murphy as 451, repeated Dept as 3721.

CHASE

740.00119 Control (Germany)/12-2347: Telegram

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

SECRET

LONDON, December 23, 1947—6 p.m.

6607. Embassy’s 6572, December 20, 2 p.m.² Kirkpatrick has already taken over Harvey’s duties Foreign Office. I called on him today and found him preoccupied with German questions.

Kirkpatrick said that three questions were engaging his particular attention: reparations, Four Power administration in Berlin, and the establishment of a central government. The first two seemed to him to be somewhat related.

He thought some reparations, however limited, should be paid the Russians. A carrot in that form might keep the Russians at least for a time from creating intolerable conditions for the British, Americans and French in Berlin.

The position of the British, Americans and French in Berlin, he thought, should be very carefully reviewed. If there was any doubt

² Not printed.
that their position could not be maintained, then he felt an announce-
ment should be made placing the blame on the Russians and a dignified
withdrawal made. An intolerable situation would be created if after
making it known that there was no intention of withdrawing, condi-
tions developed that compelled withdrawal.

It was essential in his view that a central government be established,
preferably at Frankfurt, promptly. It should be called a “provisional
government” and this should be widely publicized even though the
Russians were bound to call it a definitive government for the western
zones.

Sent Department 6607; repeated Berlin 537; Moscow 367.

GALLMAN

740.00119 Control (Germany)/12-2447: Telegram

The Political Adviser for Germany (Murphy) to the
Secretary of State

SECRET

BERLIN, December 24, 1947—4 p.m.

3786. Personal for Gallman. There seems to be surprising dis-
crepancy between the viewpoint attributed to Kirkpatrick 3 and our
understanding of Mr. Bevin’s views, particularly Kirkpatrick’s opin-
ion that central government should be established promptly, presum-
ably at Frankfurt.

On subject of payment of reparations to the Soviet Union, we, of
course, do not agree with Kirkpatrick’s view that the Russians should
be appeased in order to obtain respect for the Four-Power agreement
which authorizes the powers to occupy sectors in the greater Berlin
area.

Sent Department 3786, to Moscow as 598, for London as 464.

MURPHY

740.00119 Control (Germany)/12-2647

Memorandum by the Acting Chief of the Division of Central Eu-
ropean Affairs (Lightner) to the Deputy Director of the Office of
European Affairs (Reber) and the Assistant Secretary of State for
Occupied Areas (Saltzman) 4

SECRET

[WASHINGTON,] December 26, 1947.

The Problem:

To maintain the position of the Western Allies at Berlin in the face
of possible Soviet endeavors to effect the withdrawal of Western
Allied forces.

3 See telegram 6607, December 23, from London, supra.
4 The source text is endorsed “agree” by Reber and is initialled by Saltzman.
Discussion:

The *Washington Post*, December 21, carried the report that the Soviet Military authorities in Germany had announced their refusal to recognize Jacob Kaiser and Ernst Lemmer as the leaders of the CDU in the Soviet Zone. The ostensible reason was the unwillingness of Kaiser to bring his party into the German Peoples Congress organized by the SED in order to try to represent Germany at the London CFM. The newspaper article stated that Colonel Tulpanov of the SMA had acted against Kaiser on the basis of explicit orders given him by Molotov while passing through Berlin en route to Moscow after the breakup of the CFM at London.

The Soviet action against Kaiser at this time appears an important indication of their future policy in Germany. Kaiser has been under threat of removal for a long time on account of his independence. On the other hand, he has always maintained good personal relations with the Russians and he was useful to the Russians since his presence on the political scene in the Soviet Zone fostered the illusion that there was some freedom of political activity in Eastern Germany.

When the SMA was trying to drive the CDU into the "Peoples Congress," endeavors were made to induce the German functionaries in the CDU to replace Kaiser. Although several of the party leaders attempted to carry out the Russian desire, Kaiser retained sufficient support in the Executive Committee of the CDU to render these efforts unsuccessful.

The deposition of Kaiser at this time by ukase indicates that the Soviets are no longer concerned to maintain the pretense of free political activity in Eastern Germany and that the development in the Soviet Zone of Germany of a one-party or bloc totalitarian regime will be pushed along a course similar to that in the Eastern European satellites. A Communist-organized totalitarian regime in Eastern Germany cannot reach maximum effectiveness without Berlin as its capital.

Accordingly, I think that the Soviet decision on Kaiser indicates that we have to expect a determined Soviet effort to get the Western Allies out of Berlin. It is significant too that since the breakdown of the London Conference the Soviet-controlled press in Berlin has

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*Telegram 3790, December 29, from Berlin, not printed, reported that on December 20 the Soviet Military Administration issued an order recognizing the five Soviet Zone Land Chairman of the Christian Democratic Union as the interim party executive with whom the Soviet authorities would henceforth deal (740.00119 Control (Germany)/12-2047).*
been developing a propaganda line which puts in question the need for four-power occupation of Berlin.

The Russians might possibly seek to accomplish the withdrawal of the Western Allies from Berlin in the following ways:

1) The Soviet representative on the Allied Control Council could announce that in view of the breakdown of the CFM at London, quadripartite administration of Germany was no longer practicable, that accordingly the Allied Control Council should, if not be dissolved, discontinue its operation, that the quadripartite administration of the City of Berlin should be abandoned, and that the Western Allies should accordingly withdraw the bulk of their personnel from Berlin.

2) Without making an open request for Allied withdrawal, the Russians might boycott the ACA and Kommandatura at Berlin in order to induce the Western Allies to withdraw from Berlin on their own steam.

3) While continuing overtly to participate in the Allied Control Authority, the Russians might render more difficult communications, transport and supply relations between Berlin and the West, with the aim of squeezing us out.

It is manifestly in our political interest to stay at Berlin. Withdrawal of US power from Berlin would entail a great loss to US prestige in Central Europe. Moreover, exclusive Soviet control of Berlin would increase chances of Soviet success in their aim to bring Germany under their domination.

Recommendation:

Preparation should be undertaken for coordinated counter-measures in case developments take the course indicated above. Likewise we should investigate what actions on our part might make it more difficult for the Russians to undertake a Berlin offensive.

It is proposed that the Germany–Austria Secretariat in the first instance consider the Berlin situation. In view of the many ramifications of the problem, it is suggested that CIA and Department of the Army representatives be brought without delay into joint working level discussions and that Army representation from Plans and Operations Division and Supply organizations as well as from the Civil Affairs Division be sought. After preliminary consideration here contact with OMGUS should be established and the groundwork laid for continuing coordination between Washington and OMGUS on this issue.

At an early stage it would be desirable also to coordinate plans and measures with the British and French.
SECRET

Moscow, December 30, 1947—6 p.m.

3467. I share Murphy’s concern (Berlin’s 3786 to Department, December 24, repeated London 464, Moscow 598 \(^6\)) at Kirkpatrick’s views on the German question as recently expounded to Gallman. (London’s 6607 to Department December 23, repeated Berlin 537, Moscow 367 \(^7\)) To think in terms of appeasing the Russians in order maintain our position in Berlin seems to me to ignore what experience in dealing with the Soviet Government should have taught us. No doubt Russians will undertake noisy campaigns to scare us out of Berlin and endeavor create as unpleasant material conditions as possible to encourage such withdrawal. There are in fact indications that such a campaign has already been launched (Berlin’s 3762, December 19, to Department \(^8\)). Yet for us to yield to such blackmail would be most dangerous, although they may at times seem to be skating on pretty thin ice. I feel sure that Kremlin has no intention of pushing matters to breaking point on any European front at least until further consolidation and organization of satellite economies and military establishments has been achieved. If I am wrong, then the sooner the issue is joined the better.

On the other hand, precipitant establishment of a western German government followed by a separate peace with the West might indeed impel Kremlin take greater risks since such actions would be viewed from here as a positively aggressive move although the fundamentally imperialistic character of Soviet foreign policy is far clearer now than it was at Potsdam. I still believe we should continue base our attitude on firm insistence on our rights, together with an open door to any Soviet cooperative gesture no matter how remote a contingency the latter may seem to be.

Department pass Berlin as Moscow’s 618, London as 392.

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\(^6\) *Ante*, p. 905.

\(^7\) *Ante*, p. 804.

\(^8\) Not printed.
B. ECONOMIC COOPERATION, CONTROL, AND REHABILITATION IN THE AMERICAN, BRITISH AND FRENCH ZONES OF OCCUPATION IN GERMANY

1. Measures to Improve Economic Cooperation and Coordination in the United States-United Kingdom Bizonal Area; Reorganization of Bizonal Economic Agencies; the American-British Coal Talks in Washington, August-September; Measures for the Control and Management of the German Coal Industry; The Revision of the Bizonal Agreement of December 1946

740.00119 Control (Germany)/4-2747: Telegram

The Political Adviser for Germany (Murphy) to the Director of the Office of European Affairs (Matthews)

TOP SECRET

Berlin, April 27, 1947—3 p.m.

URGENT

1006. For Matthews. For delivery first thing Monday morning. There is repeated below for your info tel CC-8933 from Clay to General Noce regarding current negotiations with British on subject of economic controls under bi-zonal agreement.

As you know Mr Bevin is due in Berlin Monday and I believe Robertson will report to him on arrival present lack of success in agreeing on economic controls. You will note Clay's stated opinion that question should be considered on Govt level.

I have discussed at length with General Clay and he has agreed to the repetition of message below because Dept may shortly be informed of British reaction directly. Bevin will undoubtedly discuss matters with Clay Monday and Clay will restate his position and inform Bevin that he has requested instructions from his govt.⁹

You are aware of the importance of this question. It involves (1) the issue whether US is prepared contrary to existing policy to approve in western Germany a system of rigid central economic controls and planning with a similar system of central control of food distribution, (2) whether we are also prepared to go along with British in support of German Social Democrats' design for socialization of German enterprise which apparently has support of British Labor Party and Cabinet and (3) whether British plans do not contemplate a far greater expenditure of US appropriated funds than we shall be able even if willing to contribute.

I hope that you, Hilldring, Thorp, Chip¹¹ and Ben¹² can give urgent thought to this question before briefing the Secretary who has stated his active interest in the success of the bi-zonal operation.

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⁹ April 28.

¹⁰ Foreign Secretary Bevin passed through Berlin on his way to London following the conclusion of the Fourth Session of the Council of Foreign Ministers in Moscow, March 10-April 24. There is no indication in American records that Bevin met with Clay at that time.

¹¹ Charles E. Bohlen.

¹² Benjamin V. Cohen.
would like him to know that I am assured that Clay is every bit as eager to achieve that success. At the same time fundamental issues are involved which do require as basic policy matter top level study and decision.

Text of Clay’s message to Noce follows: 12a

“CinCEur Personal from Clay
AgWar for WDSCA Personal for Noce
TOP SECRET

This should be read in connection with my CC-8871.13 The British while in Moscow, raised the question of economic controls under the bi-zonal agreement. The operations at Minden 14 have, on the whole, been a failure as the main effort has been directed to planning the overall economy of the two zones rather than concentrated on the export program. (From CinCEur signed Clay) The German Chairman has also conducted an aggressive campaign to obtain a high degree of central authority and control. As a result, contracts let to date have resulted from initiative in the several Ländere and not from initiative at Minden. The British answer to the Minden problem is to develop a fully planned economy for both zones, under the rigid control of the bi-zonal German agency. Our sincere belief is that economic responsibilities (particularly for export programs) must be decentralized with the present responsibilities of the Minden agency largely concentrated on the allocation of scarce materials. It has neither the personnel nor the competence for the exercise of detailed central control.

The British program calls for a detailed regimentation of the German economy, which in my opinion would prove to be completely unacceptable to the American public. Moreover, it would require months if not years to develop the organization adequate to exercise such controls. Our own concept calls for the minimum control of selected scarce materials which would give private enterprise and initiative an opportunity to participate in rehabilitation.

It is interesting to note that shortly after the bi-zonal economic agency was formed, the SPD Party, through very astute political maneuvering, succeeded in ousting Doctor Muller (a non-political figure) and replacing him with Doctor Agartz who has announced frequently that his principal mission is socialization. Our intelligence reports have indicated that Schumacher and Agartz received British support in making their political maneuver successful, and that Schumacher head of SPD in British zone was promised that Agartz would receive a much greater authority than he has actually been given.

Robertson visited me today, insisting that he must have an agreement before Mister Bevin reached Berlin from Moscow on Monday. This was in spite of a previous agreement which established working parties to study the several related problems. These working parties

12a Message sent as CC-8933.
13 Not printed.
14 Many of the bi-partite boards established under the December 1946 American-British agreement for bizonal economic fusion were located in Minden in the British Zone of Occupation.
have not yet had time to report. Draper and I went as far as possible to meet Robertson’s views; however, we could not agree to accept in principle the establishment of a rigid centrally controlled German economy in the absence of German political responsibility. Such control is inconsistent with our desires for decentralization and if established would destroy the political gains which have been made in our own zone. It looks like a direct effort to introduce Socialistic controls which would pave the way to the complete socialization of the bizonal area. Robertson stated that in the absence of such an agreement he could proceed no further in discussion without governmental authority. I assume that this means that the entire question must be placed on a governmental level, although I suppose this may depend somewhat on Gen. Robertson’s report to Mr. Bevin on Monday.

This is a regrettable and unexpected development, as prior to his trip to Moscow Robertson and I had always been able to work out agreements here. He is obviously, however, under strict instructions and great pressure from his govt to obtain agreement for a centrally controlled economy before proceeding into the ways and means of immediately improving the export program.

The Secretary of State had advised me on his trip through Berlin of his own desire for the bizonal arrangement to be successful and expressed the hope that Robertson and I would be able to reach agreement. Please advise him that in full sincerity, I have tried hard to do so but have found thus far that the agreement could be effected here only by complete acceptance of the British terms. I am sure that these terms are not consistent with our political objectives in Germany and even more sure that they would not be acceptable to the American business men and bankers on whom we must depend in the final analysis for the success, not only of our export program, but for subsequent financing to enlarge the export program. I regret that the problem has to pass to governmental level but see no other recourse.

A copy of this radio is being sent direct to State Dept.”

MURPHY

USPOLLAD Germany Files: Telegram
The United States Military Governor for Germany (Clay) to the
Chief of the Civil Affairs Division, War Department (Nose)

TOP SECRET
PRIORITY

CC-8959. This is an important message. In reading it please refer to our previous radios numbered CC-8871 and CC-8933.

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15 Secretary of State Marshall conferred with Gen. Clay in Berlin on April 25. No official record of that meeting has been found, but for a brief description, see Clay, Decision in Germany, p. 174.
17 Not printed.
18 The text of the message under reference is included in telegram 1006, April 27, from Berlin, supra.
Robertson returned to my office for further conference this morning, having had the opportunity to discuss our previous conference with Mr. Bevin. He was much more moderate and no longer demanded an immediate decision with respect to our acceptance of a highly centralized controlled German economy. He was also prepared to resume all agreed studies and perhaps to accept our proposals for immediate short-cuts in present Minden procedures which should have an early stimulating effect on our lagging export program.

Robertson again brought up the question of Bizonal Political Fusion. He stated that Mr. Bevin was reluctant to consider a full Political Fusion pending the November conference. However, he proposed as his own view without committing his Government the establishment of a Bizonal German Economic Council, the members of which would be elected by the several *landtags*. The council would select an executive director who would have approximately the status and authority in the 2 zones of a Reichsminister for economics. The Bizonal Council thus would become a political body which, however, would be limited in its sphere of activity to economic matters only. To render it less susceptible to Soviet criticism he proposes to emphasize its part in developing the revised reparations plan and in effecting deliveries.

This raises the question as to the advisability of half-way measures. Full political fusion of the 2 zones would eliminate many of our present difficulties without destroying the political gains, and particularly the strong feeling of States' rights which have developed in encouraging fashion in the American Zone. A half-way measure will not resolve the political differences existing in Germany and will not satisfy the German people. It will develop as much Soviet propaganda and opposition as an all-out political fusion. In my own view, if we are going to take a half-way measure, we might better proceed to full political fusion of the 2 zones. I believe the latter is now desirable and justified. However, in the interests of a better economic integration, I would be prepared to compromise in accepting a half-way measure except for the inherent risk to our national policy.

The British proposal (wisely conceived in their political interest) would create an economic council for both zones which, based on equal State representation, would have a substantial SPD (Social Democratic Party) majority. At present, the SPD is headed by Dr. Schumacher, who works in close collaboration with the British Labor Party and consequently could be expected to dictate the majority views in this council. Dr. Schumacher has already expressed himself

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19 The Clay-Robertson conference referred to here is described in message CC-8933, cited in previous footnote.
as in favor of the immediate socialization of Germany, the national-
ization of industry, a highly centralized controlled economy, and in
fact a strong Central Government. His views are, of course, dia-
metrically opposed to our policies of Decentralization and Federal-
ization. This SPD majority might not in fact, represent majority
German opinion, as the strong conservative German vote represented
by the CDU (Christian Democratic) and LDP (Liberal Democratic)
parties is concentrated in heavily populated States of Bavaria and
North Rhine Westphalia. Under equal State representation these 2
parties would have a much lesser voice in Bizonal affairs than en-
titled to by their size.

In discussing this proposal, we shall try to work out a more pro-
portionate representation which still provides for State representa-
tion although this will be difficult to accomplish in view of the larger
number of small States predominately SPD. If the council material-
izes on the basis of the British proposal, we must be prepared for a
vigorou German effort in the council to obtain a high degree of cen-
tralization which will be directed to the development of a socialistic
Bizonal Area. American Military Government will then be placed
in the position of accepting such measures or of being in constant
opposition to the German majority supported by British Military
Government. This would place us in a difficult position which might
receive sufficient opposition in America to endanger our approipa-
tion as the adoption of socialistic controls by the council proceeds.
Of course our policy does not call for opposition to socialization al-
though we have assumed that we should not promote such measures
and should evidence our continuing faith in free enterprise. Thus,
we have insisted that socialistic measures cannot be adopted except
by vote of the German people and then only on a land basis until
German Government is reestablished under electoral procedures. We
believe that we [should?] try informally to limit socialistic controls
to as few basic industries as possible while maintaining the broad
principle of free enterprise. In our view, in the long run this will
represent the desire of the German people. In their present extremity,
State control of the economy looks attractive, even though it was
such control that made Hitler's rise to power and subsequent ability to
wage war, successful.

There can be no question but that the long range issue involved in
this entire matter in the establishment of State controls of economy,
which will lead to a planned economy as advocated by socialists
everywhere and with a substantial degree of State ownership. There
will be little field in such an economy for private initiative and free
enterprise. I believe that we can work the matter out here with rea-
sonable compromises, provided that is the desire of our Government. However, each issue may well be taken to Government level unless it is clear that our Government desires the issue to be worked out in Germany. Certainly, Robertson and, most probably Mr. Bevin, are under strong pressure from the British Government to get these matters agreed now when the condition of the German economy makes the proposal seem more reasonable, so that there will be an established pattern by the time economic conditions are improved.

With every desire to make economic fusion work, we must compromise. However, if we can not secure reasonable compromises, we must realize that if we accept the British proposal, the results are almost certain to be a strongly socialized German Government with much more central power than we desire. Such a control as contemplated by the British given to the Bizonal Council would almost certainly be opposed by the French and might even make tri-partite agreement impossible. What we would like is assurance from our Government that its desire to make economic fusion work does not make it willing to accept a highly centralized economic control, which will be utilized in the hands of the SPD with the support of British Military Government, to extend the socialist influence. With such assurance, we should be able to insist on compromise solutions here which will, at least protect in some degree our policy of decentralization, and also a reasonable degree of free enterprise and initiative.

[CLAY]

USSPOLAD Germany Files: Telegram

The Chief of the Civil Affairs Division, War Department (Novce) to the United States Military Governor for Germany (Clay)

TOP SECRET

WASHINGTON, May 1, 1947—11:10 p.m.

PRIORITY

W-97271. Personal from Novce. Reurad Apr CC-8871,20 Apr CC-8733 [8983?],21 Apr CC-8959,22 Dec CC-72 and Dec CC-7404.22a

1. Fully appreciate problem you face by virtue of British tactics in going around you and raising Bizonal and Socialization issues on governmental level.

2. Tentative State Dept views re Socialization, not yet finalized, are as follows:

20 Not printed.
21 See footnote 18, p. 911.
22 Supra.
22a The December 1946 messages under reference here are not further identified.
(a) Public ownership action must be based upon full and free expression of popular will either by referendum, by legislative action based upon constitutional auth, or clearly expressed political party platform or the like;

(b) No discrimination against foreign interests and adequate compensation must be provided therefore;

(c) Public ownership at levels lower than national levels, except for national services such as posts, railroads, etc., consistent with Mil Govt policies such as denazification, deconcentration, internal restitution, etc.;

(d) Full accountability on part of owning agencies with duty to report publicly on mgmt, financial position, employment policies, etc.

3. As you well appreciate, US Govt must make economic fusion work. It is my judgement, however, that this govt stands firmly behind our policy on politically decentralized German Govt, and economic controls decentralized to maximum extent consistent with policy envisaged in JCS-1067 and Potsdam for establishment of central economic agencies in fields requiring such control. It is believed that if details are entrusted to you, and if you are left free to attempt to work out issues in Germany, reporting back here your conclusions and recommendations for governmental apl, a reasonable compromise in best interest of this govt is possible.

4. Hilldring and Petersen are in sympathy with my views and it is hoped that within a reasonable time, you will be given firm instructions in accordance with above.

[Noce]

862.51/5-247
The United States Military Governor for Germany (Clay) to the Secretary of State


My Dear Mr. Secretary: You will recall that when you passed through Berlin we touched briefly on some of the financial difficulties standing in the way of our putting Germany on a self-sustaining basis. You asked me to attempt to summarize our problems for you.

Germany lost through reparations all her foreign balances and other external assets and her gold reserves. Fortunately the "disease and unrest" appropriations of the US and UK Governments provide food to maintain an above starvation diet in the combined US/UK Zones. These appropriations are not available, however, and in any

22 1945 Policy Directive to the Commander in Chief of United States Forces of Occupation in Germany; for text, see Germany 1947-1949, pp. 21-33.
case would not be adequate for other purposes. Yet Germany must have money to bring in raw materials so that the available power, the highly skilled labor, and the remaining industries can begin to produce for export and can begin to build up a profitable foreign trade, without which Germany can never become self-sustaining. Money for this purpose can come only from foreign loans or grants or from the little capital we can build up by initial exports literally squeezed from a bankrupt economy by the use of her meager stocks of remaining raw materials.

Germany can not present a sound credit risk to prospective lenders until she has demonstrated her ability to export. Credit has thus far of necessity been restricted to self-liquidating inventory advances, such as the $7.5 million advance for this purpose being made available by our R.F.C.

From past exports the combined US/UK Zones have produced a capital of approximately $100 million. This is a small capital fund with which to rebuild the economy of approximately one-half of Germany with a population of 40 millions. The fund is so small, indeed, that we must guard it most carefully lest it be lost or depleted and we be left without resources with which to procure our essential raw materials or to call upon in any emergency. This means that we can see these funds spent only when the expenditure will definitely stimulate an equal or greater amount of income from German exports. This is why we must spend this money niggardly and must insure that every export of goods and services from Germany be fully and promptly accounted for.

We face the great difficulty, however, that our Allies, who have suffered at the hands of Germany, are extremely reluctant to deal with Germany in any way that brings a net profit to Germany. It is difficult not to be sympathetic to this attitude, but we must realize that any transaction which brings a loss ostensibly to the US/UK Zones of Germany today does, in fact, bring that loss to the US/UK Governments instead and jeopardizes the success of our efforts to balance the economy. We here must take the unpopular position that at Potsdam and subsequently at the Paris Reparations Conference firm determinations were made of the ability of Germany to provide reparations to Allied nations.\(^20\) She is not able to finance a continuing hidden reparations program in the form of concessions in international trade forced upon her by the Allied nations through the Occupying Powers.

I cite the following instances:

a. The Netherlands and Belgian Governments are urging that Germany utilize the Ports of Rotterdam and Antwerp as her outlet to the sea and that Germany pay foreign exchange for this use, despite the fact that Bremen and Hamburg have adequate port facilities available without foreign exchange costs.

b. Czechoslovakia is insisting that she not be required to pay Germany for the use of the German railroads and port facilities. Despite the earlier agreements on reparations demands against Germany, it is now contended that Czechoslovakia should have the free use of German railroads, or in any event the use of German railroads at special reduced rates, as reparations.

c. UNRRA relief supplies to Czechoslovakia have transited Germany and freight charges have accrued to well over a million dollars, but UNRRA requires that these charges be offset against UNRRA's much lesser charges for aid in the administration of the DP program in the U.S. Zone.

d. The Combined Zones today are trying desperately to increase the output of coal and to speed up industrial production in general in aid of an export program, handicapped by the use of the very young and the very old in manpower. Nevertheless, France, while demanding an increased allocation of available coal, is insisting on retaining young prisoners of war in France and upon recruiting for voluntary work in France those who might otherwise be returned to Germany. France is insisting, moreover, that when these workers are retained in France they should be permitted to send their earnings to their dependents in Germany instead of spending their money in France. It is understandable why France needs and feels entitled to this manpower. But France would not buy from Germany the Reichsmarks to pay these dependents; she would instead take French Francs from the workers and send to the dependents old German Reichsmarks left in France by the retreating German army. In other words, France would have the fruits of the labor, but Germany would pay a major part of the labor costs. This cost would be borne in substantial part by US/UK as long as we are subsidizing the German economy.

There is such a tremendous demand in Germany today for all the things she might otherwise sell abroad and there is such a competition between the domestic and the export market that only by the greatest urging and by a minute decentralization of ultimate responsibility can an export program be stimulated. The stimulation which we must offer is a continuing supply of food and a continuing supply of the raw materials required for further production after the existing raw materials move out of Germany in the form of finished goods. Monetary stimulations within Germany are of no help, for the goods the extra money would buy, no matter how soundly based or tightly controlled the money might be, are simply not available. No new German currency which we might introduce would serve as a full stimulation unless there were either goods immediately available for
which that money could be spent or unless there were a sound political structure to inspire a confidence in the holder of the money that his government will make sure he will one day be able to buy at an agreed value the things he needs now, but which are not now available. No government can inspire that confidence until basic questions of the future economic and political structure of Germany have been resolved; until it is known what final reparations Germany must pay, what limits on production will be imposed, and with what debts and tax burdens she may be laden.

I have tried to point out that Germany is bankrupt and that she cannot re-establish herself on a self-sustaining basis until her debts are once and for all reckoned and fixed in amount and she herself permitted to enter into trade relationships with other countries unharmed by the curse of her past political mistakes. I say this not out of sympathy for Germany and the German people but because of the necessity to reduce the present burden on the U.S. and U.K. economies. We have to recognize that it is not Germany who is paying the penalty today, but rather the taxpayers of the United States and Great Britain and that we can unburden ourselves of this expense only by returning Germany to a satisfactory trading position or by abandoning her to chaos.

Respectfully,

Lucius D. Clay
General, U.S. Army

740.00119 Control (Germany)/5-1047: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

Berlin, May 10, 1947—8 p.m.

1123. Personal for the Secretary. Sir Sholto Douglas, British Commander-in-Chief, and Lord Pakenham, in charge of German affairs, British Foreign Office, called on General Clay and myself today. This was Pakenham’s initial courtesy call. There was a frank and useful discussion of bizonal affairs. In reply to Pakenham’s inquiry regarding points of disagreement and whether progress could be made in Berlin toward their reconciliation, Clay reviewed developments prior to and through Moscow period assuring visitors of our continuing desire for success on bizonal undertaking. Clay pointed out that as early as 1945 when difficulties with USSR were beginning, he had suggested to British representatives possibility of bizonal arrangement and in 1946 he had participated enthusiastically in negotiations which led to present setup.
Pakenham indicated feeling in London that there had been refusal by Clay to continue negotiations Berlin. Clay stated there had been ['no?] refusal and while he has been available during past two weeks no effort made by British to contact him. Working parties including Draper and Weir have not yet come up with their reports which may be available tomorrow, and there will be a meeting of bipartite board\textsuperscript{27} next Monday.\textsuperscript{28}

We suggested that part of difficulty possibly arose from scattering negotiations between Moscow, Washington and Berlin. We believe this method has been initiated by British in an effort to obtain better terms and greater concessions from US. Pakenham stated that there had been no intention to by-pass Berlin.

In substance it was (1) agreed that the grave food situation in the bizonal area results not from the operational difficulties of the bizonal agencies but from a serious deficit of bread grains, fats and potatoes which can only be met by importation; (2) stated that general problem is divisible into short and long-term phases and there should be no great difficulty finding compromise solution of short term phase; (3) suggested by us that on issue of highly centralized industrial and economic planning if British position is maintained we would require instructions from our Government because we believe British theory would encounter vigorous criticism of US businessmen and possibly Government; (4) stated that we had made considerable concessions on financial side already but apparently more are expected of us; (5) stated that we had no anxiety regarding question of socialization of industry for moment because we understood British view that German people should decide themselves this question to which Douglas and Pakenham assented.

Interview friendly. In reply to Pakenham’s question whether we considered future of negotiation now on governmental level, we replied that British initiative seemed to have placed it there.

Later today I had further conversation with Pakenham who informed me that today’s discussion had improved his understanding of relative positions and relieved him of an inaccurate estimate of Clay’s attitude. Due to his recent assumption present responsibilities, he confessed ignorance of a number of practical bizonal operational features and asserted confidence that difficulties can be ironed out in Berlin. In reply to my inquiry regarding his view of socialization of

\textsuperscript{27} In 1946 it was agreed that the then Deputy Military Governors for the United States and United Kingdom Zones of Occupation in Germany would constitute a Bipartite Board whose purpose it would be to ensure common economic measures in the two zones; see despatch 7343, October 11, 1946, from Berlin, Foreign Relations, 1946, vol. v, p. 613.

\textsuperscript{28} May 12.
industry, Pakenham said that he did not wish to mislead us. It is true that British policy favors letting the Germans determine over the longer term the degree of socialization desired but this is so because British are convinced that the Germans “possibly a majority of them” advocate an important degree of public ownership. He thought, however, that some clarification should come from Governments. When he returns to London Tuesday he will lay entire matter before Bevin. He is uncertain whether under circumstances latter will wish proceed through Washington or return issues to Berlin.

As result discussion I am convinced British not unyielding on questions of centralized controls but that they will keep trying for better financial arrangements. They, I believe, are likewise convinced of our sincere intention to make as great a success of bizonal operation as present shattered economic conditions permit.

**Murphy**

740.00119 Control (Germany)/5–1347: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

**TOP SECRET**

BERLIN, May 13, 1947—8 p.m.

1141. Personal for the Secretary. Eyes Only. My 1123 May 10. US/UK Bipartite Board met Berlin Monday May 12 and General Clay is reporting to WD that tentative agreements reached which may resolve past differences.

It was agreed in the field of expenditures to a controlled budgetary expenditure which would limit expenditures for the general economy to receipts from export proceeds and with a portion of the export proceeds to be added from time to time to capital account. In order to meet the British view, it was agreed that not to exceed 30 per cent of capital funds could be utilized at any given time for the purpose of financing obligations for imports for the general economy secured by anticipated export proceeds for deliveries already made but with payment still not collected. There will be retained in cash at all times 40 per cent of all capital account and the remaining 30 per cent may be retained in the inventory of approved export programs. The foregoing constitutes a definite concession to the British view and seemed to meet with their satisfaction.

It was also agreed to consolidate all bizonal agencies at Frankfurt as rapidly as facilities can be provided. As you know, these agencies

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29 Supra.
30 General Clay’s report, the substance of which is set forth in this telegram, was sent to the War Department in telegram CC–9129, May 12, 1947, not printed (USPolAd Germany Files, Lot F–80, 1947. File – 711 Bipartite Control).
are now scattered at Stuttgart, Frankfurt, Minden, and Bielefeld. This will involve moving approximately 8,000 Germans and their dependents to Frankfurt plus about 1,000 allied personnel. Office space and communications not too difficult but housing and household equipment extremely difficult and months will be required to make necessary provision. Robertson inquired in this connection whether Army Headquarters would remain Frankfurt making references to difficulties growing out of such relationship at Rome in 1944. Clay informed him that due to costly communications installations Army Headquarters European Command would of necessity continue at Frankfurt.

The enactment of legislation was also agreed which would provide present German bizonal agencies with authority to issue formal decisions on matters of general policy which need to be placed in effect promptly in the several länder by land implementing regulations. Thus in the economics field we agreed to give the German bizonal agency such general authority in the fields of production, allocation and distribution to include rationing of such items as may be subject to ration controls. It was also agreed to give this bizonal agency authority to control by executive order a selected small group of scarce commodities and raw materials. Under the agreed procedure it would be possible for the bizonal agency to determine how much coal each land would receive for domestic heating, for example, permitting the land itself to determine how this coal would be divided among schools, hospitals, homes, etc.

It will be clear that the foregoing represents as high a degree of centralization as was developed in the US during the war although it does not meet the higher degree of centralization apparently desired by the British. However, in accepting this compromise we reserved our position regarding the allocation of powers between central and state governments whenever a central government may be established.

On the subject of the British proposal for a German bizonal economic council the British came some distance to meet our objections to their original proposal for a council whose powers would be limited to advice. We had proposed that in addition to the economic council there should be established a single executive committee for all bizonal agencies. Each of these agencies now operates under a separate executive committee. The general executive committee we now propose would consist of one representative from each land to be designated by the land government. It would have the power to nominate the secretaries of state for confirmation by the economic council and it would have authority to issue such executive orders necessary to implement legislation in the economic field. The executive committee would be authorized also to receive from the secretaries of state and pass to
the economic council its recommendations for legislation which would be issued by military government for both zones. The terms of this legislation would be prepared by the economic council for eventual approval by the US/UK Bipartite Board. The economic council itself would be composed of representatives from each of the landtag. The number of each land would be in proportion to its population and the composition within this number would be representative proportionately of the political parties in accordance with the last previous election returns. At the beginning the economic council and the executive committee would be accorded the powers agreed for the several executive committees now set up. The proposed executive committee would be in continuous session while the economic council would meet from time to time as necessary.

The British proposed yesterday that we agree that we would be prepared to accept any further centralization desired by the German economic council but General Clay stated that he could not so agree as in his opinion we had already gone very far in centralization and that any further relaxation would appear inconsistent with our policy enunciated on several occasions by our government for the decentralization of German government. General Clay declared that the United States might oppose proposals for further centralization even though such proposals were endorsed by a majority of the German economic council and suggested that the question need not be decided now but might better be deferred until an issue arises. This seemed to appeal to the British but they stated that they were unable to agree without consultation with their government.

Both General Clay and I feel that we have come a long way in an effort to meet British views both with respect to utilization of funds and centralization of authority. In conversation with Strang and Robertson I gathered that they are pleased with the results of yesterday's meeting, Strang repeating several times that it was a "very good meeting indeed". Both Strang and Robertson have now left for London where they plan to discuss Tuesday the several proposals mentioned in this telegram with Mr. Bevin and Lord Pakenham.

General Clay has pointed out to the War Department that the centralization of authority proposed can have no immediate results and that it is necessary to resort to temporary decentralization to the laender of import-export program in order to accelerate the letting of contracts. The British have agreed to this subject to our reaching an overall agreement.

I am hopeful that with the advantages gained as a result of yesterday's meeting, the British may go along on the proposal for an economic council without insisting that we accept further recommenda-
tions by that council for additional centralization of powers. This, of course, may depend upon whatever formal or informal commitments might have been made by the British to the German Social Democrats. There would seem to be no great urgency certainly from our point of view to press for a decision on this point now. General Clay is proposing to the War Department that this question could not be resolved in Berlin. As matters now stand, the Social Democrats would have a majority in the economic council and probably have the support of other leftist elements. Due to the close working relation of the British with the Social Democrats it should thus be able to influence materially the deliberations of the economic council. The test, of course, of the relative strength of political parties will come later. As matters now stand the Social Democrats are not in a majority taking the population of both zones as a whole.

The foregoing is for your personal information.

Murphy

862.50/5-2947: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

CONFIDENTIAL

URGENT NIACT

1234. Personal for the Secretary. Generals Clay and Robertson approved this morning an agreement for the reorganization of bizonal economic agencies. A press release is being issued at noon today in Berlin and it is also understood that Mr. Bevin will make a statement shortly after noon at Margate announcing the agreement and giving a brief outline of it. Berlin announcement will state that agreement has been reached for the establishment of an Economic Council, composed of representatives of the several Laender in the UK and US zones of occupation in Germany, selected by the land Parliaments, to propose for the approval of military govt general policies for the permissible economic reconstruction of both zones as an integrated economic area, and the necessary ordinances in accordance with the principles adopted in the Potsdam protocol.

The present bizonal economic agencies will henceforth exercise their functions under executive directors in accordance with the policies of the Economic Council. In addition to the Economic Council an executive committee will be formed, composed of representatives from each of the several Laender which will have the day to day responsibility for coordinating and supervising the work of the several bizonal economic agencies in accordance with the policies of the Economic Coun-
cil. All proposals of the Economic Council will be subject to the approval of the UK and US Military Governors and/or their deputies.

In accordance with the principles of decentralization in administration, maximum use will be made of land govts in implementing the policies and orders of the bizonal economic administrations.

Both UK and US Military Govts hope that the other occupying powers will accept their standing invitation to participate in this economic integration.

The agreement and the proclamation to place it in effect are now being translated into the German language and will be made public within the next several days.

Complete text of agreement will follow.\(^{31}\)

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MURPHY

[On June 13, 1947, Secretary of War Patterson addressed a letter to the Secretary of State on the urgent problems of famine in Germany and the possible British program for the socialization of the coal mines in the Ruhr. For the text of the letter, see page 1151.]

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840.6382/6–1747: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

TOP SECRET

Berlin, June 17, 1947—10 a.m.

1452. Personal for the Secretary. Eyes only. Howard Petersen has sent a personal telegram to General Clay to the effect that the State Dept is considering inviting British Govt to join it in putting forward an energetic program of action designed to expedite the restoration of coal production in Europe.\(^{32}\) Replying to Petersen’s inquiry, Clay points out that while any practical action to institute an energetic program aimed at expediting increased coal production in Europe would be welcome, the basic problem in the Ruhr Aachen fields derives from the uncertainty as to the future status of these fields. He emphasizes the absence of incentive to mine management. In Germany


\(^{32}\) The proposal for a broad American-British program to increase coal production in Western Europe was set forth in Department of State Policy Planning Staff paper PPS/2, June 2, 1947. Under Secretary of State Acheson sent a copy of the paper to Ambassador Douglas on June 11 for comment. At about the same time, the War Department was asked to transmit a cable to General Clay asking him for his views on the possibility of implementing the German part of such a program.
we have long urged the British to place increasing responsibility on the Germans for coal production but as yet with no practical results. Labor has been persuaded that socialization is the solution. Clay recommended that the mines should be placed immediately under a German trusteeship with public announcement that it would continue until a central German government had been established and German people could freely determine under more normal conditions the future of mine ownership. Under that plan mine management would be made responsible under the trusteeship and should be given bonuses for increased production. He realizes that this would be difficult to accomplish as it runs contrarily to British Govt program at home.

On the subject of capital loan to coal industry secured by exports to be used for mine rehabilitation and mine machinery, Clay's opinion is that this would retard coal production as it would be an unpopular move in Germany since it would pledge the most important German asset for a single purpose. Also additional machinery is not considered necessary until production has increased over present figures by at least 50,000 [tons?] per day. If such an increase occurs machinery could be provided in Germany. In other words capital is not the immediate problem in coal production.

In Clay's opinion main problem in Germany is threefold: (1) removing present uncertainty regarding ownership and placing direct management responsibility in German hands under joint US/UK military govt general supervision; (2) better publicity program designed to make management and miner conscious of their joint responsibility; (3) general improvement in economic level of entire Ruhr area.

I would like to add that one feature of our policy has not been entirely clear to us here in connection with the operation of the bizonal area, namely, socialization of industry. General Noce, who is now here, tells me that the War Dept has, since last January, endeavored to obtain a written statement of policy from the Dept on this subject without success. Ambassador Douglas, who is also here and who will, he tells me, telegraph you directly on this subject, believes from what he learns from Mister Bevin and others that the British Labor Party will project its policy of extensive socialization of industry in Germany and will not be willing to defer such a development until a German central government has been created and the German people have opportunity under more normal conditions of indicating their wishes. The trusteeship solution appears to us here as an admirable compromise which would at least in part relieve the uncertainty now exercising a most depressing influence on production.

Murphy
740.00119 Control (Germany)/6-1847: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

1473. With reference to previously communicated joint memorandum from US-British delegations notifying Allied Control Authority of bizonal economic reorganization, Soviet member \(^{33}\) at 125th Coordinating Committee meeting June 17 delivered sharply worded attack in prepared statement reading substantially as follows in faulty translation. Bizonal reorganization creates great concern for fate of political and economic unity of Germany. Agreement does not envisage implementation of Potsdam Decisions for liquidation of war industrial potential, reparations, elimination of Fascism, etc. Agreement leads to political and economic split of Germany. At Moscow CFM Molotov suggested termination of US-British bizonal arrangements. Soviet attitude therefore well known. Reserving right to return to question at a later date, Soviet delegation must state that the latest bizonal arrangements are aimed at further accentuating the split of Germany and not only represent a departure from Potsdam Decisions but contradict the agreed decisions of Moscow CFM. It is quite clear that the reorganization of economic agencies involves the creation of a special governmental system for western Germany. Measures taken by US-British authorities cannot but create difficulties for further work of deputies as well as of next CFM.

British member \(^{34}\) rejected Soviet statement as baseless and pointed out new bizonal agreement is purely economic and makes no mention of political fusion. As regards the present economic state of Germany, it remained open to the Soviets to heal this split at any time.

US member \(^{35}\) reserved right to study official text of Soviet declaration since some of the statements contained in translation bordered on impertinence. He stated Potsdam Agreement emphasized economic unity and that Soviet delegation should read that text and adhere to it.

French chairman \(^{36}\) concluded discussion by stating he had studied the structure of the newly created bizonal economic organization and that he was of opinion they \([sic]\) in no way prejudice the future.

Sent to Department as 1473; repeated to London as 222, Paris as 252. Department please relay to Moscow as 366.

Murphy

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\(^{33}\) Lt. Gen. Dratvin.

\(^{34}\) Maj. Gen. Brownjohn.


Minutes of a Meeting of the Secretaries of State, War and Navy

[Extracts]

SECRET

[WASHINGTON,] June 19, 1947—10:30 a.m.

PRESENT

State

Secretary Marshall
General Hilldring
Mr. Riddleberger
Mr. McWilliams
Mr. Moseley (SWNCC), Secretary

War

Secretary Patterson
Assistant Secretary Petersen

Navy

Secretary Forrestal
Under Secretary Sullivan
Admiral Denfield
Rear Admiral Wooldridge

III. SOCIALIZATION OF GERMAN COAL MINES

Decision:

It was agreed:

1. That strong representations should be made to the British Government to the effect that it must cease or defer any experiments in socialization of the German coal mines.

2. Representatives of the War and Navy Departments should revise paragraph 21 (e) of SWNCC 327/3 regarding public ownership of enterprises in Germany.

Implementing Action:

1. Secretary of State to arrange for making representations to the British Government referred to above.

2. Assistant Secretary Hilldring and Assistant Secretary Petersen to undertake a revision of paragraph 21 (e) of SWNCC 327/3.

Discussion:

SECRETARY PATTERSON again referred to his letter of June 13, 1947, to Secretary Marshall in which he stated that the British program for

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37 Draft Directive to the Commander in Chief of United States Forces of Occupation Regarding the Military Government in Germany, not printed. The completed directive, designated J.C.S. 1779, was released to the press on July 15, 1947; for the text, see Germany 1947–1949, pp. 34–41.

38 Post, p. 1151.
socialization of the Ruhr coal mines is certain to interfere with the maximum production of coal at this critical time, and that we must put pressure on the British to stop or postpone these experiments. He said that the decision on socialization should be put up to the German people at a later date after the Germans have succeeded in establishing their own economy on a sound basis. Mr. Petersen said that General Clay was similarly opposed to any experiments in socialization, although he had suggested as a compromise measure that the mines be placed under trusteeship.

Secretary Marshall said that he was in general agreement with Secretary Patterson's views, but that there appeared to be uncertainty regarding the procedure and terms of a trusteeship for the coal mines; if uncertainty as to future ownership is a deterrent in coal production, it would appear that the trusteeship compromise would merely prolong the uncertainty. He added that as a matter of policy we must consider reaction in this country if we should be found supporting a nationalization of industry program in Germany, and we must also consider the effect on the German political parties in the U.S. Zone of any stand we take.

Secretary Forrestal said that we can by no means support any socialization program as such would be only an opening wedge for communism. He urged that Secretary Marshall take the matter up with the British at the highest level.

Secretary Marshall said that the general policy toward public ownership was well stated in paragraph 21(e) of SWNCC 327/3. He pointed out that this statement provided that the Commanding General should "refrain from interfering in the question of public ownership of enterprises in Germany, except to ensure that any choice for or against public ownership is made freely through the normal processes of democratic government." He said he thought that this general policy could be applied to the coal mining industry. He asked if the other Members agreed with this statement of policy.

Secretary Forrestal said that he thought that the SWNCC policy statement was too negative in its effect. Secretary Patterson said that he also felt that this statement was unsatisfactory and should be revised.

It was decided that General Hilldring and Mr. Petersen should seek a revision of this policy statement.
Memorandum of Conversation, by the Under Secretary of State for Economic Affairs (Clayton)


Participants: Secretary Marshall
Mr. Clayton

The Secretary asked me to make it quite clear to Mr. Bevin that he regarded the British management of the Ruhr coal problem as pathetic; that the production of coal in the Ruhr is essential to European recovery as we all know, and that we cannot participate in any big new commitments to help Europe get back on its feet unless we know that the problem of producing coal in the Ruhr will be licked and quickly.

The Secretary added that we could not sit by while the British tried out any ideas which they had of experimenting with socialization of coal mines; time does not permit of experimentation.

The Secretary added that when he was in Moscow he was not sufficiently informed on this subject to take the firm stand which he now takes. At that time the only advice and information which he had came from our occupation authorities in Germany. Since then he has had information and advice from other sources and is now convinced that the British have made an absolute failure in the Ruhr.

The Secretary further stated that since we are putting up all the money in keeping Japan alive, we cannot longer stand for punitive interference by the British in our programs there. We must get the Japanese on their feet as quickly as possible in order to get the burden of supporting them off our backs.³⁹

W.[ILLIAM] L. C.[LAYTON]

³⁹ For documentation on the occupation and control of Japan, see volume vi.
³⁰ Ante, p. 924.
a central German Government had been established and German people
could determine under more normal conditions the future of mine
ownership. Steele said that Mister Bevin was determined that social-
ization of the coal mines on a land basis should be promoted at once
and that in fact plans in North Rhine-Westphalia were advanced to
a point which would not permit of cancellation. He also said that it
had been General Robertson's understanding that General Clay had
agreed to the socialization of the mines provided it was done on a
land basis after vote of the German people.

General Clay is telegraphing Howard Petersen that this is a liberal
interpretation of what he said to General Robertson, stating that he
has told him repeatedly that it would be a great mistake for British
Military Government to undertake nationalization of industry within
Germany and that he doubted that such action would be acceptable
to the US. Clay has told Robertson that US might accept socialization
in Germany if it were undertaken on a state and not a national basis
as the result of the freely expressed desire of the German people.
General Clay has pointed out that he does not anticipate that condi-
tions could be created in Germany which would permit such a free
expression until its future political structure has been determined and
a central government established. No views have been expressed by us
as to the desirability or lack of desirability of socializing the coal and
steel industry of the Ruhr in land North Rhine-Westphalia. It is, of
course, that this would give to the one state the control of the major
resources of Germany and a dominant position as a result in the
German Government.

It is also pointed out that the British have not thus far advised us
in detail of their conversations with the Germans in their zone and
particularly in the state of North Rhine-Westphalia regarding
socialization.

Steele indicated that we may expect adverse British reaction to the
proposed trusteeship with pressure for immediate transfer of owner-
ship of the coal mines to land North Rhine-Westphalia. In fact Steele
indicated that he felt this was a matter for British rather than US
decision in any event.

Clay is advising Petersen that unless US is prepared now to take
strong position that the question of socialization should be deferred
until reasonable stability has been obtained in Germany, socialization
may become the pattern for all of Western Germany. He adds that
if our Government is prepared to accept socialism now without an
effort to maintain a reasonable degree of free enterprise, then the
position taken thus far is creating an unnecessary conflict in the bi-
partite board. He recommends that we either accept or reject socialization now or else agree to defer the issue for a definite period of time. He has requested the War Department's immediate advice and instructions.

I would be grateful for the benefit of the Department's thinking on this subject.

Repeated to London as "Personal for Ambassador Douglas",

Murphy

740.00119 Control (Germany)/6-2447
The Secretary of State to the United States Military Governor for Germany (Clay)\(^{41}\)

SECRET

PERSONAL

[WASHINGTON,] June 24, 1947.

Dear Clay: I have received your letter of May 2 \(^{42}\) in response to the request I made to you in Berlin, and appreciate your giving me your detailed views regarding the various matters concerned. Since seeing you I have listened to a great many presentations of the complications regarding dollar assets or transactions in connection with your zone and also the bi-zonal complications particularly as relates to the Ruhr. All of which makes a very complicated picture. I am seeing the British Ambassador to bring pressure on Bevin regarding the inadvisability of experimenting in the Ruhr at this time. However, Mr. Koenig yesterday expressed the fear that the British had gone too far in this to draw back.

You have my sympathy in the struggle you are having to compose differences on rather fundamental matters and to meet the difficulties imposed by the Soviet refusal to cooperate. It is hard to get the people in this country to understand the general nature of the situation in Europe, and Germany in particular, and the complications which are involved in your particular responsibilities. We have had frequent lengthy discussions in the meetings of the Secretaries of War, State and Navy regarding your problems and have been earnestly endeavoring to take action that will help you in their solution.

With warm regards,

Faithfully yours,

G. C. Marshall

\(^{41}\) The Secretary of State also sent a copy of this letter to the Secretary of War Patterson on June 25 with the comment: "I hope it will help out in the present situation." (740.00119 Control (Germany)/6-1947)

\(^{42}\) *Ante*, p. 315.
LONDON, June 25, 1947—1 p.m.

TOP SECRET

URGENT

3474. From Clayton for Eyes Only of Secretary, Acheson and Lovett. At meeting reviewed in immediate preceding cable,\(^{42}\) Bevin had emphasized recovery of Europe and particularly coal production in Ruhr depended on assured food supply and I took this occasion to outline your views that coal production depended upon other things too. Pointing out that current US shipments of coal to Europe approximated 30–5 [35?] million tons annually at a cost of over 700 million dollars, I said this is an intolerable burden for Europe and that Europe must again become self-sufficient in coal at earliest possible moment. I said that while the Secretary had incomplete information on Ruhr position at the Moscow Meeting, he has now made a thorough investigation and is convinced that British record in the Ruhr is bad, and that a radical change is needed in approaching the German coal problem as *sine qua non* to any consideration of the over-all European problem. Bevin accepted the view that output and management had been unsatisfactory. He had been working on the problem and had only taken over responsibility following the Moscow Conference but “got caught on food” and was unable to come to grips with the Ruhr difficulty. He claimed credit for raising production to 250,000 tons per day and for the POW Agreement, but said Communist infiltration into mine management and workers caused difficulty. He had a “tussle” with the French regarding their proposal for operation of the mines by French managers which he was convinced by post World War I experience was impracticable. Bevin asked us to “put someone on to me” and expressed passionate interest in getting production up to 400,000 tons daily. I agreed and added that it was the Secretary’s view that the present was no time for experimentation.

[Here follows a paragraph in which Under Secretary Clayton described the portion of his discussion concerned with the situation in Japan.]

To summarize, the two points of criticism you asked me to make were accepted soberly and without rancor by the British and with only weak rebuttal.

\(^{42}\) The telegram under reference here is not printed. It briefly reviewed the first of three meetings which Under Secretary Clayton had with British Cabinet members in London, June 24, 25, and 26. For the records of these meetings, which were concerned with the problems of European economic recovery, see volume III.
As soon as Bevin returns from Paris the Ambassador is going to take the Ruhr problem up actively with Bevin, keeping in touch with General Clay.

[Clayton]

840.6382/6–2547 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, June 27, 1947—7 p.m.

2786. From the Secretary for the Ambassador. I am impressed with the vital necessity of improving the present unsatisfactory condition of European coal production and its critical importance to any plans for European recovery. I wish you therefore to ask Prime Minister Attlee to send top level representatives to Washington for a conference on this subject with particular reference to Ruhr production. I shall also ask General Clay to participate in this conference. A summary agenda will be sent you shortly. I hope the conference can meet as soon as possible. Let me know whether such a conference is agreeable to the British govt, the approximate date on which British representatives could arrive and the names of those who will attend.  

MARSHALL

862.6382/7–147 : Telegram

The Secretary of State to the Political Adviser for Germany

(Murphy)

SECRET

WASHINGTON, July 1, 1947—8 p.m.

URGENT

1384. Personal for the Ambassador. It has been decided, Reurtel 1536, June 24, to invite Brit Govt to send delegation to Washington soon as possible for purpose discussing German coal problem.

Following telegram to Clay accordingly proposed to War Dept today:

“After lengthy consideration here with coal experts and in view of importance of increased coal production to U.S. plans for European revival, it has been decided that most effective way of coping with

"Ambassador Douglas called on Prime Minister Attlee on June 30. Attlee promised to take up the matter with Foreign Secretary Bevin and reply to Secretary Marshall's proposal as soon as possible. On July 3, Bevin informed Douglas of his acceptance of the suggestion to send top-level representatives to Washington for a conference on coal.

5 Anti, p. 929.
coal problem is to invite Brit to meeting in Washington for the purpose of agreeing on the steps that must immediately be taken to bring about increased European output. Invitation has accordingly gone forward to Brit Govt. You will be notified of conference date upon reply from Brit Govt and informed of summary agenda for conference.

While we continue to feel that socialization is an important element in slack Ruhr production, it is clear that it is only one of a number of considerations retarding coal production. We feel that the approach suggested is the best way of bringing these problems into the open and desire the benefit of your participation in the proposed discussions together with such assistants as you may require.

Clayton has already emphasized to Bevin in London the urgent necessity of increased Ruhr output and has told Bevin this is no time for experimentation."

Repeated to London, personal for the Ambassador, as Dept’s 2841.

MARSHALL.

862.6362/7-447: Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, July 8, 1947—5 p.m.

NIAC

2920. For the Ambassador. While we attach the highest importance to the proposed coal talks in Washington we very much fear that should Bevin decide to come himself (urteil 3667, July 4 46) his presence here would cause considerable confusion in the public mind both here and abroad. With public interest throughout the world so vitally concentrated on the impending Paris discussions all efforts to explain that Bevin’s presence here would not conflict with or cut across the Paris talks 47 would we fear be of no avail. Furthermore, the Soviet propaganda machine would have a field day. We hope that you can tactfully point out these considerations to Bevin should he be seriously considering participation in the Washington coal talks.

MARSHALL

46 Not printed; it reported Bevin’s acceptance of the proposal for a coal conference in Washington and also Bevin’s statement that he himself might attend the projected conference because of the extreme importance of German coal production (862.6362/7-447).

47 The reference here is to the Conference of European Economic Cooperation, held in Paris, July 12—September 22, 1947; for documentation on the Conference, see volume III.
The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, July 10, 1947—5 p.m.

2959. Tentative list of topics for coal discussions reur 3745 of July 8 follows for your and Brit Govt info and comment.

RESTORATION OF GERMAN COAL PRODUCTION

A. Discussion of Specific Coal Production Problems.

1. The assurance of food, in appropriate quantity and quality, to mine workers and their families.
2. Mine worker housing.
   a) Consumers goods and special food items,
   b) Wages and social security.
4. Mine supplies and equipment for internal and export needs.
5. Labor recruiting.
7. Public relations and publicity.
8. The North German Coal Control and other MG agencies.
   a) Policy, including development and mining policy
   b) Personnel
9. The authority of management, mine discipline and denazification.
10. The future tenure of management and problems of stewardship.
11. Elimination of uncertainty in the ownership status of the mines.
12. The financial condition of the mines and the problem of German internal coal prices.
14. Transportation.
15. The control of coal consumption.

B. Discussion of the Responsibility of the Bizonal German Economy for the Coal Industry and of Necessary Import Programs.

1. Requirements of the Coal Industry.
   a) Food
   b) Consumers goods
   c) Mines Supplies and Equipment
   d) Building materials
   e) Other
2. Availability of required supplies in the Bizonal German economy.
3. Procurement and financing of necessary imports.
4. Administrative machinery and measures necessary to ensure fulfillment by the Bizonal German economy of the requirements of the coal industry and workers.
This has been sent on July 5 to General Clay for his comments, which have not yet been received. The agenda may be changed in light of General Clay’s and your comments.

Obviously the discussions will involve consideration of any questions clearly related to Bizonal Coal problems. We hope Brit will also come prepared to tell us outlook for increasing their domestic production. Not intended that these discussions shall be any way cut across or conflict with proposed general European discussion in Paris.

MARSHALL

840.50 Recovery/7-1247: Telegram

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

SECRET

URGENT

LONDON, July 12, 1947—noon.

3816. For the Secretary. Have discussed with Bevin agenda for coal discussions suggested in Deptel 2959, July 10.48 He agrees to all items except number 11 and suggests addition of following: 49

“He considers that coal production is only one aspect of the problem of the economic recovery of Germany and that there are other aspects which also require full consideration. The real issue with which the two governments are faced is not only the question of coal production but how to achieve a balanced economy in Germany and thus relieve the burden at present being borne by the British and American taxpayer. That being so, the following matters should in his view be included in the discussions.

(a) Finance. It is clear that owing to the deterioration of the financial situation it will not be possible for the UK to continue to support the drain on its dollar resources entailed in the existing Anglo-American arrangements for financing Germany’s imports. He will therefore have to ask for a revision of the financial provisions of the fusion agreement.

(b) Food, and in particular cereals for the combined zone. He welcomes Mr. Anderson’s recent statement confirming the determination of the US Government to do everything practicable to make possible the honouring of a regular 1500 calorie ration during the coming 12 months. 50 He feels, however, that if we are to stimulate German production they must aim higher than this and do their utmost to achieve an 1800 calorie ration. He thinks

48 Supra.
49 The British position reported upon here was also presented in an aide-mémoire from the British Embassy to the Department of State, dated July 15, not printed, and in a conversation on July 15 between Under Secretary of State Lovett and the British Minister in Washington, Balfour. (862.6362/7-1547)
50 For additional documentation regarding the measures taken to deal with the food crisis in Germany and the principles of a food supply program for Germany, see pp. 1144 ff.
that, subject to the considerations set out in (a) above, our two Governments should accept this as the target and consider what steps can best be taken within the limits set by the overall supply position to make its achievement possible.

(c) Bizonal economic policy. A joint survey of the field of bizonal economic policy should be made in order to settle a number of outstanding questions such as currency reform and an exchange rate for the mark, whose early solution seems essential if Germany is to be restored to stability and enabled to make a contribution to the recovery of Europe.

2. In these circumstances, he presumes that Mr. Marshall will be prepared for the discussions in Washington to cover all these problems while General Clay and the British party of officials are present. If this is agreed, he intends to send a party headed by Sir William Strang and including General Robertson and a small number of representatives from the Foreign Office and Treasury."

Mr. Bevin hopes that the British party will be ready to leave at any time convenient to the United States authorities after July 18 provided sufficient notice is given in advance.

As to item 11 Bevin requests that it be eliminated.

He feels that since citizens of Belgium, Luxembourg, the Netherlands, and France have interests in Ruhr mines, he must first talk with these Governments. He will thereafter discuss the matter with Marshall when the first occasion arises. In the meantime he has instructed Robertson to make headway with Clay in arranging for mutually satisfactory organization of management.

He hopes you will concur with his opinion that item 11 should be omitted from the agenda.

Douglas

862.6362/7–1247 : Telegram

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

TOP SECRET

LONDON, July 12, 1947—noon. URGENT

3817. For the Secretary. Embtel 3816, July 12,51 represents British comments and suggestions and has been shown them. The following I could not include:

In regard to item 11, Deptel 2959, July 10,52 re removing uncertainty of ownership north German coal mines, Bevin said that in view of the statements he had made before the House of Commons, he could not again agree to a five-year period. Were he to do so he would precipitate

51 Supra.
52 Ante, p. 935.
a serious political question for him here which would weaken his general position. I am not able to judge fairly his estimate but I have the impression that a plan which would leave the question of ownership in abeyance for five years, or until later, when a responsible German Government could decide the matter, would be generally accepted here except by a few extreme left backbenchers (Berger, whose contacts with labor MP’s are broad, confirms this impression).

Bevin further said that he was afraid a five-year commitment would have the effect of disturbing Schumacher and his following in the British zone.

You will note that the British have added to the suggested agenda for the forthcoming meeting, the discussion of financing the bizonal area. If we are to carry heavier burdens, I should think that it would be appropriate for us to have a greater say in economic matters and particularly in the matter of ownership of the mines.

Douglas

862.6362/8–837

The Ambassador in France (Caffery) to the French Foreign Minister (Bidault) 53

SECRET


Dear Mr. President: With reference to my letter of July 11, 1947, I take pleasure in conveying to you the following additional information which I have just received concerning the proposed Anglo-American conversations in Washington on the subject of coal.

In view of their responsibility for coal production in the bizonal area of Germany, the United States and the United Kingdom fully recognize that the increase of coal production in the Ruhr is essential to the success of any recovery plan which may be worked out by the countries of Europe. It was with this thought in mind that my Government suggested to the British authorities that they send top-level representatives to Washington to discuss the means of increasing production.

53 The source text was transmitted to the Department as enclosure 2 to despatch 9396, August 8, from Paris, not printed. This letter was sent to Bidault in pursuance of instructions contained in telegram 2576, July 11, to Paris, not printed (862.6362/7–1147).

54 The letter under reference, not printed, informed Bidault of the projected American-British coal talks in Washington and enclosed a copy of the tentative agenda set forth in telegram 2959, July 10, to London, ante, p. 935. The July 11 letter was sent in pursuance of instructions contained in telegram 2541, July 10, to Paris, not printed (862.6362/7–1047).
As indicated in my previous letter, the proposed talks will not be in any way competitive with or duplicate any discussion of the coal problem which may result from the present Conference for European Economic Cooperation. On the contrary, we envisage these talks primarily as an effort to improve the coal situation in the U.S.–U.K. zones in Germany in order to facilitate such plans as may be elaborated in Paris.

I may add that, if it has not already done so, the Department of State contemplates keeping in very close touch with the French Embassy in Washington regarding the progress of the conversations and will keep your Embassy fully informed.

I take [etc.]

JEFFERSON CAFFERY

840.50 Recovery/7–1547: Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, July 15, 1947—8 p.m.

3033. Pls impress upon Bevin following views regarding his proposal on agenda for coal conference (reurtels 3816 and 3817, July 12 85):

1. Re deletion item 11, US anxious simply to discuss effect on coal production of existing uncertainty regarding ownership status of mines and, if uncertainty agreed to be deterrent to production, to discuss ways and means of ending such uncertainty. No intentions here to prejudge solution.

2. US Govt considers proposed broadening of discussion untimely and believes agenda should be confined to questions bearing directly on coal. While appreciating Brit position, US believes any revision of financial provisions of fusion agreement or broad program of German economic recovery should not be discussed until Paris deliberations take clearer form. Recognize importance of food and other bizonal economic problems but believe this conference should focus clearly on coal in order to prevent diffusion of discussion.

US prepared start discussions Wed, July 23. Advise if Brit Delegation can arrive by this time.

MARSHALL

85 Ante, pp. 936 and 937.
Germ Chal Organizal

1. US/UK Military Governments have decided that the time has come to hand over the responsibility for coal production to German hands. In pursuance of this decision the following arrangements shall be made forthwith and shall be brought into operation on August 1st.

2. The German Executive Administration of Economics will set up a Department, one of the main responsibilities of which will be to undertake the functions normally exercised by a Government Department in respect to the coal industry. These functions, in broad terms, will cover the following responsibilities:

   a. Safety Regulations and Mines Inspectorate.
   b. Consideration of problems of government finance and subsidies.
   c. Consideration of labour matters in the coal industry from the governmental standpoint.
   d. Consideration of housing policy for the coal industry.
   e. Initiation of ordinances and regulations affecting the coal industry.

Coal allocations, subject to export and other allocations directed by Military Government, will be the responsibility of the Executive Administration for Economics, in accordance with the coal allocation policy.

The Executive Administration for Economics may set up an Advisory Committee to advise the Department. The Department will exercise the normal Civil Service functions appropriate as between Government and industry.

3. There will be set up for the management of the coal industry, as an interim measure, a German Coal Management. The German Coal Management will be responsible to the US/UK Military Governments for the efficient and effective operation of the coal industry under the ordinances and regulations of the Economic Council which have been

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56 This paper had been originally approved at the Fourteenth (Extraordinary) Meeting of the Bipartite Board on July 16, 1947. The paper subsequently came under consideration during the conversations between American and British officials, August 12–September 10, 1947, in Washington, on questions related to Ruhr coal production. In the course of these conversations, a revision in paragraph 10 of this paper was approved. The source text, which was circulated during the American-British conversations as document AGC/11/Rev/3, Gen/1/3, August 28, 1947, incorporates the revised paragraph. The original text of paragraph 10 is indicated in footnote 58 below.

57 The arrangements for the transfer of responsibility for coal production to German hands were not effected until November 1947; see editorial note, p. 976.
approved by US/UK Military Governments. The German Coal Management will be headed by a General Director selected for his administrative experience and ability. He will be assisted by a number of Directors of Departments, each of whom will be chosen for his technical ability and experience from the coal industry.

4. The General Director will be appointed by US/UK Military Government, in consultation with whom he will select the Directors of Departments. In no circumstances will political considerations be permitted to influence the appointment either of the General Director himself or his Directors of Departments. It is vital in the interests of the industry that persons selected for these important posts should command the confidence of management and workers in the industry by reason of their experience, efficiency and character. The General Director will establish and will call upon from time to time for counsel and advice an Employee-Management Advisory Committee.

5. The German Coal Management will contain the following chief Departments.

a. Production
b. Safety, Engineering and Planning
c. Distribution and Sales
d. Mining Supplies and Procurement
e. Mine Housing, Incentives and Welfare
f. Labour Relations
g. Finance, Accounting and Statistics
h. Public Relations

6. The General Director and his organization shall have authority:

a. To manage the industry through individual mine managements directed through district organizations.

b. To ensure the efficiency of mine and district managements including the appointment and removal of key personnel.

c. To take all measures necessary to maintain and utilize the resources of the industry and to improve its efficiency and to develop its facilities.

d. To supervise the financial position of the industry and to exercise such borrowing powers as are approved by the appropriate authorities.

e. To supervise all coal distribution and selling policy. Export sales shall be subject to:

1. Directives by US/UK Authorities, including allocations of ECO or its successor body.

2. Export receipts being paid to the appropriate foreign exchange accounts.

f. To deal with governmental and other authorities for allocations of mining supplies, consumer goods and building materials for industrial and housing purposes.
g. To carry out, in cooperation with the appropriate governmental authorities, recruiting campaigns for additional manpower. To supervise all matters pertaining to relations of management with labour in the industry and including wage administration, labour supply, general social and welfare questions and the carrying out of safety regulations within the industry.

7. There will be associated with the German Coal Management a US/UK Control Group, which will transmit to the General Director export and other appropriate directives on behalf of US/UK Military Government.

8. Contracts with key personnel should be of a character which would attract the best possible personnel in the interests of German and European economic recovery.

9. Increased coal production is of first importance to the recovery of a reasonable economic status for Germany, and in their own interests the Germans are being given responsibility for the operation of the industry, in order to return it as quickly as possible to pre-war production levels. The General Director and the Directors of Departments will obviously be the key to the success or failure of German Management.

10. The status of mine properties under Military Government Law No. 52 remains unchanged. To safeguard the interest of foreign nationals owning not less than a 51 percent beneficial interest in any coal mining property, but without prejudice to the objective of maximizing coal production, such owners will be allowed, if they so desire, to appoint representatives to their properties. These appointments will be subject to the approval of the United States-United Kingdom Control Group and will be conditional upon the owners of the properties concerned agreeing that their representatives will be subject to any regulations that may be laid down by the German Coal Management or the United States-United Kingdom Control Group for the operation of the coal mines as a whole and that the appointment of such representatives shall not confer upon them powers which will in any way infringe upon the authority of the German Management or of the United States-United Kingdom Control Group.58

58 Prior to the revision approved during the American-British coal conversations in Washington, this paragraph read as follows:

"10. The status of mine properties under Military Government Law No. 52 remains unchanged. A member of the US/UK Control Group with appropriate liaison staff will be designated to safeguard the interest of foreign owners." For the text of Military Government Law No. 52 under reference here, concerned with the blocking and control of property within the occupied territory, see Military Government Gazette, United States Zone of Germany, Issue 4, 1 June 1946, p. 24.
Agreed Paper by the Bipartite Board

[BERLIN,] 16th July 1947.

INTERIM AGREEMENT FOR INTERNAL US/UK USE ON GERMAN COAL ORGANIZATION

1. It has been agreed between U.S. and U.K. Military Governments that governmental regulation of coal is to be separated from the operational management of the coal industry.

2. The normal governmental regulation of the coal industry would be a function of German government under the Economic Council, and in turn under the Executive Administration for Economics just as in the case of other industries. The governmental regulation of coal would be actually performed by a Department of the Executive Administration for Economics, with a civil servant appointed as head of the department. These matters pertaining to governmental regulation, such as safety regulations, mine labor ordinances, provisions for governmental subsidies, and governmental allocations of coal would be handled by the Department. Proposed legislation in this field would be prepared and recommended by the Executive Administration for Economics to the Executive Committee for enactment by the Economic Council. Requests for needed subsidies would be made by the Economics Administration to the Finance Administration and the Executive Committee. Coal allocations, subject to export and other allocations directed by Military Government, will be the responsibility of the Executive Administration for Economics, in accordance with the coal allocation policy. Governmental regulation of the coal industry would not, however, include the control of production or the supervision of the normal management functions of the industry.

3. The management of the coal industry would include production, distribution and all other functions of management in the German coal industry. Management will be exercised by a German General Director and a Board of Directors. A General Director will be appointed immediately by the Bipartite Board but the Board of Directors will be named only when the ownership status has been resolved as governmental, private or a five year trusteeship. In the meantime, the General Director would report to a US/UK control group in Essen, acting through the Control Office in Frankfurt for the Bipartite Board.

59 This paper was agreed upon by the Bipartite Board at its Fourteenth (Extraordinary) Meeting on July 16, 1947. The source text was transmitted to the Department as enclosure 2 to despatch 11370, November 25, 1947, from Berlin, not printed.
The General Director would name eight Directors of Departments subject to US/UK approval and each supervising one of the following functions:

a. Production  
b. Safety, Engineering and Planning  
c. Distribution and Sales  
d. Mining Supplies and Procurement  
e. Mine Housing, Incentives and Welfare  
f. Labor Relations  
g. Finance, Accounting and Statistics  
h. Public Relations

840.50 Recovery/7-1747: Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET  
WASHINGTON, July 17, 1947—8 p.m.

URGENT

3066. For the Ambassador. British Embassy has just presented aide-mémoire stating that Bevin most disappointed that US does not feel prepared to enlarge scope of discussion on coal production in Western Germany to other related matters; that Bevin feels bound to accept US decision that agenda not be enlarged at present; and that consequently he does not think he would be justified in sending party to Washington merely to discuss coal. Although sharing US view of urgency of coal problem, Bevin does not consider decision on coal alone, isolated from other related matters, would have serious effect on coal production for next few months. Decisions on coal alone could, in Bevin’s view, just as well be reached in Berlin by Mil Governors, supported if necessary by experts from Washington and London. Aide-mémoire continues that Bevin greatly regrets Brit will not have opportunity of explaining to US the impossibility for Brit to continue to support dollar drain imposed by arrangements for financing Germany’s imports. Hopes that assistance may emerge as part of plan for European recovery, but wishes to place on record fact that, whatever the issue of present European reconstruction discussion, Brit will not be able to continue to bear serious burden.

Brit were advised of our view that to broaden scope of discussions beyond Bizonal coal production inadvisable at this stage, particularly in light of Paris Conference. It was acknowledged that discussion of other German matters suggested by Brit would have to take place some time in future. With respect to coal talks, we informed Brit that our reason for suggesting their being held in Washington was largely

* Dated July 17, 1947, not printed (862.6362/7-1747).
because of importance of placing them on governmental level, which we believed necessary if immediate increase of production is to be achieved.

Brit were also informed that you were taking up with Bevin the matter of the coal talks.

You should emphasize to Bevin the importance we attach to these talks and the fact that he had accepted the invitation to hold them in Wash (Embtel 3745 July 8) and had publicly so announced. The press is already considerably confused by reports from London this afternoon and is reading into reversal of British position serious differences between us.

With respect to Brit dollar drain, we emphasized that we were familiar with the situation and were following it closely.

MARSHALL

862.6362/7-2547: Telegram

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

SECRET

URGENT


4070. For Lovett. Went over with Bevin again the agenda of the forthcoming Ruhr coal conference in Washington and asked him precisely what sort of amplification he wanted. Pointed out that food was a clear statement; housing, mining equipment, the same, that the management problem items on the agenda, it seemed to me, needed no clarification.

Explained to him that in regard to item 11, we wanted to discuss the adverse effects which uncertainty as to the status of the mines had upon the production of coal, and the ways in which these adverse effects might be removed and that this might lead to a discussion of nationalization.

Also pointed out that, in accordance your cable 3134, July 22, while financial matters will arise in the course of the discussions, we could make no commitments at this time because we were operating under an appropriation of Congress, in respect of which the fusion agreement formed the basis.

61 Not printed.
62 Telegram 4057, July 24, from London, not printed, reported that the British Cabinet had agreed in principle to send a small party of officials to Washington to discuss technical problems connected with the increase of coal production in the Ruhr provided that Foreign Secretary Bevin received an amplification of the American agenda for the conference (862.6362/7-2447).
63 Not printed.
He asked whether it would be appropriate to discuss the possibility of expending the amount of money set aside for the support of the bi-zonal area in a shorter period than the 18 months for which the estimate was made. I could not answer this question for I do not know the terms of the appropriation made by Congress.

Would appreciate as promptly as you can give them to me, any amplifications of the agenda you can send and an answer to the last question.

Bevin was very disturbed, and he said the members of the Cabinet were equally disturbed lest at the forthcoming conference the British be put on the mat for maladministration. He did not, he said, want to be on the defensive. He had no apologies to make for British administration and did not want his delegation to be placed in the position of defending what he thought, in view of the difficulties with France and with food, had not been too bad. In this connection Bevin referred to the publicity given to Moses report.64

I tried to explain to him that it was our purpose to review the facts without criticizing anyone, and to try to devise methods by which production of coal be increased.

If you have any elaboration on Bevin's apprehension, I would appreciate it also.

DOUGLAS

62.6362/8-448

Summary Minutes, Ninth Executive Session, Anglo-American Conversations Regarding German Coal Production

[Extracts]

SECRET [WASHINGTON,] August 21, 1947.
AGC/Minutes No. 9

Present:

U.S. Group:

Delegates:

Major General W. H. Draper, Economic Adviser to the Commander in Chief, European Command
Max Forester, Chief, Coal Section of Economics Division, European Command

64 In July 1947, following a survey of conditions in Germany, Robert Moses presented a report to General Clay. At the request of the Department of State, publication of the report, which was in part critical of British management in the Ruhr, was delayed until after the beginning of the American-British coal discussions in Washington. The Moses report was eventually released to the press by the War Department in mid-September 1947.
James A. Stillwell, Special Assistant to the Under Secretary of State for Economic Affairs
Tracy S. Voorhees, Special Assistant to the Secretary of War

U.K. Group:

Delegates:

Sir William Strang, Political Adviser to the Commander in Chief, Germany
Sir Mark Turner, Economic Adviser on German Economic Matters to the Foreign Office
D. L. Anderson, Vice-President, Economic Subcommission of the Control Commission for Germany (British Element)
F. H. Harrison, Chief of Fuel and Power Division of the Control Commission for Germany (British Element)
H. E. Collins, Senior Director of the Production Branch of the North German Coal Control
A. G. Gilchrist, Foreign Office, Secretary of the Delegation
J. H. Penson, British Embassy

Ownership of Mines

Action: It was agreed that this subject would be further discussed at a later date.

Discussion: The United States members put forward the following arguments as to why decisions by the Germans for public ownership, or at least implementation of those decisions, should not be allowed at this time:

1. Discussion and debate involved in reaching a decision by the Germans would hurt production because it would distract the attention of the workers and because the prospect of political interference would affect the efficiency of management. While the U.S. Government is willing to see the question of ultimate ownership considered by the Germans, it cannot allow that issue to affect production.

2. The decision should wait on more nearly normal conditions.

3. The decision should be made by not just one Land (Rhineland-Westphalia) as is contemplated, but by some political entity more representative of the German people as a whole, since the Ruhr should be considered an asset belonging to the whole German people.

4. While it is recognized that a decision in principle by the Germans for public ownership would have no legal effect on the authority of the proposed U.S.-U.K. Control Group, it is believed such a step would have the practical effect of lessening the Control Group's authority.

5. In answer to the argument that the only solution to the present situation is public ownership because of the need for capital (see below), it may be argued that the coal still in the ground is a very valuable asset and that charging higher prices for the coal would enable the coal industry to obtain capital from private German sources or from sources outside Germany.
The U.S. Members stated that the only objective in proposing a fixed tenure of management is to assure continuity of management during which time increasing coal production is to be specifically emphasized; that, while this Government has some doubt as to the advisability of an early decision by the German people on the socialization question, this Government will not take a position in favor of either public or private ownership, and will not interfere with German discussions and decisions on the issue, provided they are arrived at by democratic processes and provided that actual implementation of the decision is deferred until after production is no longer a problem.

A British member drew attention to the resolution passed by the Industrieverband Bergbau calling for the transfer of the mines to Land North-Rhine/Westphalia, failing which an adequate increase in coal production is out of the question.

He emphasized the opinion previously expressed that the uncertainty with regard to ownership of the mines would, if long continued, adversely affect production and that it would be wise, therefore, to institute some form of public ownership as early as possible. His Majesty’s Government could not therefore agree to any formal or express postponement of the decision and nothing said by the British delegation at these discussions should be taken as implying consent to such a postponement. He cited the remarks made by Mr. Bevin in the House of Commons in which he said that although he had allowed time for discussion he had not abandoned the policy of public ownership for the mines.

The British member referred to the proposal made by His Majesty’s Government to the U.S. Government that a suggestion for international control of the Ruhr industry might be brought forward at the Paris conference and said that he had heard of the U.S. Government’s negative reaction to this proposal.

A U.S. member said that, if it was envisaged that the eventual settlement with Germany should include some form of international control for the Ruhr, the problem arose of finding an interim solution.

The British member said that as the proposal had been turned down this point did not arise. Speaking personally, however, and not wishing to be thought of giving an official view, he considered that, although the final decision on ownership might be left until a German Government, all-German or bi-zonal or tri-zonal, existed and the German people could therefore be consulted, it might well be possible to pass provisional and interim measures for public ownership on a Land basis. It was not the intention that the U.S.–U.K. Control Group should take a decision on this issue on behalf of the German people. He was suggesting that the principle of public owner-
ship should be established now and that the exact and final form might be settled later by the German people. However, even the provisional introduction of public ownership on a Land basis should be carried out with the consent and at the request of the German people. The recent resolution of Landtag North-Rhine/Westphalia already gave warrant for such a step. The U.S. authorities in Germany had already stated more than once that there would be no objection on their part to the establishment of public ownership of the mines if it was clear that the initiative came from the Germans. On the basis of this assurance, the British authorities would have regarded themselves as entitled to move a step further on this question. He did not agree that the decision, if made, would lessen the authority of the control group, since their approval would still be needed for any appointments to the management of the industry. He said that the U.S. argument, that the change to public ownership would create political discussion and divert the main effort from coal production, could also be used against the change to a U.S.-U.K. control group and a German coal management. These latter measures were being taken, and rightly taken, for other than production reasons and it should not be thought that they would increase production, at any rate in the short run.

Another British member said that a U.S. member had said that the U.S. authorities regarded private ownership as a better incentive to production; he himself considered that the question should not be decided on ideological grounds but after examination on the basis of the facts. He recalled that the mines were losing money at the rate of RM72 million a month and that these losses were being met from the public purse. If the Dodge plan was implemented there simply would not be enough private capital in Germany to finance the mines in such conditions. He said that two factors arose which could not be neglected. Firstly, the C.D.U. in North-Rhine/Westphalia and the S.P.D. in the other Laender of the British Zone were all in favour of public ownership. Secondly, the financial condition of the mines showed that public ownership was inevitable. It was therefore impractical to suggest postponement of a decision in the hope of restoring private ownership. He wished to refute most strongly any suggestion that His Majesty's Government were acting from ideological motives alone.

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TOP SECRET

WASHINGTON, August 22, 1947—8 p.m.

3638. For the Ambassador and General Clay from State and War. In coal talks after exploratory discussions on our trusteeship proposal putting ownership question on ice for five years, the British, after indicating opposition, have asked for statement of the US position. There follows a draft of the US position on which there is substantial governmental agreement on all points except the question of permission to the Germans to vote on the public ownership of the coal mines:

"Ownership and Organization. The purpose is to bring about the earliest possible increase of coal production to pre-war levels in the interest of the recovery of the economy of Germany and of the rest of Europe, and to that end to assure, under German responsibility, the best management together with continuity of management for the extended period requisite to achieve this objective. To this end:

a. Possession, direction, management and complete control of the coal mining properties, related facilities incident to the processing of coal products, and miners' housing to the extent that this is company-owned, should be vested in an individual German Trustee. The Trustee should be the same person as the General Manager above mentioned.

b. To the extent that the Trustee, acting with the approval of the US/UK Control Group, may from time to time determine to be necessary, the possession, management and control—and, where this is deemed essential, the title and ownership—of miners' housing which is not company-owned and of areas suitable for the construction or rehabilitation of such housing or otherwise necessary for operation of the mining properties, should also be vested in the Trustee, subject to just compensation to the owners. The Trustee may exercise such rights to the extent authorized under the German law and, if not so authorized, the Military Governments, when requested to do so, should take requisite action.

c. Subject to the Trustee's responsibility for maximum production and without any determination hereby as to the future ownership of the mines, the assets should be held by the Trustee, pending determination of the ownership of, interests in, and claims against such assets or the proceeds thereof (including compensation for the use or surrender thereof) for those entitled thereto as the ownership, interests and claims may ultimately be determined.

d. The Trusteeship should continue for a five-year period, during which action on the ownership question will be suspended.

**General Clay's comments on this telegram were contained in telegram 72088, August 25, from London, p. 1059.**
e. The Trustee should function under the supervision and policy control of a US–UK Control Group, which would act for the Bi-Partite Board.

f. The actions, policies and procedures of the Trustee should be subject to any enactment affecting the coal industry promulgated by the Economic Council and approved by the US–UK Military Government."

In light of present political situation in England we should like the Ambassador’s views regarding repercussions in the U.K., particularly with respect to para d, which would arise should this paper be submitted to the British at this time. We should also like the comments of the Ambassador and General Clay regarding a possible compromise with the British by which para d would be modified to allow the Germans to vote on the question of public ownership either (1) at any time during a five-year period or (2) toward the end of the five-year period, it being completely understood that regardless of the outcome of such a vote the mines would remain under the exclusive management and control contemplated by the above plan without any exercise of control by private or public ownership during the five-year period.

We have not included in the above plan but have informally suggested to the British that the US–UK Control Group mentioned in para e of the plan should have an unequal membership in order to provide a single Chairman, although did not consider necessary to mention that we intended Chairman to be US. We believe single US Chairman important to efficient operation and that British financial situation in any case indicates necessity of considering increased US control soon in which case a US Chairman would be logical. However, recognize probable difficulties of obtaining British agreement particularly as bizonal finances not formally being discussed. The British have not commented yet. Your respective views are requested regarding British reaction and effect on bizonal administration should we officially propose U.S. Chairman.

For your information we expect that the German coal management paper agreement reached in Berlin with change in last para concerning foreign ownership which Clay has approved will be formally agreed by British tomorrow. If so will advise you accordingly so that French views on coal management may be obtained and final decision reached by US–UK on management question. Desire to reach determination by Monday as to whether trusteeship proposal will

67 The reference here is to German Bipartite Board document BIB/P (47) 79, July 16, 1947, p. 940.
be presented to British. If presented and British object term "Trustee" might revise paper using some such term as "Coal Administrator" which State prefers anyway.\(^6\)

Lovett

862.60/8-2447: Telegram

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

secret

WASHINGTON, August 24, 1947—4 P.M.

URGENT NIACRT

3661. For General Clay and Douglas from State and War. In personal and confidential talk between Strang, Turner, Draper and Stillwell,\(^6\) Strang made clear that he authorized to receive American Trusteeship proposals but to discuss only effect on production of present uncertainty concerning ownership issue and not authorized to conclude any agreement. Presumably latter might be modified by additional instructions if satisfactory compromise basis achieved, but this not definitely stated. British recognize desirability continuity of German management under US-UK Control Group but favor opportunity be given to Germans, preferably on Laender basis, to reach decision on nationalization even though actual implementation delayed until coal production under proposed management arrangement has approached prewar levels, say 350,000 tons per day. Turner as personal and unofficial suggestion only put forward the thought that instead of the Trusteeship or some similar arrangement lasting a definite period of years to which British strongly opposed, an arrange-

\(^6\) In a memorandum from Stillwell to Lovett, dated August 5, 1947, not printed, reviewing discussions between the State and War Departments on the coal production problem in Germany, the significance of the term "trustee" is examined as follows:

"It is agreed that the German Manager shall have possession and full control of the mining properties, free from any control by or responsibility to any owners. No proposal has been made by either State or War that title to the properties be changed at this moment. Nevertheless, the War Department insists upon designating the German Manager as a "trustee". The term 'trustee' is insisted upon because of General Clay's contention (a) that the present owners must be protected, and (b) that any other term might indicate a move towards socialization. However, a paper has been written specifying the responsibilities and restrictions on the so-called trustee which, in effect, makes him an administrator rather than a trustee. In order to avoid confusion and misunderstanding, especially in the minds of the German people, and to avoid the implication that a trust is created for the benefit of the present owners, State conferees have maintained the position that the individual should be called an Administrator, particularly since this term most accurately defines his duties and responsibilities. However, in view of the War Department's adamant insistence on General Clay's desire for a 'trusteeship,' State conferees have conceded this point." (862.6362/8-547)

\(^6\) The officials named here were all participants in the American-British conversations on Ruhr coal being held in Washington.
ment might be proposed by us under which Trusteeship should continue until production had reached 350,000 tons per day and been maintained at that average level for period of, say six months. Then Germans would be permitted make decision as to future ownership status and actually carry out the decision. They would insist that nationalization not be precluded as one of the possible German decisions. This appears to us here as real possibility for acceptable solution and as the only compromise basis on which British approval might be obtained. Would appreciate views of Clay and Douglas urgently.\textsuperscript{70}

\textbf{Lovett}

862.60/8-2547 : Telegram

\textit{The Ambassador in the United Kingdom (Douglas) to the Acting Secretary of State}

\textbf{TOP SECRET}

\textbf{URGENT NIAC\textsuperscript{T}}

4604. For Lovett from Douglas and Murphy. ReDeptel 3638 \textsuperscript{71}-3661 \textsuperscript{72}

1. Our views in regard to inclusion of paragraph \textit{d} in any statement which may be published in England is as follows:

\begin{itemize}
  \item[(a)] It would, we think, cause hardly a ripple on general public sentiment in this country.
  \item[(b)] Within certain elements of the trade union movement it would doubtless be attacked and would cause opposition and resentment. It should be noted, however, that at a small dinner with seven or eight labor MPs, when among other things public ownership of the coal mines in Germany was discussed, they took the general view that the matter could well be held in abeyance for several years.
  \item[(c)] Bevin has made a commitment to the House of Commons and insofar as we know, his position previously reported on this question remains unchanged.
\end{itemize}

Our conclusion is that the inclusion of paragraph \textit{d} would not prejudice general public opinion in England one way or the other.

2. As to the second question. First, we are not clear as to whether the compromise contemplates that only the Germans in north Rhineland Westphalia will vote on the question of public ownership of the coal mines of the Ruhr, or whether it contemplates that the Germans in the remainder of the \textit{Laender}, at least of the bizonal areas, be per-

\textsuperscript{70} General Clay’s comments on this telegram were contained in telegram 72088, August 25, from London, p. 1039.

\textsuperscript{71} Ante, p. 950.

\textsuperscript{72} Ante, p. 952.
mitted to have a voice in the determination of this question. It seems to us that there is a distinction between the socialization of a small utility servicing a limited area and the coal mines of the Ruhr which it is universally agreed are of such great significance to all of the people of Germany.

If all of the people of Germany as it is reconstituted are entitled to express their views on this question, as we believe they should, then we do not see how a compromise along the lines of the one indicated in your 3638 or your 3661 can now be agreed to for the valid reason that we do not now know what the reconstituted Germany will include. When, however, it is known what will be embraced in the reconstituted Germany as a whole, and that the German people are able freely and considerably to express their views on the subject of public ownership of Ruhr coal mines, we see no reason why they should not then have the opportunity to do so. We do not believe German people should be barred from expressing their views on this question when the conditions suggested herein have been met. Whether this takes place at any time within the five-year period or not, or when production has reached a given level, seems to us unimportant.

3. As to your third question on unequal membership US–UK control group, our views are as follows:

As we understand it, bipartite board consists of an equal membership. If this is the case, then it would seem to us that the US–UK control group should be similarly constituted, at least until negotiations respecting a redetermination of respective financial obligations for the bizonal areas are commenced. At that time it might be appropriate to suggest unequal membership and a US chairman.

Repeated Geneva for Clayton 131.

DOUGLAS

740.00119 Control (Germany) / 8–2647 : Telegram

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

SECRET

WASHINGTON, August 26, 1947—5 p.m.

3698. For the Ambassador and Gen. Clay from State and War. British Chargé has presented following note dated 23rd August:

"Following on your conversation with Sir Wilfred Eady yesterday, I am writing to confirm that His Majesty's Government would wish to discuss as early as possible the revision of the financial pro-

No Department record of the conversation under reference has been found.
visions of the Agreement concerning the British and American Zones of Occupation in Germany, signed on the 2nd December, 1946.\(^7\)

It is clear that even at the current rate of expenditure the present United Kingdom appropriation for this purpose will be exhausted by the end of December next or early in January. As this Embassy has explained to the State Department on behalf of His Majesty’s Government, it will be quite impossible for us in present circumstances to provide further sums in dollars for this purpose once the appropriation has been exhausted.

The facts of the strain upon our dollar resources which have led to this situation have been fully explained to you and to Mr. Secretary Snyder.\(^7\) His Majesty’s Government will, however, wish to discuss with the United States Government what contribution from non-dollar sources they may be able to make for the bizonal area of Germany.

Article 12 of the Fusion Agreement provides for amendment by mutual agreement and for review at yearly intervals. In the opinion of His Majesty’s Government it would be unwise to defer a review of this problem until a later date, as this would leave too little time for alternative arrangements to be made. Moreover, as was explained to your representatives during the discussions this week, His Majesty’s Government is in the act of reviewing its over-all financial resources and it is of the utmost importance that its liabilities in relation to Germany should be determined at the earliest possible moment.

His Majesty’s Government would accordingly suggest that the examination of this problem should begin at the earliest possible moment. British officials with knowledge of the relative financial arrangements are in Washington and are available to discuss the problem.

I should be glad to be informed what arrangements for these discussions you would propose.”\(^7\)


Comments Douglas and Clay urgently requested, including Clay’s views last sentence.

LOVETT

\(^7\) For the text of the United States-United Kingdom Bizonal Fusion Agreement of December 2, 1946, see Department of State Treaties and Other International Acts Series 1575, British Cmd. 6984, or Germany 1947-1949, pp. 450-453.

\(^7\) For documentation regarding the British dollar crisis and the revision of the Anglo-American Financial Agreement of 1945, see volume III.

\(^7\) In a note of September 17, 1947, not printed, Acting Secretary of State Lovett informed British Ambassador Lord Inverchapel of the willingness of the United States Government to review the financial provisions of the Fusion Agreement and to begin discussions on the subject in Washington beginning October 8 (740.00119 Control (Germany)/8-2347).
740.00119 Control (Germany)/8-2847 ; Telegram

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

SECRET

LONDON, August 28, 1947—1 p.m.

4665. For Lovett. Department’s telegram 3693 77 received yesterday in garbled form; received only this morning in understandable form.

The British situation is so clearly critical that I believe we should agree that mutual examination of the fusion agreement of the bi-zonal area should be commenced as soon as possible.

I have discussed this matter with General Clay. The following are his views:

He believes that if there is to be borne by the United Kingdom a smaller part of the financial costs of the bi-zonal area, their voice in the determination of economic affairs in this area should be lessened, and the voice of the United States Government and the American authorities in the bi-zonal area should be greatly increased. The proportionate weight of the respective US–UK voice in political matters should remain as in the present fusion agreement. 78

I concur.

Sent Department 4665, repeated Paris for Douglas as 49, Berlin as 416.

CLARK

840.50 Recovery/9–847 ; Telegram

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

SECRET URGENT NIACR

LONDON, September 8, 1947—6 p.m.

4863. For Lovett. Met this morning with Bevin, Sir Gilmour Jenkins and Hoyer-Millar (Deptel 3854, September 5 79).

1. While Bevin had hoped that US–UK negotiations for the revision of the bizonal fusion agreement would commence immediately, and is disappointed that this is not the case, he understands the reason for the delay and agrees to October 8 as the day on which they will commence.

77 Ante, p. 954.
78 Telegram 2083, August 29, from Berlin, not printed, transmitted the substance of a message from General Clay to the War Department in which Clay reaffirmed his endorsement of Washington conversations looking to the revision of the Fusion Agreement. In view of the large number of Congressional Committees scheduled to visit Berlin in September, Clay urged that the Washington conversations be deferred until after the conclusion of the visits, particularly if his personal attendance was desired. (740.00119 Control (Germany)/8–2947)
79 Not printed; it reported that the termination of the American-British coal conference in Washington was delayed pending British acceptance of the terms of the proposed German coal management agreement (see p. 940). (862.6362/9–547)
2. As to the agreement on the question of the control group in its relationship to the coal conference report, he agrees in principle that there should be established a US–UK control group, but believes that the nature and composition of the control group should not now be fixed. UK believes that any specific definition of the composition and nature of the US control group which might now be made, might be changed either in the light of the final results of the US–UK negotiations regarding revision of the fusion agreement or after such negotiations commence, in the light of the trend which the negotiations might indicate before their completion. UK believes that to establish a definite US–UK control group now, and to change it a month or six weeks from now, would cause confusion in Germany and would give the impression of vacillation. UK believes it preferable to wait a short period and then to define the composition and nature of the US–UK control group once and for all.

3. Bevin urges that, in addition to the UK, US consult with the Benelux countries and France in regard to the coal management plan, particularly as it affects the limited number of coal mines in which the nationals of these countries have more than a 51 percent interest.

4. Immediately after the consultations referred to in paragraph 3, it is Bevin’s view that the first step should be to transfer management of the coal properties to the Germans as contemplated in the management agreement.

5. After having effected the transfer referred to in paragraph 4, and contemporaneously with knowledge of the trend of US–UK negotiations in respect of the fusion agreement, determination of the composition and nature of the US–UK control group should be made. His concern that this be the chronological order of events, in addition to the reasons referred to in paragraph 2 above, is due to his apprehension that prior determination in detail of the US–UK control group would carry the implication of mismanagement on the part of the British and lay him open to criticism from certain members of his party and from the opposition.

Douglas

Memorandum of Transatlantic Telephone Conversation, by James A. Stillwell, Special Assistant to the Under Secretary of State for Economic Affairs (Clayton)

[WASHINGTON,] September 8, 1947.

As a result of Ambassador Douglas’ talk with Mr. Bonesteel this morning, I called Ambassador Douglas back and talked with him at

80 No record has been found of the conversation under reference.
1:15 EDT and outlined the U.S. position regarding the Management Plan and the US/UK Control Group as follows:

1. (1) Since the Management Plan was worked out and agreed to by the US/UK Commanders in the Theater over 60 days ago, (2) since Section 3 of the Bizonal Agreement specifically provides for joint control of such economic problems in the field, and (3) since we told the British representatives at the beginning of the Conference August 12 here in Washington that we wished to secure immediate agreement on the Management Plan and the US/UK Control Group and start putting the Management Plan into effect even while the rest of the coal production problem talks continued here, we cannot agree to further delay.

In answer to Mr. Bevin’s position that we should transfer the Management to the Germans first then proceed with the discussion on the amendments to the Fusion Agreement, and only after that discuss the precise composition of the US/UK Control Group, I pointed out (a) that we cannot agree to implementing the Management Plan for even an interim period under the direction of the North German Coal Control, (b) that the British assumption that they would gain some bargaining position by retaining the North German Coal Control until the financial talks begin will react against them, (c) that if there is to be a blow-up concerning the composition of the US/UK Control Group, we prefer to have it now rather than postpone it for the subsequent financial discussions, and (3) that if we are forced to wind up this Coal Conference with no agreed report and recommendations to our Governments, the public reaction will adversely affect the possibility of increasing the U.S. financial burden in Germany.

I pointed out to Ambassador Douglas that we propose to close the coal talks tomorrow either with or without an agreement. With an agreement if (1) the Management Plan is agreed in principle and (2) the US/UK Control Group, either with single or dual chairmanship, is approved for immediate implementation. If single chairmanship is agreed upon it would have to be understood that the chairman would be an American, but that we are perfectly agreeable to have dual chairmanship with responsibilities alternating between the British and U.S. chairman.

2. We propose that we should set a deadline of not more than 3 or 4 days for the Benelux countries to make their views known concerning the Management Plan. After that time we insist that we should instruct the Theater Commanders to start implementing the Management Plan immediately.

3. Under any circumstances we propose to announce agreement in principle on the Management Plan and specific agreement on the US/UK Control Group being put into effect immediately at the close of the Conference tomorrow.

Ambassador Douglas repeated the position and stated that he fully understood and agreed with it, and that he had an appointment with

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81 Ante, p. 940.
Mr. Bevin within the next fifteen minutes and would plainly state our position to him and notify us of the outcome as soon as possible.\footnote{In his telegram 4869, September 8, from London, not printed, Ambassador Douglas reported that he had explained the American position to Foreign Secretary Bevin on the basis of this conversation with Stillwell. Douglas' report read in part as follows:}

\cite{862.6362/9-448}

The Assistant Secretary of State for Economic Affairs (Thorp) and the British Political Adviser in Germany (Strang) to the Government of the United States and the Government of the United Kingdom\footnote{The source text is an unsigned copy. In a letter to General Clay, dated September 18, 1947, Secretary of the Army Royall wrote as follows:}

CONFIDENTIAL

REPORT ON THE ANGLO-AMERICAN TALKS ON RUHR COAL PRODUCTION

1. Arising out of an invitation conveyed to Mr. Attlee on 30th June 1947 by the United States Ambassador in London, H.M. Government in the United Kingdom agreed to discussions at the official level in Washington on technical problems connected with increased coal production in the Ruhr and neighboring mining areas in Germany.

\footnote{As you already know, the Anglo-American Talks on Ruhr Coal Production concluded on 10 September 1947. On that date Sir William Strang, representing the United Kingdom, and Assistant Secretary of State Willard L. Thorp, representing the U.S., signed a confidential letter addressed to their respective Governments and also a joint report embodying a review of the problem and specific recommendations.}

\footnote{On 17 September 1947, the Under Secretary of State, Robert A. Lovett, wrote to me enclosing all of the pertinent papers referred to above and stated 'the Department of State is in agreement with the recommendations made in these documents.'}

\footnote{I am therefore forwarding the report, the confidential letter, certain working party reports referred to in that letter, and a copy of the communication I have received from the Department of State. These papers are sent to you for your guidance and implementation since the Department of the Army is in accord with these recommendations.'}
2. The conversations began in Washington on 12th August with a Plenary Session. They were continued by way of executive sessions and working parties. A list of the members of the two delegations and their advisers is attached as an annex to this letter. 84

3. A joint report 85 embodying our review of the problem and our recommendations was approved at the final plenary session on [10] September 1947. We now beg to submit this report to the Governments of the United States and United Kingdom.

4. In submitting this report, we have felt that our recommendations should exclude matters of detail and any questions which might not be held fully to come within our terms of reference.

5. There are, however, certain subjects on which we feel that more detailed information would be useful. We accordingly have the honor to enclose copies of two Working Party Reports on Housing and Mine Supplies, 86 with which we agree and which we have used in formulating our recommendations.

6. We would also draw your attention to the recommendations on Food contained in our report. These are confined to proposals in regard to the rationing system, a statement of the importance of maximizing indigenous collections, with certain proposals as to how this should be done, and a suggestion that the Rhine ports should be used for the unloading of inward food shipments as an insurance against a repetition of last year’s distributional breakdowns. We have not, however, included in the report any recommendations in regard to food imports needed, which are such a vital factor in the general food supply position.

7. It is in our view essential that the maximum quantities of grain within the approved program be shipped into Germany particularly during the coming months. In view of the present world grain situation it is our opinion that foods other than grains must also be purchased in much greater quantities than heretofore even to ensure that the present ration of 1550 calories is fully met. It must be recognized that our ability to maintain or improve present ration scales depends upon our being able to build up adequate stocks in Germany by the winter in preparation for the time when indigenous resources will have been largely exhausted and the maintenance of ration scales will therefore be dependent upon imported supplies.

84 The list of delegations is not printed here. A brief listing is included in the memorandum by Bolten, September 22, 1947, infra.

85 For the text of the joint report, which was released to the press in Washington and London on September 10, 1947, see Department of State Bulletin, September 21, 1947, pp. 570–584. A portion of the recommendations contained in the report is also printed in Documents on International Affairs, 1947–1948, pp. 622–623.

86 Neither printed.
8. In considering the German food problem, we have had the advantage of a working party report prepared by experts which we have the honor to submit to you herewith. That report rightly points out that the problem of food for the Ruhr is inseparable from the wider problem of food for the whole bizonal area. It further draws attention to the deterioration in the world supply position that has taken place during the past few weeks and makes certain proposals in regard to the types and quantities of foodstuffs which should be procured to meet both the 1550 and the 1800 calorie ration scales. It also makes certain recommendations in regard to the relaxation of the present machinery of procurement in respect both of purchases undertaken by the two Zone Commanders and by external procurement agencies. Although certain recommendations of the experts' report may fall outside the scope of the coal talks, we are firmly convinced that the food problem of Germany must be solved or all other efforts to improve coal production will be of no avail. A satisfactory solution can only be achieved if the measures recommended in the experts' report, or others of an equally effective nature, are carried out immediately and we recommend that they be brought without delay to the notice of the competent authorities of the two Governments. It is recognized that financial considerations are also involved which must be given immediate attention if these urgent supply recommendations are to be carried out.

9. We have been impressed in our studies of the various aspects of present German economic life which affect coal output, by the serious adverse effect of the lack of confidence in the Reichsmark. We have shown the important part played by food in coal production and, in the food supply position generally, by the collection of indigenous foodstuffs. We recognize however that the greatest deterrent to the farmer in delivering up his produce is that the money he receives for his crops cannot be spent on consumer goods and the uncertainty which he feels in regard to its future purchasing power. This uncertainty in regard to the value of the currency, coupled with the scarcity of goods, reduces the inducement to work, and has led to the necessity of such measures as miners' incentives schemes. Moreover, the present price structure in Germany is out of line both internally and in relation to world price levels. Finally, the ceiling which has been imposed on price and wage levels has removed from the trade unions their long recognized right to engage in collective bargaining.

None of these evils can be eliminated without the introduction of measures of financial reform which will have as their objective not only the reduction of money in circulation, but also a price adjustment including an exchange value for the Reichsmark.
We accordingly recommend that immediate consideration should be
given to the adoption of the necessary corrective measures.

10. Finally, we would like to emphasize once again the vital import-
tance of an early solution of the German transport problem. Unless
such a solution can be found, there will be a serious setback not only
to German recovery, but to the plans now under consideration in Paris
for the recovery of Western Europe as a whole.

SEPTEMBER [10], 1947.

[William Strang]
[Willard Thorp]

862.0382/9-2247

Memorandum by Kenyon C. Bolton of the Division of International
Conferences \(^8\)

[Extracts]

[WASHINGTON,] September 22, 1947.

Subject: Report—Anglo-American Conversations Regarding Ger-
man Coal Production, Washington, D.C., August 12—Septem-
ber 10, 1947.

The subject conversations convened in the Division of International
Conferences’ Suite at 10:30 a.m., August 12, the date and scope having
previously been agreed upon by the two Governments concerned. It
took three weeks to arrive at such an agreement because of dickerings
about what the agenda should include. The United States insisted that
the conversations be limited to topics directly related to coal.

The British, on the other hand, maintained that such talks would
amount to discussing the problem in a vacuum. They believed that any
decisions such as increasing food rations for the underfed miners or
buying new coal machinery eventually will involve financial matters
which in turn bring up Britain’s worsening dollar shortage.

This was countered with claims that prolonged argument over such
controversial questions as socialization of the Ruhr mines would delay
hopes of increasing vitally needed coal production and might catch
Europe short of fuel again this winter.

Both Governments agree that more German coal is urgently needed
to revive European industries. They differ on how the Ruhr Valley
cock funds should be administered, however. The British insist that the
Ruhr fields be nationalized; the United States holds they would

\(^8\) Bolton served as the Coordinating Secretary of the United States Delega-
tion to the subject conversations.
operate more efficiently if German executives and miners with "know-
how" were returned to the job.

France interfered as much as possible before the plenary meeting
because she wanted a "say" in the Ruhr questions. She objected to the
Anglo-American desires for an increase in German steel production,
fearing this would be a first step in rebuilding Germany's military
potential. France has been assured by Secretary Marshall that the
French will be consulted before any decision is reached. The Paris
Government was not represented at the subject conversations.

No agenda had been agreed upon since both Governments decided
to keep the conversations as informal as possible, with emphasis on
results instead of protocol. There are certain specific problems which
kept coming up. They included:

(1) Inability to maintain the special 4,000-calorie daily food
    ration awarded German miners;
(2) Transportation breakdowns in Germany and elsewhere;
(3) Poor living quarters for miners and their families;
(4) The necessity for revising management of the mines;
(5) Lack of modern mining equipment.

Forty-seven United States representatives from the Treasury, Com-
merce, Agriculture, Interior, State and War Departments attended the
August 12 opening session. Eighteen British representatives were
present.

THE FOLLOWING IS A LIST OF PARTICIPANTS AT THE OPENING SESSION

UNITED KINGDOM

Chairman:
Sir William Strang, Political Adviser to the Commander in Chief,
Germany

Delegates:
Sir Mark Turner, Economic Adviser on German Economic Matters
to the Foreign Office
D. L. Anderson, Vice-President, Economic Subcommission of the
Control Commission for Germany (British Element)
F. H. Harrison, Chief of Fuel and Power Division of the Control
Commission for Germany (British Element)
H. E. Collins, Senior Director of the Production Branch of the
North German Coal Control
A. G. Gilchrist, Foreign Office, Secretary of the Delegation
J. H. Penson, British Embassy
Chairman:
Willard L. Thorp, Assistant Secretary of State for Economic Affairs

Delegates:
Kenneth C. Royall, Secretary of War
Major General W. H. Draper, Economic Adviser to the Commander in Chief, European Command
Charles E. Saltzman, Assistant Secretary of State for Occupied Areas (Designate)
Max Forester, Chief, Coal Section of Economics Division, European Command
C. Tyler Wood, Deputy to the Assistant Secretary of State for Economic Affairs
James A. Stillwell, Special Assistant to the Under Secretary of State for Economic Affairs

CONGRESSIONAL REPRESENTATION

A member of the United States Congress requested representation on the United States delegation. The request was received only two days before the arrival of the British delegation from London. Because of this fact, it was felt that to have Congressional representation at the conversations would place the British delegation in an embarrassing, unbalanced and difficult position. An explanation of this was written to the Congressional member, and he was informed that information and reports of the conversations would be available to him.

MEETINGS

Following the August 12 opening session at 1778 Pennsylvania Avenue, all meetings were held in the New and Old State Buildings and at the Pentagon. There were many Executive Sessions and a goodly number of small working group discussions. Progress in all groups was very slow, and there was throughout a note of stubbornness and withholding.

RESULTS OF THE CONVERSATIONS

After weeks of discussion an agreement was arrived at with the signing of the report on September 10 at 12:20 by Sir William Strang and Mr. Willard L. Thorp.88 The report and recommendations con-

88 See ante, p. 959.
tained only the vaguest reference to the controversial question of
ownership of the Ruhr mines and this Government’s insistence that
British socialization schemes be shelved as long as coal production
remained a problem.

The Ruhr’s coal mines will be returned to German management and
administration as part of the agreement to boost output. The agree-
ment recommends to the two governments that a German Coal Man-
agement be established as quickly as possible in the hope that German
miners will produce more coal if they are working under German
direction.

The new management will be responsible to the American and
British governments for the efficient operation of the industry, and
will be supervised by a joint American-British Control Group acting
for the military commanders. This will give the United States for the
first time an equal share in the over-all direction of Ruhr coal mining.

Not only will Germans have direct responsibility for managing
their mines, but a new department, equivalent to a ministry of coal,
will be set up in the German Bizonal Economic Council to administer
the Mining Industry. The change in management and control is only
one of many recommendations made by the experts, all of them aimed
at getting more Ruhr coal out of the ground and making more of it
available for German and European recovery.

The recommendations show clearly, however, that no simple magic
formula could be found to produce more coal. Food, transport, hous-
ing and a host of related questions were considered by the negotiators,
but many of them were left for later settlement.

The conversations recommended, for example, that larger stocks of
food be built up and left in the large cities and the mining towns
than elsewhere in the combined zones. It also insisted that the present
rations be met functionally [sic] with gradual increases provided first
of all in the cities, where the people cannot get as much “off-ration”
fruit and vegetables as in the farming areas.

The conversations also recommended much stricter penalties and
inspection of the farming areas to compel farmers to send their food
to the cities.

“We have considered”, the report says, “how far German produc-
tion could be increased by the introduction into the Ruhr of American
mining machinery. After taking expert advice we have reached the
conclusion that, having regard to the natural conditions in the Ruhr
c coal field, the methods so successfully employed in the mining of coal
in the United States are not immediately applicable.”

However, the report urged that American coal experts make an
engineering study of the Ruhr mines as soon as possible, in the hope
that American technical experience might be useful in the Ruhr at some later time.

The conversations did not pretend to reach a decision on the issue of nationalization versus private ownership in the Ruhr mines. The recent United States directive to General Clay,89 the United States Commander, instructed him not to interfere with socialization if the Germans showed by democratic methods that they wanted it. It left him free, however, to preach the advantages of free enterprise, which he has been instructed to do vigorously during the past year.

This formula may be the basis of eventual American-British agreement at what are called “higher-levels”. In other words, the two governments may agree not to obstruct socialization if the Germans want it, although the British propaganda agencies in Germany might urge a socialist solution and the Americans the reverse.

Considerable numbers of recommendations were made by the conversations in addition to those mentioned. They are too numerous to mention, but to summarize the talks briefly, the conversations urged both zone commanders to work out a long-term program for rehabilitating the German coal industry; to start a detailed study of the transport problem in the bizonal area; to consider an immediate increase in coal prices, and to make greater use of German resources for recovery.

The conversations were in the form of recommendations submitted to the respective governments and there is no reason why they should not be given effect as soon as possible. Actually, the program will be turned over to the respective zone commanders for early execution.

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862.6362/9-1747: Telegram

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

SECRET

WASHINGTON, September 26, 1947—6 p.m.

4178. For the Ambassador. While Coal Conference approved in principle provisional agreement previously reached by US and UK Mil Govts on establishment of German Coal Management under US/UK Control Group, implementation delayed pending completion consultations with Benelux and France on management proposals, including provisions for protection foreign owners (reurtel 5023, Sept 17 99).

Dept wd appreciate info on status Brit consultations Benelux, and request you urge on FonOf prompt conclusion such consultations so


99 Not printed.
that management proposal may be implemented. Except for Net note of Sept 9 of criticizing German coal managers powers as undue concentration of authority and objecting to inability allied owners to appoint managers to own properties, Dept has received only general protest from Luxembourg as well as France regarding application socialization, decartellization, deconcentration, etc. measures to foreign-owned mines in Germany.

Fr presented note Sept 17 protesting against US/UK coal management proposals on ground they wd (1) dispose US and UK unfavorably toward eventual adoption definitive settlement in accordance with Fr ideas and involving Allied direction and closer international control of mines, (2) create powerful German organization with means to exert considerable economic pressure, (3) mean further relaxation of Allied controls over distribution of coal, (4) impair property rights of foreign mine owners by subordinating them to German management, and (5) deprive foreign owners (including Saar owners) of right of representation when they jointly but not individually hold at least 51 percent beneficial interest. Fr note also protests against Brit practice since June 1947 of characterizing as interest-bearing loans the subventions paid from zonal budget to mines covering difference between cost of production and sales prices of coal and against application of projected Brit zone land reform law to land holdings of foreign owners of mines.

Dept inclined to reply that (1) coal production can be maximized in interest of Europe only if full responsibility for production entrusted to Germans under US/UK supervision and policy direction, (2) single German management for all mines in Ruhr-Aachen area desired because necessary to have one agency to draw up and implement production plans for industry and take necessary steps before occupying authorities and German authority to insure requirements of materials, manpower, etc. for industry are met, (3) inclusion of foreign-owned mines in German management scheme essential to development and implementation industry production plans, (4) foreign owners suffer no discrimination under scheme and will in any event have right of appeal if convinced their rights unfairly impaired, (5) occupying authorities will retain control and resort to inspection

91 Not printed.
92 A memorandum setting forth the views of the French, Belgian, and Luxembourg industrialists concerning the control and treatment of certain coal mines in the British zone of occupation in Germany was transmitted to the Department of State in notes from the Luxembourg Minister dated August 28, from the French Ambassador dated August 29, and from the Belgian Embassy dated September 9, none printed (862.6362/8-2847, 862.6362/8-2947 and 862.6362/9-947).
93 Not printed (862.6362/9-1747). On September 26, the Department of State received a note from the Belgian Embassy objecting to aspects of the proposed German coal management plan (862.6362/9-2647).
to hold Germans to proper discharge their responsibilities, and (6) German management of industry fully compatible with international control over disposition of output. Will indicate willingness, subject to concurrence of OMGUS, to have group of owners representing together at least 51 percent beneficial interest in mining property appoint representatives to such property. Regarding Neth request to name managers to foreign-owned mines Dept might consider, subject to approval by OMGUS, nomination of managers by foreign-owners with final designation by German general manager with understanding such foreign managers subordinated to overall direction German general manager.

Pls discuss outlined replies with Brit who presumably have received similar notes since important replies be along similar lines.\(^{24}\)

Copy coal conference report being dispatched to you.

**LOVETT**

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**Editorial Note**

The United States–United Kingdom discussions to review the financial provisions of the Bizonal Fusion Agreement of December 2, 1946, were held in Washington between October 8 and December 17, 1947. The United States Delegation was initially under the chairmanship of the Assistant Secretary of State for Occupied Areas, Charles E. Saltzman, and subsequently Assistant Secretary of State Willard Thorp assumed the chairmanship. The United States Delegation included Ambassador Murphy, Under Secretary of the Army William H. Draper, Jr., Assistant Secretary of the Army Gordon Gray, General Clay, and Frank A. Southard, Jr., Director of the Office of International Finance of the Treasury Department. The British Delegation under the chairmanship of Sir William Strang, Political Adviser to the Commander in Chief of British Forces of Occupation in Germany, included Sir Mark Turner, Principal Adviser on German Economic Affairs to the British Foreign Office, Sir Gordon Munro, Financial Minister at the British Embassy and Head of the United Kingdom Treasury Delegation in Washington, J. H. Penson, Advisor on German Economic Affairs at the British Embassy, Major General N. C. D. Brownjohn, Deputy Chief of Staff (Policy), Control Commission for Germany (British Element), D. L. Anderson, Vice President, Economic Subcommission, Control Commission for Germany (British Element), and Patrick H. Dean, Head, German Political Department.

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\(^{24}\) Negotiations between the United States and United Kingdom Governments regarding a common reply to be made to the French, Belgian, Netherlands, and Luxembourg Governments were carried on during October and early November and eventuated in the memorandum of November 14, 1947, p. 972.
British Foreign Office. Discussions between the two delegations were intermittent rather than continuous. Formal plenary meetings were held on October 8, 11, 14, and December 17, 1947. Informal meetings were held on October 23, 24, November 1, 7, 14, 19, 20, 24, 28, 30, and December 9, 1947. On December 17, 1947, Acting Secretary of State Robert Lovett and Sir William Strang signed an agreement revising and extending the Bizonal Fusion Agreement of December 2, 1946; for the text of the new agreement and a general summary of the agreement issued to the press on December 17, see Germany 1947–1949, pages 453–460 or Department of State Bulletin, December 28, 1947, pages 1262–1267. Agreed records of the four formal plenary meetings (document designation CRF–M), the United States Delegation records of the informal meetings (document designation CRF/USDel–M), and conference documents (document designation CRF–D) are included in CFM Files, Lot M–88, Box 85. An incomplete set of these papers is also included in the Department’s Central Files under file 740.00119 Control (Germany)/10–1047.

740.00119 Control (Germany)/10–2747 : Telegram

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

TOP SECRET

URGENT

LONDON, October 27, 1947—5 p.m.

5721. For Secretary and Lovett from the Ambassador. At meeting this a.m., necessarily short because of conditions explained in Embts 3719, October 27 and 5720, October 27, Bevin discussed our request (as reported to him from Washington) relative renegotiation of the fusion agreement that British make written commitment that British troops be retained in Germany until July 1, 1948. He urged that no formal written commitment be required and gave the following reasons:

1. The British Government has no intention whatsoever to withdraw British troops below the figure given to us during the period in question, provided US assumes the UK dollar expenditures on account of Germany. This commitment orally has been given to the US before. He reiterated it to me again today.

2. The announcement of a date would imply that the British Government might be considering withdrawing troops thereafter. It would probably, therefore, give rise to questions in the House of Commons, principally from the left wing, which might otherwise not arise. The questions would presumably be directed toward why, as July first

Neither printed. These messages were not concerned with German affairs.
approaches, no plans were being made for the withdrawal of British forces—an action which the British Government does not contemplate and on which it wants to avoid debate.

3. No dates have been publicly fixed for withdrawal of troops from other identified specific areas. Were a date to be fixed for Germany, questions might be directed toward dates of withdrawals for other areas.

4. The fixing of a date might prove to be embarrassing if, as Bevin considers not impossible, the Soviets at the forthcoming CFM meeting were to propose the withdrawal of all occupation forces from Germany.

5. Any plan of the British Government to withdraw or reduce the strength of the British forces of occupation in Germany would be made to the US Government at the time that a renewal of the fusion agreement beyond July 1, 1948 was under negotiation. Even then such a proposal would be put forward well in advance, in time for ample mutual consideration.

Unless General Clay has reasons for doing otherwise, it seems to me, in view of the above considerations and the oral commitment, it would be preferable to accept Bevin’s position.

Bevin asks that no publicity be given to the reasons which he has advanced.

Sent Dept 5721; repeated Berlin for Murphy and Clay 460.

DOUGLAS:

740.00119 Control (Germany)/10-2747 : Telegram

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

TOP SECRET

WASHINGTON, October 28, 1947—6 p.m.

4611. For the Ambassador from Lovett. There appears to be some misunderstanding regarding nature request which Bevin discussed with you reurtel 5721, Oct. 27.36 This Govt has not requested a written commitment from Brit with regard to a date for withdrawal of Brit troops from Germany. It is my understanding that Gen Clay made an informal inquiry of Brit negotiators here in order that he could say if questioned by Congress that he had information Brit troops would remain at least until July 1, 1948. This inquiry was wholly private.

We confidently expect that Brit troops will remain in Germany until such a time when the two Govts will have had an opportunity to review their future policy with respect to Germany and to decide upon this issue itself and not as part of any other problem.

LOVETT

36 Supra.
The Secretary of State to the French Ambassador (Bonnet)²

The Secretary of State presents his compliments to His Excellency the Ambassador of France and has the honor to transmit herewith a memorandum setting forth the views of the United States Govern-

² The Secretary of State addressed notes similar to this to the Belgian and Netherlands Ambassadors and the Luxembourg Minister.
ment on the observations of the French Government, communicated in the Ambassador’s note, No. 310, dated September 17, 1947, on the Anglo-American plan to establish a German Coal Management for the coal mines in the Ruhr-Aachen area.

The United States Government wishes to state that, notwithstanding the terms of paragraph 8 of the enclosed memorandum, sympathetic consideration will be given to the possibility of making special arrangements for the Karl Alexander mine.

It is understood that an identical memorandum is being addressed to the French Government by the British Government.

WASHINGTON, November 14.

[Enclosure]

MEMORANDUM

In consultation with the British Government, the United States Government has given careful consideration to the views expressed by the French, Belgian, Luxembourg and Netherlands Governments on the plan for the management of the German coal mines in the Anglo-American Zone of Germany, the text of which was communicated to the representatives in London of these four governments on August 28th last.

2. The observations of all four governments covered two main points

(a) The general question of the advisability of handing over the management of the mines to a German coal management; and
(b) the particular question of the effect on foreign-owned mines of putting into force of the coal management plan.

3. On the first point the four governments expressed a view that an undesirable concentration of economic power would be placed in German hands. This power might subsequently be abused by Germany to the detriment of other European countries and to the prejudice of European security. It was argued that although the coal management plan was only of a provisional character, its acceptance and implementation would inevitably prejudice any later and more permanent arrangement which might subsequently be found desirable. In par-

3 Not printed; for a brief summary, see telegram 4178, September 26, to London, p. 966.
4 Copies of this memorandum were also transmitted to the Belgian and Netherlands Ambassadors and to the Luxembourg Minister.
5 The views of the Belgian Government were transmitted in the Belgian Ambassador’s note of September 26, those of the Luxembourg Government were transmitted in the Luxembourg Minister’s note of October 3, and those of the Netherlands Government in the Netherlands Ambassador’s note of September 9, none printed (882.6362/9-2647, /10-347, and /9-947).
ticular, the adoption of the coal management plan would make it difficult subsequently to impose measures of international control over the industries of the Ruhr-Aachen area and their output, such as have been recommended at various times by certain of the four governments.

4. In reply the United States Government wishes to draw attention to the very considerable powers reserved under the plan for the United States-United Kingdom control group. This group, which is directly responsible to the two Military Governors for the implementation of the plan, will closely supervise the latter’s operation and will have the duty of ensuring that the Germans properly discharge their responsibilities under the plan. The control group will have general powers to inspect all mine properties. The control group will issue directives to the German General Director on all questions concerning the export of coal and will also be empowered to issue directives on behalf of the United States-United Kingdom Military Government on any other appropriate subject. It will also have a general power of veto over the decisions of the German Coal Management. Insofar as the levels of wages and of internal selling prices are concerned these are matters which will not come within the competence of the German General Director.

5. In these circumstances the United States Government does not agree that undue power is being handed over to the Germans, nor that the latter will be placed in a position to be able to make use of their powers to the detriment of non-German interests. The United States Government feels confident that the powers entrusted to the United States-United Kingdom control group will enable them to prevent discrimination in any way against foreign interests. In any event, in any cases where discrimination against non-German interests is discovered or suspected, it will always be open for the Government concerned to take the matter up with the United States-United Kingdom Military Government, or in matters of minor importance with the United States-United Kingdom control group, in order that the Anglo-American authorities may, should the circumstances warrant it, take appropriate action with the German authorities. It is suggested that should foreign governments wish to make any communication to the United States-United Kingdom control group the most suitable procedure would be for the communication to be made through the Liaison Officers at present attached to the North German Coal Control at Essen, who, it is contemplated, will continue to function in a similar capacity with the United States-United Kingdom control group when the coal management plan is put into effect.
6. The United States Government does not feel that this plan for the handing over of the actual management of the mines to a German organization, coupled as it is with the retention of very considerable powers in the hands of the United States-United Kingdom control group, will prejudice the position should it be agreed at a later date that some form of international control should be set up to regulate the Ruhr industries and their output. German management of the mines would not in itself seem to be incompatible with overall international control and should it subsequently be agreed that some such international control should be established, the United States Government would certainly for its part not be deterred from proceeding with such a scheme by the fact that the management of the mines was in German hands.

7. As regards the second question raised by the four governments—i.e. the position of Allied-owned mines under the plan—it should be pointed out in the first place that the suggestion made in the last section of the Allied industrialists' memorandum to which reference was made by some of the Governments, that the Allied-owned mines (especially those in the Aachen area) should be excluded from the coal management plan and subjected to a special regime, is not practicable. Apart from any other considerations, it is considered essential if coal production is to be maximized and the German coal industry organized on the most efficient basis that there should be a single managing agency for the whole of the combined zone. Only in this way can overall plans for raising production and for ensuring that requirements of materials, manpower, etc. are met be properly drawn up and implemented. The inclusion of the foreign-owned mines in the management scheme is therefore essential.

8. The United States Government is, however, fully conscious of the importance which the four governments attach to the protection of the interests of their nationals in certain of the mines and in the light of the representations which have been made to them have reconsidered the provisions set out in paragraph 10 of the draft coal management plan. The United States Government is now prepared to agree that in the case of individual or collective majority holdings (51 per cent interest or more) a manager selected by the foreign company or companies concerned and sponsored by the interested government or governments may be appointed, with the approval of the United States-United Kingdom Military Government, to the mine or mines in question. It would be understood that these managers would comply with any regulations that might be laid down by the United States-United Kingdom control group for the operation of the mine as a whole and that their powers would not be such as to effect the author-
ity of the control group or the German coal management. In particular, it would be incumbent upon the foreign managers to carry out any measures laid down in fulfillment of the policy of the United States-United Kingdom Military Government of maximizing coal output.

9. Although the foreign managers would thus be subordinate to the overall directions of the German coal management they would always have the right in any case where they considered that the interests which they represent are being prejudiced by the German coal management to appeal to the United States-United Kingdom control group—through the appropriate Liaison Officer as suggested at the end of paragraph 5 above.

If the German coal management wish to complain against any foreign manager they will be required to make their representations to the United States-United Kingdom control group which will in the first instance approach the Allied Liaison Officer concerned before taking any action on the complaint. Should it be felt necessary to take any steps vis-à-vis the foreign manager on account of this complaint, this action will be initiated by the United States-United Kingdom control group and not by the German management.

10. As far as minority holdings in the mines are concerned, the United States Government feels that these should be adequately protected by the Allied Liaison Officers already referred to who will be in daily contact with the United States-United Kingdom control group. The United States Government is, however, prepared to consider sympathetically any applications which may be made on behalf of substantial Allied minority holdings (individual and collective) for the appointment of special representatives to supervise their interests; such representatives would not, however, possess managerial powers.

11. In the case of all collective holdings, whether majority or minority, it would be necessary for the various parties concerned to agree upon a manager or representative as the case may be and to arrange for him to be sponsored by the Allied government or governments concerned. There is no reason why the managers or representatives should not be Allied nationals.

12. Various proposals were put forward by some of the governments which would have the effect of making available to an Allied government the production of the coal mines in the Ruhr-Aachen area owned by its nationals. Such a proposal is not, however, practicable at the present time. In the first place, as the four governments are aware, the total quantity of German coal available for export to European countries (except Austria), is declared to the E.C.O. for allocation recommendations in accordance with the principles established by that organization. In the second place any such arrangement would make
it difficult to make the most economic use of the limited transport at present available and would therefore tend seriously to prejudice deliveries of all coal exports from the Ruhr.

13. The United States Government trusts that the above-mentioned modifications to Article 10 of the plan will be agreeable to the four governments and that the latter’s apprehensions regarding the plan in general and its effects on the interests of their nationals in particular will have been removed by the above explanations.

14. Both the United States Government and the British Government are convinced that the maximum output of German coal, so vitally needed for the recovery of Europe as a whole, can only be attained if responsibility for the overall management of the mines is entrusted to the Germans—subject always to the supervision of the United States-United Kingdom Military Government and to the direction of the latter in policy matters. They feel that any further delay in putting the coal management plan into effect will have an unfortunate effect on German opinion and react unfavorably on coal production. They have, therefore, decided that they must put the plan, modified as indicated in paragraphs 8–11 above, into operation in the very near future. The date on which the plan will actually be put into effect will be notified to the four governments as soon as possible. The United States Government will always be glad to provide these governments with additional information about the plan that they may wish to receive.

WASHINGTON, November 14, 1947.

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Editorial Note

As its 18th Meeting, November 11, 1947, the Bipartite Board approved a series of measures for the transfer to German hands of the responsibility for coal production and distribution and the general administration of the coal industry in the United States and United Kingdom zones of occupation in Germany. These measures, carried out in accordance with document BIP/P(47) 79, July 16, 1947, page 940, and the Report of the Anglo-American Talks on Ruhr Coal Production, September 10, 1947, page 959, provided for the establishment in Essen of a German Coal Management (Deutsche Kohlen Bergbau Leitung) subject to the authority of the Bipartite Control Office through the medium of a UK/US Bipartite Control Group also located in Essen. The measures approved by the Bipartite Board included directives to the German Coal Management and the UK/US Control Group (Appendices A and B to document BISEC/
Memo (47) 39, November 17, 1947, not printed) and an ordinance establishing the German Coal Organization (Ordinance No. 19 in the United States Zone and Ordinance No. 113 in the British Zone). At a ceremony in Essen on November 19, 1947, the German coal mining industry was formally turned over to the new German administration headed by Director General Heinrich Kost. For extracts from the joint American-British communiqué, issued in Germany on November 19, 1947, announcing the establishment of the Bipartite Control Group and the German Coal Management Board, see von Oppen, Documents on Germany, pages 259-260.

2. Revision of the Level of Industry Plan for the United States–United Kingdom Zones of Occupation; American–British–French Level of Industry Conversations in London, August; Proposals for an Allied Regime for the Ruhr

$40.50 Recovery/6-8047: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

SECRET

URGENT

BERLIN, June 30, 1947—11 a.m.

1569. Your 1292, June 19. 6

(1) In estimating the role which western zones Germany, or all of Germany, could play in the next year or two in a program of European rehabilitation, it is timely to inventory briefly the effect which Allied policy as expressed in the Potsdam protocol and elsewhere has exercised. In harmony with Allied desire to eliminate Germany, heretofore the largest element in European production, as a factor in future aggression, blows were struck at the German economy in addition to the physical damage effected by recent hostilities which conflict with the present constructive urge to rehabilitate the European economy.

(2) German territory was reduced at least temporarily to the extent of eliminating an area which produced approximately 23% of the German food supply. This area is being resettled by Poles and Soviet nationals and while it is producing some food for the European economy, undoubtedly it will take years for it to produce the quantities extracted by the efficient German farm population which formerly occupied the area. From that area and from Czechoslovakia and Hungary some nine to ten millions of German nationals and Volksdeutsche have been expelled to be absorbed in the shattered German economy which

*Not printed; it summarized telegram 2143, June 12, to Paris, not printed, repeated to Brussels, Rome, and the Hague, asking for comments on certain general and specific matters relating to the formulation of a program of European economic rehabilitation ($40.00/6-1947$).
was divided into four zones. The vast majority of these expellees are women, children, and the aged, in other words, those of low employable value. Germany is stripped of its external assets including its patents, copyrights, foreign exchange, and foreign trade organization. Germany is also deprived of its merchant marine and the revenue it produced. It is not permitted to operate airlines. Millions of German POW's who comprise many skilled workmen and technicians are still detained abroad, principally in the USSR.

(3) Germany is subjected to a low level-of-industry plan agreed on in March 1946, the general effect of which is a reduction in the level of industry as a whole which would figure 50 or 55% of the prewar level in 1938 excluding building and building materials industries. That plan includes an important list of industries which are entirely prohibited and a few which will be permitted only until sufficient imports will be possible and can be paid for. Industrial equipment not required to maintain production over this level is subject to reparations. Some of this equipment has been removed from the western zones and a large part of it, of course, has been removed from the eastern zone of occupation. The uncertainty regarding the future of the remaining industrial equipment in the western zones exercises a depressing effect on German initiative and enterprise.

(4) In a loyal US effort to carry out the provisions of the sixth political principle of the Potsdam protocol members of the former Nazi Party were removed on a comprehensive scale from positions of responsibility in important private undertakings and public administration. The application of this policy resulted in the exclusion of millions of persons including those awaiting trial from active participation in the development of the German economy except as ordinary day labor. Germany, of course, has been deprived since the armistice of the energies of a German Government or of German central administration. A large amount of Germany, former Nazi property, has been sequestered and permitted to make little or no contribution to reconstruction. Germany is bankrupt, with no gold reserve, is urgently in need of financial and monetary reform, readjustment of internal prices and a practical foreign exchange rate for the mark.

(5) The foregoing are some of the aspects of the Germany which now wishes to contribute not only to its own rehabilitation, but to that of Europe. As black as the picture may be, Germany, with a population of 66 millions, still can make a contribution. It may do so if it receives the encouragement of constructive Allied policy.

\*\* For the level of industry plan for Germany as approved by the Allied Control Council for Germany in March 1946, see Department of State Bulletin, April 14, 1946, pp. 636-641, or Ruhl von Oppen, Documents on Germany, pp. 113-118.
(6) We recommend that (1) immediate approval be given to the level-of-industry plan recommended for the US/UK zones of occupation. This would be supplemented by whatever contribution in this direction the French zone of occupation could make and eventually if the Soviet attitude changes regarding the treatment of Germany as an economic unity by the application of an approved level of industry to the eastern zone of Germany. It is not our opinion that the establishment of such a new level will eliminate the possibility of Allied nations obtaining compensation as contemplated by Article Four of the Potsdam protocol for the loss and suffering which Germany caused the United Nations. Removals of strictly essential war industries and other equipment not necessary for the peace time needs of Germany will be possible, and should constitute a substantial German contribution to European rehabilitation.

(7) Distribution among European nations of food and other commodities in scarce supply raises the question of the appropriate level of German industry as it relates to surrounding countries. German feeding is considerably below the level of surrounding countries and German level of industry is probably 50% below. With foreign assistance now visible, that ratio will probably be constant for years to come.

(8) Germany's principal national asset is the hard coal deposits in the Ruhr-Aachen area. We believe the Department considers as we do that the British approach to the Ruhr-Aachen coal problem has been unsatisfactory. That area, for example, has been producing recently at the rate of approximately 215,000 tons per day as against a hoped-for 275,000 to 300,000 tons. Faulty management and operation, together with other unfavorable features have deprived not only Germany but western European economy of the most important contribution [that?] could be had to rehabilitation. Added to the faults of management and operation, production has been depressed further by the cloud of uncertainty hanging over the future ownership and management of the mines, resulting from a desire to experiment with socialization or nationalization. This uncertainty has deprived the

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*On April 18, 1947, during the Fourth Session of the Council of Foreign Ministers in Moscow, Secretary of State Marshall and British Foreign Secretary Bevin agreed that American and British officials in Germany should work out a new level-of-industry plan for Germany which would fix the amount of capital equipment to be retained in Germany and that to be made available as reparation; see telegrams 1469, Delsce 1445 and 1470, Delsce 1446, April 18, from Moscow, pp. 356 and 357. The American-British negotiations on the new plan were carried on in Germany during May and June and were completed at the beginning of July 1947. For the text of the revised level-of-industry plan, subsequently slightly revised and made public on August 29, 1947, see Germany 1947-1948, pp. 358-362, Department of State Bulletin, September 7, 1947, pp. 469-472, Documents on International Affairs 1947-1948, pp. 626-632, or Ruhn von Oppen, Documents on Germany, pp. 259-245.
management of the driving incentive to produce, without which it is doubted satisfactory results will be obtained particularly when these are added to all the other unfavorable features affecting labor.

(9) Germany naturally is making a substantial contribution to its own feeding and with additional coal and fertilizer will make a still greater contribution. It requires imports of nitrogen and superphosphates, a heavy tonnage of seed imports and of agricultural machinery and food processing equipment. In our opinion no fertilizer plant should be removed from Germany as reparations, and the remaining plants should be re-activated and their coal requirements supplied.

(10) The German transport system is an essential link in the chain of European recovery. It is deteriorating dangerously due to lack of steel and inability under present food and other unfavorable conditions to maintain repairs to say nothing of the production of urgently needed new equipment, particularly freight cars. Here again are involved the questions of food and coal. When these are more abundantly available, Germany’s contribution to the European transport system will be an important factor in rehabilitation.

(11) A review of our denazification program may well result in a return to the German economy of many high grade skills and technicians. Likewise, an earlier return of German POW’s now held abroad would also enable Germany to make a greater contribution to European rehabilitation.

(12) If German businessmen were allowed freer contact with businessmen in other European countries, as well as the US, private initiative could make a more effective contribution to European reconstruction. This, of course, should be accompanied by financial reform and more normal access to foreign exchange by German businessmen.

(13) At the present time there is a dollar fence across Europe which in many cases prevents the exchange of the minor quantities of goods and services which are available in Europe. This results from limited funds available to feed Germany and to provide necessary raw material imports. Dollar requirements for trade with Germany when there is a serious shortage of dollars in Europe means the UK is promoting trade in sterling and trying to finance German products with sterling that trade and recovery is stifled. The only way Italy, for example, can benefit from German recovery is through the exchange of Italian products for German products. But Italy has high priced and low calorie foods to offer which cannot be purchased because of budget limitations and restriction of purchases to essential items. Holland needs machinery and spare parts and can offer vegetables; the Scandinavian countries want to exchange fish for German products.
The situation relating to our dollar demands for transit charges requires study. Normal trade of this kind should be permitted and encouraged.

(14) Either through appropriated funds or credit arrangements with private banks, governments or government agencies, ways should be found to finance German exports and imports over and above those necessary to meet minimum requirements of disease and unrest. Plans for the economic rehabilitation of Europe should consider this requirement. This may initially cost the occupying powers, and particularly the US, more money, but it should result in savings in the long run. The US is financing many European countries, and it is possible that by incurring increased expenses in Germany it might actually save money in Italy or Austria, for example, so that the total outlay for Europe would be substantially the same.

(15) To make maximum contribution to European recovery attempts would be made to direct Germany’s trade into normal channels. Because of our dollar requirements there has been a tendency to shift Germany’s trade to dollar areas. With increased appropriated funds or proper credit arrangements Germany can, once again, trade principally with Europe and the Scandinavian countries where it can render most effective aid.

(16) In some cases it will be necessary to sell German products on credit. This [is] particularly true of a few special types of industrial equipment. The most striking example of this is the case of specifically designed electrical generating equipment which was ordered from Germany prior or during the war, but was not delivered. The ordering countries are in need of this equipment. Industrial recovery is being retarded because this equipment is not delivered and put in operation. Because of the dollar requirement, some of the equipment stands idle in Germany.

(17) Of course we believe in the reduction of European trade barriers and feel that Germany should be incorporated in a European liberalized trade area, and if that is not possible at least in a similar European area. German efforts in the past to make Germany the country economically autonomous resulted in industries being encouraged by means of high tariff protection. As a result, Germany’s tariffs are out of line with her own requirements and those of her European neighbors. Tariffs were used as a weapon of economic warfare. If Germany is to be fitted again into the economy of European countries, tariff reductions are called for. At present, such reductions would, of course, be little more than a gesture of cooperation, since most imports and exports are priced in terms of dollars and the reichsmark conversion factor is adjusted accordingly. This subject would be for study in
the examinations of the degree of cooperation of Germany, or at least its western zone to be permitted with other countries in international agencies such as ECE, ECO, IARA, ECITO, etc.

(18) Closely related to the problem of the tariff is the problem of deciding which industries in Germany should be encouraged. Care must be exercised so that our export drive does not result in the encouragement of those industries which later on will not be able to exist without subsidies and tariffs.

(19) We should like to hope that as the Soviet Union has assented to participate in European talks regarding the Secretary's suggestions on the subject of European reconstruction, the possibility should not be excluded that the Soviet Union might be willing to make acceptable political and economic concessions in Germany in return for substantial economic aid of which we believe USSR is desperately in need. If the Soviet Union should pursue even a policy of seeking to obtain selfish advantage, opportunity might be afforded to progress toward German economic and political unity and to exact conditions which would lead to the establishment of our form of democracy in Germany and the weakening of the Soviet economic strangle hold it now exercises on the eastern zone of Germany. The unhappy experience of the past ten years in Germany and the present Soviet attitude in Paris does not fortify that hope. That experience leads to a suspicion that Soviet participation in European reconstruction plans might well be inspired by a desire to sabotage western rehabilitation and to restrain Western European recovery until Soviet economic backwardness is overcome.

(20) I would like to add a word regarding a psychological aspect. Germans are like others capable of moments of resentments. Those who have survived the war have experienced two years of vicissitude and hardship part of which was offset by the satisfaction of having survived the war perils. They have been absorbed in the daily struggle to feed, house and clothe themselves. During that period there has been no organized major sabotage of US policy. Continued hopelessness and absence of incentive may at a future point develop passive resistance similar to that of the 1923 period. That would militate against European recovery but if taken in hand in time, fashioned, given encouragement and hope of rehabilitation, the German people are capable of a major contribution to European recovery.

Sent Department as 1569 (please repeat to Moscow as 384), repeated Paris as 264 (please repeat to Brussels as 82 and The Hague as 39), Rome as 3 and London as 236.

Murphy

*The reference here is to the British-French-Soviet conversations in Paris, June 27-July 2, 1947, on the question of European recovery; for documentation see volume III.
The Ambassador in France (Caffery) to the Secretary of State

SECRET

URGENT

NIACF

2775. For the Secretary and Lovett from Caffery. Under-Secretary Clayton requested me to inform you of our conversation with Bidault. In view of the political importance of some of Bidault’s comments I am submitting them in some detail. He said:

1. The task of the Conference of European Cooperation is urgent. A rapid conclusion must be reached if we wish to avoid serious internal as well as external difficulties.

2. As concerns Germany, there should be no question at present of changing the principles now in effect. The US must be aware that the main argument of the Communists is that the US and Great Britain wish to deal with reconstruction of Germany before that of France; and that they wish the French Government to abandon its position on reparations, the Ruhr, and its other German claims. In point of fact French Government has not modified its point of view on these various subjects.

3. Referring particularly to the Ruhr problem, Bidault indicated that no decision should be taken which might prejudice the final status. It was obvious that Ruhr coal is essential for Europe, including Germany. But a change in the Ruhr institutions, a change decided upon separately, would be dangerous and would put the French Government in a difficult position.

4. The French Government was grateful to Mr. Marshall for the position he took during the Moscow Conference regarding the Saar. It was necessary, however, that the Franco-Anglo-American letter on coal be applied without delay and that the ECO be notified of the fact that henceforth the coal resources of the Saar and those of France form an entity. The Sarrois would not understand if France did not go ahead in this matter. Bidault urged that the US make a rapid decision on this subject. A proposal is being addressed to the United States, as well as to Great Britain, which seems ready to accept the French suggestions.

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10 Under Secretary of State Clayton was in Paris to advise the Conference on European Economic Cooperation, July 12–September 22, 1947, of the views of the United States on the problems of recovery. For additional documentation on the interest of the United States Government in the Conference, see volume III.

11 The reference here is to the agreement between the United States, the United Kingdom, and France regarding the regulation of coal exports from the western zones of occupation of Germany, the subject of an exchange of letters between Secretary of State Marshall and Foreign Minister Bidault on April 19, 1947, during the Moscow Session of the Council of Foreign Ministers; for the texts of the letters, see pp. 486–488.

12 The proposal under reference was contained in a French Embassy aide-memoire dated July 11, 1947, not printed. For a review of French proposals regarding the distribution of Saar coal, see the memorandum of conversation by Willis, July 24, 1947, p. 1084. For additional documentation regarding the attitude of the United States on the detachment of the Saar from Germany and its integration into the economy of France, see pp. 1073 ff.
Mr. Clayton, in reply, expressed his admiration for the skillful and rapid manner in which Bidault and Bevin had dealt with the question raised by the Marshall speech.

He agreed that, in the present situation of Europe, speed is a decisive factor in any task to be undertaken, and recalled that the Secretary's suggestion consisted of aiding a group of countries and of putting an end to the policy of dispersed efforts.

He was in agreement with Bidault that the problem presented by the re-establishment of the Ruhr's economy must be settled as soon as possible. It was disastrous that two years after the end of hostilities Ruhr coal production only reached 45 percent of the pre-war level. No economic recovery would be possible as long as the continent was not self-sufficient with respect to coal, and at present Europe must spend about 700 million dollars annually to buy this fuel in the Western Hemisphere. It was therefore essential to re-establish the coal production of the Ruhr and to restore it to the pre-war level in order to cope simultaneously with the needs of Germany, France, and the other European countries. The US was perfectly aware of this situation and its Ambassador in London, Mr. Douglas, has discussed it at length with Mr. Bevin.

The steel question was equally important. Steel is in short supply throughout the entire world and it is consequently necessary to restore the Ruhr production.

As for the Saar, Mr. Clayton could only speak purely personally, the problem was not within his jurisdiction. It was his understanding, however, that the US Government had expressed its sympathy for certain French objectives.

Mr. Clayton then discussed, along the lines of our talk with Ramadier (see my July 11\textsuperscript{18}), the Department's diagnosis of Europe's economic situation and possible methods of dealing with the problem.

Bidault then returned to the Ruhr problem. The present situation was far from being satisfactory and the adversaries of the French Government were using this very fact as an argument to attack it, saying: "to assemble a conference at Paris to examine the Marshall proposals amounts to the same thing as abandonment of reparations and modification of the French position as regards the Ruhr". He repeated that this situation was extremely serious and that the French Government must take it into account. France could not be faced with a decision that would upset the definitive settlement of the German question.

The Ruhr coal production must certainly be increased. France can and will help in this. This does not imply, however, that we should settle immediately the problem of fusion of the occupation zones.

Bidault repeated that it was important that the Franco-Anglo-American agreement reached at Moscow on France's coal supply and on the inclusion of Saar resources be applied immediately.

Bidault insisted that, without settling the problem of ownership of the (Ruhr) mines, it would be possible to change the management methods with French participation.

\textsuperscript{18} Not printed here.
Mr. Clayton, making it clear that he was speaking only for himself, said that he not only agreed that the problem of future mine ownership in the Ruhr should not be determined at this time, but that a moratorium on nationalization or socialization plans for a period of five years should prove very beneficial in removing uncertainties now facing the mines management. This move, coupled with other incentives, would stimulate management to increase production.

Bidault summarized his position as follows: The US says that the Ruhr mines must not be nationalized. Great Britain, on the other hand, desires socialization. France demands internationalization. If it is impossible to settle this question now it is at least necessary to improve immediately the management of the mines with participation by France.

Regarding steel, Bidault stated that he wished to avoid any misunderstanding. At Berlin, in March 1946, the Control Council fixed the production at 7 million tons. At Moscow, three delegations spoke of figures reaching ten, eleven, and twelve million tons. The French delegation, on the contrary, asked that the question be examined by a technical commission, so as to determine the real requirements of Germany, allowing for the problem of security, reparations, balance of payments, and charges of the occupying powers.

At present, steel production does not exceed three to four million tons. Bidault, therefore, saw no reason to raise the ceiling fixed in March 1946, since the maximum authorized was far from being reached.

He recalled that France was capable, if it receives sufficient coke from the Ruhr, of increasing its steel production very substantially and of meeting, with the help of Belgium and Luxembourg, all the requirements of western Europe, including German needs. It was essential that no decision raising substantially the German industrial level be taken at present. This decision could lead to the belief that it is desired to restore the German economy before that of the countries Germany attacked.

Mr. Clayton answered it was his personal belief that the dismantling of factories for reparations brings no appreciable gain to the recipient countries. In addition, he thought that the question of the German level of industry must be settled rapidly.

Bidault said he must protest energetically against this point of view; there must be no repetition of the error of Potsdam where German questions were settled without France. To begin the attempt to settle Europe difficulties by abandoning reparations and by raising the level of German industry would have very serious consequences in Europe. No French Government could consent to it. The whole difficult task they had undertaken would be immeasurably compromised. Moreover, the German settlement is a matter for the Control Council and for the Council of Foreign Ministers, as Mr. Bevin and he himself recalled in the invitation sent to the European countries.

France does not desire to reduce Germany to misery; it admits that the reconstruction of Germany is an element of European reconstruct-

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14 Regarding the proceedings of the Moscow Session of the Council of Foreign Ministers, March 10–April 24, 1947, see pp. 284 ff.
tion, but it must not take precedence. It is therefore necessary that the dismantling of factories be pursued at an accelerated rate; that France receive a much more substantial share of reparations in equipment and in capital goods. Finally, the problem of the raising of the level of German industry must be reserved for the time being.

Mr. Clayton agreed that the first place in the reconstruction of Europe must not belong to Germany, but it was nevertheless true that Ruhr coal production constituted an essential element of European reconstruction.

Bidault again emphatically argued against any public statement which could lead the French people and Europe to believe that reparations had been abandoned and that the raising of the German economic potential was especially contemplated. If such a declaration were made, he stated that the Conference which is to meet Saturday would be doomed to failure and "there would be no Europe". Nevertheless if you are determined to do some of this, as much as we dislike it, do it without any public announcements.

Mr. Clayton replied that he understood the sentiments of Mr. Bidault, which are those of the French people. He understood them, just as they are understood by the American public. He stated that no one in the US was thinking of reconstructing Europe around a dominant Germany. Nevertheless, it was a fact that the occupation now puts heavy burdens on Allied taxpayers and that measures must be taken to reduce them. That did not mean, however, that first place must be given to Germany in the reconstruction of Europe.

In any case, Mr. Clayton was very glad to know Bidault's reactions; he had noted them and would transmit them to the Secretary.

Bidault, in closing, stated that he wished once more to express the gratitude of the French Government for the liberal and humane gesture made by the Secretary of State, the importance of which is appreciated by the entire French nation.

Clayton and I subsequently discussed our conversation with Bidault and we are in agreement that extreme care should be used in dealing with this matter and that care should be taken to avoid any public statement at this juncture to reparations, level of industry, etc. which would react unfavorably on the Paris Conference or strengthen the Communists in their effort to discredit its efforts and those of the French Government.

Sent to Dept as 2775, to Geneva for Clayton as 88.

CAPPERY

8626362/7-1547

The British Embassy to the Department of State

AIDE-MÉMOIRE

General Clay and General Robertson have reached agreement in Berlin on a new level of industry plan for Germany. Their original

15 This aide-mémoire was left with Under Secretary of State Lovett by British Chargé Balfour on July 15.
intention was that this agreement should be published on Wednesday, July 16th.

2. The British Foreign Secretary thinks that in view of the way things are developing in Paris it would be highly undesirable for any publicity to be given to the Level of Industry Plan at the present time, since this would inevitably raise suspicions and create misunderstandings at the Paris Conference. He considers that no announcement should be made until the Paris Committees have got well under way and indeed thinks that it might be better for any publicity to be postponed until the forthcoming Anglo-American meeting in Washington. Mr. Bevin also considers that the agreement must be communicated to M. Bidault before it is made public.16

3. His Majesty's Chargé d'Affaires in Washington has therefore been instructed to inform the State Department of Mr. Bevin's views and to express the hope that, bearing in mind the importance of avoiding any unfortunate reactions in Paris, they will ensure that no publicity is given for the time being to this agreement by United States authorities either in Washington or Germany. General Robertson has also been asked to request General Clay to give no official publicity to the plan at the moment and to ensure that no premature unofficial leakage takes place.

WASHINGTON, July 15th, 1947.

740.00119 Control (Germany)/7–1547: Telegram

The Secretary of State to the Embassy in France

SECRET

WASHINGTON, July 15, 1947—9 p.m.

URGENT

2605. For the Ambassador. The Dept is fully conscious of the considerations with regard to the French position set forth in your tel 2775 July 11 17 and subsequent messages. In agreement with the British Embassy, which received a personal message from Bevin today, and with the War Dept, instructions have been sent to Clay to give no further publicity at this time to the bizonal agreement just concluded on the German Level of Industry.

16 In a telegram to British Chargé Balfour dated July 15, a copy of which was given to the Department of State, Foreign Secretary Bevin stated the following about immediate publication of the new level of Industry plan:

"It will cause suspicion among many of the powers represented here [the Conference of Economic Cooperation at Paris] and will give substance to the propaganda which the Russians are putting out that the object of this Conference is to 'Put Germany First' . . . . Any immediate publication I repeat would be a tragic mistake." (862.6362/7–1547)

17 Ante, p. 983.
British Embassy has just telephoned to say that Bidault has made
inquiry of Bevin as to just what is being discussed by bizonal au-
thorities on Level of Industry and that Bevin feels that he must give Bidault
the story tomorrow. He is accordingly sending Hall Patch to explain
the agreement to Bidault tomorrow. While the Dept realizes that you
are not informed of the nature of the agreement, it believes it impor-
tant that the French should likewise receive word of the Agreement
from the American side. Please immediately consult Bevin and Hall
Patch and arrange to coordinate the approach to the French. The
British will be able to give you necessary information concerning the
agreement and reasons behind it. The Dept leaves to your discretion
whether you should make the approach jointly with British or
whether you consider it desirable to see Bidault separately.

Dept regrets lack of time prevents informing you fully of nature of
agreement and reasons or of sending Murphy to Paris to give you the
background.

MARSHALL

862.60/7-1647: Telegram

The Political Adviser for Germany (Murphy) to the
Secretary of State

[Extracts]

TOP SECRET

URGENT

Berlin, July 16, 1947—noon.

1695. For the Secretary Eyes Only. Following is the substance of
revised plan for reparations and level industry in bizonal area dated
16th, July which was scheduled for announcement on that date but
which is not being published in accordance with Department’s instruc-
tions (Deptel 1466, July 15 18).

Preamble reviews objectives of plan for reparations and level of
postwar German economy adopted by four occupying powers through
ACC in March 1946, alludes to fact that plan was based upon Pots-
dam Agreement providing for German unity, and points out that
failure to achieve unity and light of experience since plan adopted has
shown unmistakeably that revision necessary.

18 Not printed; it stated that both the Department of State and Bevin con-
sidered it of the highest importance that no immediate announcement of the new
level of industry plan be made (862.60/7-1547). Similar instructions were trans-
mitted by the War Department to General Clay. Telegram 1689, July 16, from
Berlin, not printed, reported that the announcement of the new plan had been postoned in pursuance of the instructions from Washington. The telegram added:

"Thus far agreement has been closely held. I might say also that we had hoped
for a bold step forward. As far as Germany itself is concerned positive and cou-
rageous action is indicated." (862.60/7-1647)
Objectives of plan were to eliminate Germany's industrial war potential, to provide reparations out of Germany's capital equipment for victims of Nazi aggression, and yet to leave within Germany necessary plant and equipment to permit rebuilding of viable, peaceful economy. Plan was based upon Potsdam Germany; a single economic unit whose boundaries would not be further revised to deprive Germany of important natural resources, with common policies with respect production, allocation, import and export programs, currency and banking, and transportation and communications, and with a population estimated at 66.5 millions; all restrictions and removals to be predicated upon the ability of Germans to prepare, in language Potsdam Agreement for eventual reconstruction their life on democratic and peaceful basis.

Clear that assumptions have not been fulfilled, basic changes in situation have occurred, and level industry must be increased. Return of prisoners of war and refugees coupled with natural increase will raise population; bizonal now 16% above 1939 as opposed to 3% elsewhere in Germany. Economic integration of Saar into France, with acquiescence two other occupying powers, will lose to Germany coal and steel resources that area. There is no economic unification nor adoption and implementation common policies, and levels industrial capacity which at best would have been barely adequate in united Germany cannot suffice make the several parts of disunited Germany, which has more population and less coal and steel, self-supporting and able maintain tolerable standard living.

Lapse of time has demonstrated clearly that neither bizonal area nor all Germany can regain economic health under plan as now stands, and has become increasingly apparent that under present conditions Germany cannot contribute her indispensable part to general economic rehabilitation of Europe. Has become imperative reconsider industrial capacity required for bizonal area and arrive at new policy compatible with minimum needs of area, of Germany and of all Europe.

Revised plan agreed by two Military Governments holds to same objectives as original. If capacities are fully utilized, it should permit bizonal area to develop self-sustaining peaceful economy; and should provide sufficient exports to pay for essential food and other imports, and enable German people obtain within reasonable time standard living in conformity with that envisaged in Potsdam Agreement. Revised plan appears to be within capacity of manpower and transport resources Western Germany although its attainment during next few years will require full effort German Government, labor and management. At same time, it will not permit restoration dangerous industrial war potential, and will still provide for elimination of war plants and removal surplus industrial capacity for purpose reparations.
A principal consideration in present revision was need of removing uncertainty under which bizonal industry now operating. It is therefore anticipated that list of plants earmarked for reparations will be made available immediate future so that bizonal industry can devote its full efforts to task of rehabilitation.

Offer to other occupying powers to join bizonal area in developing unified German economy still stands. Plan has been developed with due regard to hope offer will be accepted.

1. General. Quadripartite plan provided for retention industrial capacity sufficient approximate production of depression year 1932; which equalled 55% of 1938 and was about 70–75% 1936 production. New plan would approximate 1936 level industry, a year characterized by neither boom nor depressed conditions.

a. Old plan provided very sharp cuts in production capacities in metals, machinery and chemicals industries, from which bulk of reparations were to be obtained. Impossible to provide self-sustaining economy in bizonal area without materially increasing levels these industries. Substantially entire difference between original and revised plan is in these reparations industries since original already provided maximum and in some cases unrealistic levels for non-reparations industries. New plan would provide production at levels averaging about 5 to 10% less than 1936 (a reduction of 55 to 60% from war year 1944).

b. Population factor must be borne in mind. Bizonal area already has at least 6 million more than 1936 and by 1952 expected have 8 to 10 millions more than pre-war. On basis expected population in bizonal area in 1952 of 42 to 44 million, per capita production capacity provided by new plan would be approximately 75% of 1936.

c. Over-riding requirement in developing bizonal plan has been to provide level industry necessary make area self-supporting. In determining levels for specific industries, for example, steel and machinery, requirements for exports, for internal needs bizonal area, and for trade with rest of Germany, have been taken into account. In devaluing requirements for trade with rest of Germany and of imports, account had to be taken of removals of capital equipment from other zones and Berlin. Required capacities of particular industries, therefore, allows for potential output to supply trade needs of rest of Germany. Bizonal area in order to be self-supporting must obtain products in which deficient either as imports from outside Germany or in trade from rest of Germany.

[The remainder of this telegram reviewed the provisions of the new level of industry plan regarding the balance of payments and restricted industries.]

Murphy
The French Foreign Minister (Bidault) to the Secretary of State

SECRET


My Dear Secretary of State: I turn to you personally in a situation which is extremely serious for my country and the whole world.

As you know, at the last meetings which took place in Paris the French Government burned its bridges.

Having burned them, it finds itself, on the side that it has chosen, in an absolutely unexpected situation, and one which has developed without its knowledge at the very moment when it was called upon to make a vital decision in another connection.

I can only express my surprise and my concern at the sudden revelation of a line of action which has such painful consequences for us in connection with the effort which I have made.

I went straight ahead in all tranquillity. I committed my country. I regret nothing that I have done. But I fear, if the plans of which I was given a glimpse, materialize at this time, not only will all my efforts have been in vain, but they will be turned against the cause I served.

Decisions concerning Germany such as those which the American and British Governments are contemplating will, without doubt, appear to French public opinion as justifying the position taken by Mr. Molotov and that adopted within France by the adversaries of the French Government.

The Government of the French Republic would be placed in an unexpected and untenable situation if the decisions which are now contemplated are confirmed. I do not wish to stress the obvious fact that I, personally, would be unable to continue my task.

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The source text, a translation, was transmitted to the Department as enclosure 2 to despatch 2253, July 18, from Paris, not printed. The original French text of this message had been transmitted in telegram 2855, July 17, from Paris, not printed (711.51/7-1747). In telegram 2854, July 17, from Paris, not printed, Ambassador Caffery reported that he and the British Ambassador in France had been called to the French Foreign Ministry on the evening of July 17. Bidault handed Caffery this message, written in longhand. Bidault also handed the British Ambassador a message for Foreign Secretary Bevin. Bidault gave both Ambassadors the communication printed infra. Caffery reported as follows on the course of the interview with Bidault:

"Bidault complained bitterly to us that ‘all of this’ had been done behind his back. When reminded that if he had agreed to the fusion of the French zone with ours this could not have happened, he said ‘Yes, I know that and I know full well that our zone must join yours but I cannot do it at the mouth of the gun. Why won’t your governments let us in on conversations of this kind meanwhile?’ He reiterated that he will leave the French Government at an early date if we remain adamant." (711.51/7-1747)
From the very beginning of the discussions to which your proposal to aid Europe gave rise, the Communists have declared, as has the Soviet Union, that the first result would be the reconstruction of Germany. I denied and fought that idea. Now the time has come to find out whether they or I was right. If I was wrong, I shall pay.

In order to justify the measures contemplated in favor of Germany, I was told that German psychology must be taken into account. I hope that our friends will attach at least equal importance to French psychology. I am compelled to say that to ignore that psychology when or because the French Government has committed itself will in all probability reopen the question of France’s interior equilibrium and, through other men, the very choice she has made.

Now, when the present production of steel in Germany is at a level of three or four million tons and while my English and American informants admit that there is no hope of reaching the level of seven million and a half tons of steel which has already been agreed upon by all before one year, to decide upon another level at this time would be interpreted in France as a discrimination against her, and this immediately after the unequivocal decision she has made. We have never wanted either to starve Germany or to let her resources lie dormant. But if on the morrow of the Paris Conference, at a time when we are still filled with uncertainty regarding ourselves, there is a certainty for Germany, the consequences of this priority cannot be escaped.

I feel it my duty, in all confidence and frankness, to call your attention to a situation which directly concerns my country and, by its foreseeable repercussions, the entire future of the civilized world.

Believe me, very cordially,

Your very devoted,

BIDAUT

711.51/7-1847

Communication by the French Foreign Minister (Bidault)\textsuperscript{20}

SECRET


According to details given M. Chauvel by Sir Edmund Hall Patch, in presence of Mr. Bonbright, on the negotiations concerning Germany which are presently taking place between the American and British Governments, the scope which these negotiations have taken is a matter of great surprise to the French Government.

\textsuperscript{20} The source text, a translation, was transmitted to the Department as enclosure 4 to despatch 9253, July 18, from Paris, not printed. The original French text had been transmitted in telegram 2856, July 17, from Paris, not printed (711.51/7-1747). Regarding the circumstances in which Foreign Minister Bidault handed this paper to Ambassador Caffery on July 17, see footnote 19, p. 961.
On two essential points, namely, the control of the Ruhr mines and the industrial level of Germany, it would appear that the two Governments have worked out a series of measures which obviously exceed the normal administrative measures taken by an Occupying Power.

Without prejudice to any later observations which the French Government may wish to advance regarding all or part of the proposals of which it has not yet been completely informed, the French Government wishes immediately to draw the attention of the British and American Governments in the most urgent manner to the fact that it cannot consider the British Government, acting alone as occupying Power of the Zone which has been turned over to it, nor the American and British Governments acting together in reason of the fusion of the American and British Zones, as being qualified to act in so far as the control of mines in the Ruhr and the industrial level of Germany are concerned. These two matters are the concern of the Council of Foreign Ministers and of the future Peace Conference, and no decisions which either one may make can be prejudged, either legally or de facto.

Furthermore, the French Government must point out to the American and British Governments that to raise the level of Germany industry substantially at the present time when American aid to Europe is still uncertain would be to give priority to the reconstruction of Germany over the reconstruction of France and other countries which were victims of German aggression.

If the American and British Governments confirm the proposals which they have formulated on these two points, the French Government will be forced to protest solemnly and publicly, and to make all reservations as to the various consequences which will inevitably follow.

740.00110 Control (Germany)/7-1647 : Telegram

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

SECRET

URGENT NIAC T

2863. The pertinent parts (dealing with the level of industry question) of minutes of conversation with French (Deptel 2635, July 17 21)

21 Telegram 2635, July 16, from Paris, not printed, reported that a representative of the Embassy in Paris (James Bonbright, Minister Counselor) accompanied Sir Edmund Hall-Patch and other British representatives in an interview with Jean Chauvel and other French Foreign Ministry officials on the afternoon of July 16. Owing to the lack of background information, Bonbright limited himself to making it clear that the United States was in full accord with the British in informing the French fully concerning the recent American-British bilateral discussions (740.00110 Control (Germany)/7-1647). Telegram 2635, July 17, to Paris, not printed, asked for a telegraphic summary of what had been told to the French (740.00110 Control (Germany)/7-1647).
follow: Resumé of technical meeting the following morning (referred to in minutes and in mytel 2843) being transmitted in separate telegram.

We interpreted Deptel 2605, July 15 to mean that talks were designed primarily to be informative rather than consultative, particularly since a number of firm decisions appeared to have been taken by ourselves and the British. It will be seen from the minutes that this was the line taken by Hall-Patch.

"The French wished for an account of the UK-US discussions on the level of German industry.

Sir Edmund Hall-Patch said that our communication should be treated as confidential. He reserved the US position since the US representative had not been fully briefed. He said that we had reached with the US authorities what must be regarded as a firm agreement subject only to minor amendment. The plan applied to the bizonal area, not to Germany as a whole, though it was compatible with a plan for the whole of German industry. It would be for the CEM to decide this latter issue in November. It was recognized by all the delegations at Moscow that the level of German industry laid down in the March 1946 plan must be raised. Our present plan was based on the attainment of a level lower than that supported by the Russians but higher than we ourselves put forward at Moscow. He reiterated that the policy of HMG was based on the attainment of the economic unity of Germany. Having failed in Paris last year to secure agreement, we had entered into the fusion agreement and had announced that this agreement was open to other powers to join. Until a greater measure of economic unity was attained it was the duty of the powers concerned to make the best arrangements they could to make their zones work. We were compelled to take our own decisions and to operate our zones in a manner which would prevent the continuation of the present intolerable drain on the US and UK taxpayers.

The impracticability of the March 1946 plan was as clear to the Germans as to ourselves. The uncertainty of having no known level against which to measure their plans or on which to base their hopes was seriously retarding the economic recovery of our zones. It was also delaying the execution of a reparations program to which we, as well as the French, attached importance. The delay in fixing a level had led to the unfounded German view that we would not carry through a reparations program and that the industries at present at a standstill would later be brought into German use. It was important to stop this development. We must therefore establish a firm level and therefore the maximum German reparations commitment, and then remove all surplus plants speedily. The longer we delayed the more difficult it would be for us to obtain any reparations.

M. Chauvel queried the finality of the plan and emphasized its effect on other nations.

Sir Edmund Hall-Patch said that in our view the lower limit should be treated as final. He said that the policy of HMG was based on the

\[22\] Dated July 17, 1947, not printed.
\[23\] *ante*, p. 987.
limitation of German war potential to the maximum practical extent. This policy was in our direct interest since we required the reparations it would make available to reduce the drain on our dollar expenditure. Our passionate desire in the interest of world peace was to see the removal of any possibility of a fresh German aggression. But he pointed out that security had to be qualified by the need for a viable Germany. To set Germany an impossible economic task would not be in the interests of Europe; nor could we and the Americans accept indefinite responsibility for meeting a German deficit. After a detailed re-examination of the issue we had come to the conclusion that some of our security restrictions must be loosened in the hope of attaining a balance of payments. Our new level of industry plan was higher than that put forward by US at Moscow because we had been reluctantly convinced that the latter was economically impracticable.

He gave it as his view that in the face of the new proposals by Mr. Marshall it might be necessary, always subject to security considerations, to consider raising German production insofar as this was found indispensable to the recovery of Europe.

Details were given of the level proposed for the main industries together with the reasons which had forced us to these decisions. It was agreed to hold another meeting the following morning at 10:30 to go in greater detail into the levels proposed. In answer to M. Chauvel it was made clear that we did not aim at the reestablishment of a particular prewar level of production but that a year had been chosen as a measuring stick. The year 1936 had been selected as being a normal year before Germany had commenced to re-arm. Allowing for the movements of population, the standard of living which production at the rate of say 1936 would permit would be considerably less than that enjoyed by the German population in that year.

M. Chauvel wished to know whether questions such as the development of industries other than those in the restricted fields or the redistribution of steel between Germany and France had been studied. Sir Cecil Weir made it clear that these questions had been studied from the point of view of what Germany must produce to buy what she needed.

In answer to M. Couve de Murville, Sir Cecil Weir stated that we intended to make every effort to deliver the reparations equipment thrown up by the UK-US plan and to simplify the procedure of valuation, allocation, etc. To his query as to whether we thought it politically practicable to do so, Sir Cecil Weir said that we hoped to carry our program through successfully, but that delay would hamper the prospects or success.

M. Chauvel summed up French views by saying that he was struck by the effect the decisions we were taking might have on the future structure of Germany, although their decisions were being taken in the guise of administrative decisions necessary simply for bizonal purposes. France looked like being presented with a series of faits accomplis.

Sir Edmund Hall-Patch pointed out that we had not pressed on with these questions as much as self-interest would have dictated
since we had hoped for economic unity or at least French cooperation. We were now acting out of sheer necessity.”

CAFFERY

711.51/7-1847: Telegram

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

SECRET

URGENT

PARIS, July 18, 1947—8 p.m.

2879. In connection with current furor over “proposals for Germany” (mytel 2862 July 18\textsuperscript{24}), I have of course sought to dispel—and I think successfully—any misunderstanding on part of Bidault and other members French Cabinet. In fact Bidault has stated he fully realizes our position and realizes that France must eventually go along with us but at same time emphasizes in strongest possible terms impossibility of average Frenchman doing so at this juncture. Signs of hesitation and fear that perhaps “France went too far”, based on dread of Soviets and doubt certainty of our effective support, are already cropping up and may not be absent from Bidault’s own thinking.

Obviously Bidault is panicky about his own position (and he is very ambitious) as well as about his party’s prospects in this fall’s municipal elections. Furthermore there is no doubt about his genuine concern over possible effect on present government. He says he already sensed throughout the country a ground swell of hostility to these “German proposals”; adroitly magnified by Communist propaganda.

He has already (in his personal letter to the Secretary\textsuperscript{25}) indicated that he could not personally continue in office if we and the British persist in our expressed intentions. His resignation would undoubtedly provoke another government crisis in which the political of the MRP, RGR and Socialist Parties are for the moment unpredictable.

In addition, the Department will recall that in the “paper” which Bidault handed to Duff-Cooper and me (mytel 2856 July 17\textsuperscript{26}) the statement is made that the French Government will find itself compelled to protest solemnly and publicly if we go ahead with our plans as he now understands them, and especially the publicity angle.

Sent Department 2879, repeated London 559 and Geneva 99 for Clayton.

CAFFERY

\textsuperscript{24} Supra.

\textsuperscript{25} Dated July 17, p. 991.

\textsuperscript{26} The telegram under reference is not printed, but for the “paper” referred to here, dated July 17, see p. 992.
THE OCCUPATION AND CONTROL OF GERMANY

862.60/7–1947

The Secretary of State to the British Secretary of State for
Foreign Affairs (Bevin) 27

TOP SECRET

DEAR MR. BEVIN: In addition to the formal communication we have
both received from the French Government expressing its concern
over the new bi-zonal plan for the level of German industry in our
zones, I have received a personal message from Bidault expressing in
even more direct language the alarm of the French Government over
the consequences of any announcement of this plan both on the internal
situation in France and the position of the French Government in
regard to any program of European recovery. 28 I am sure you will
agree with me that the attitude of the French Government cannot be
disregarded in this matter, and I feel we must make some concerted
communication to the French Government in order to reassure them
as to our intentions.

I therefore suggest for your consideration that we separately address
a communication to Mr. Bidault informing him that the US and UK
Governments will suspend further announcement on the agreed plan
for revised bi-zonal level of industry in Germany until the French
Government has reasonable opportunity to present its views for full
consideration.

I would appreciate your urgent views on this suggestion.

Faithfully yours,

G. C. MARSHALL

840.50 Recovery/7–2047: Telegram

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

SECRET

PARIS, July 20, 1947—6 p.m.

2885. For the Secretary, Lovett and Harriman. I am forwarding by
air pouch a record of conversation, which Bidault had with Secretary
Harriman and myself on July 16. 29 Many of his observations were

27 The source text was transmitted in telegram 3102, July 19, to London, not
printed. This message was not delivered to Foreign Secretary Bevin until July 21.
28 For the messages under reference here, see pp. 991 and 992.
29 The record of conversation between Harriman, Caffery, and Bidault was
transmitted to the Department as an enclosure to despatch 9273, July 21, from
Paris, neither printed (840.50 Recovery/7–2147). In telegram 2847, July 17, from
Paris, Caffery reported as follows on the circumstances in which this conversa-
tion was begun:

"I took Harriman to call on Bidault yesterday afternoon at six o'clock. A little
after five Weir and Hall-Patch had begun explaining to Chauvel and other For-
ign Office officials certain views of the US and Great Britain in regard to our
zones in Germany. Alphan had come out of the meeting and had given to Bidault
some of the first information imparted (some of this he gave erroneously or
Bidault had misunderstood). We found Bidault in a hysterical condition." (740.00119 Control (Germany)/7–1747)
parallel to those made to Mr. Clayton, Duff-Cooper and myself and previously reported to the Department.

Bidault remarked that the Paris conference work was going well but that he was very alarmed about developments in Germany. He said that France was now faced with the following prospects:

1. Measures had been taken to centralize Germany.
2. They have been taken or will be taken to reestablish the Germans in the mines.
3. The immediate raising of the steel production level is contemplated.

With reference to this situation, Bidault said: “We have 180 Communists (in the Assembly) who say: ‘the Marshall Plan means Germany first.’ If something permits them to say this again, whether with ostensible or real reason, I tell you the government will not survive.

“I am not in a position to overcome the simultaneous opposition of General De Gaulle, the Communist Party, and a not negligible fraction of my own friends. Besides, I don’t want to. All this has to do with Germany, of course. We know how things are going to come out. It is perfectly clear that we must accomplish the fusion of zones, that the Germans must be permitted to live and to produce, and that the categorical positions which we had defended at the beginning will have to be modified. But I repeat, if this additional burden is thrown on my shoulders in such conditions that I could not offer a valid answer, I would be in absolutely no position to confront the situation, after everything I have already done.

“Within a few days from now, I shall have to defend, before a Parliament in which there are 180 Communists and 120 Socialists, the matters of Greece, the Paris conference, and the outright breaking with the Soviets. If, in addition, I must explain the agreement contemplated among you with regard to the Ruhr and German production, I shall not succeed.”

Mr. Harriman in reply pointed out that our policy in support of federalization remained unchanged: that the question of ownership of the Ruhr mines had not been determined and that we felt that this problem could be set aside for a certain period, say five years: but that we believed that coal output could be increased by making Germans responsible for production subject to supervision by the military authorities.

I confirmed Mr. Harriman’s remarks and remarked that Mr. Bevin said he intended to “put the nationalization question on ice”.

On the question of the level of steel production, Bidault challenged both the quantity to be permitted and the necessity for making a decision at this time. He ventured that a year from now actual pro-
duction would not reach 7.5 million tons, "yet today one speaks of 11 million". "Eleven million tons would represent a considerable argument for the Communists who will say: 'there is three times as much steel in Germany as there is in France'."

Mr. Harriman in reply pointed out that an agreement on level of industry was necessary, and he mentioned the excessive cost of dismantling and transferring factories. Bidault said that reparations received to date had been helpful in raising French production "only to a small extent". He added that it was the other three occupying powers who had invented reparations by plant transfer.

Mr. Harriman in reply emphasized the fact that operations in Germany were now costing US 700 million dollars per year: that it was extremely difficult for the two combined zones to be self-sufficient, and that the point had been reached where measures had to be taken. The Foreign Minister, in closing, emphasized the following two points:

1. "In France we are not producing (steel), by far, what it is proposed to promise to Germany. That is why I would be compelled to protest."
2. "I tell you again that I and the government are in danger of being placed in a tragic situation."


CAFFERY

882.6362/7–2047

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

I am giving careful study to the present position as regards both the level of industry and the reorganisation of the management of the coal industry in Germany. I intend to consult my colleagues on these matters in the light of M. Bidault’s message early next week. In view of the joint Anglo-American responsibility for the bizonal area it is clearly necessary that the replies of both His Majesty’s Government and the United States Government to M. Bidault’s letter should be on parallel lines, and I should welcome any indication you can give me of the views of your Government of the important issues raised by M. Bidault. I understand that M. Bidault has to answer a Parliamentary Question on Friday July 25th and being so, he clearly ought to be in possession of the views of our two Governments before that date.

30 The source text was transmitted to the Secretary of State by British Chargé Balfour under cover of a letter dated July 20, 1947, not printed.
In the meantime I am instructing General Robertson in Berlin that he must suspend for the time being all further action in the matter of concluding an Anglo-American Agreement on the subject either of the level of industry or the management of the coal industry as the matter is now under consideration by His Majesty’s Government; that he may make no announcement and that no publicity either official or unofficial should be given to either question in Berlin; and that no communication should be made to the I.A.R.A. in Brussels on the level of industry as was at one time contemplated. I hope that you may feel able to send similar instructions to General Clay.

862.60/7-2147

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

I am most grateful for your message of 21 July about the attitude of M. Bidault to the Bizonal plan for the level of German industry. You will have seen from my earlier message that M. Bidault has already approached me about this matter and I have assured him that no further action in the matter of concluding an Anglo-American Agreement on the level of industry or the management of the coal industry will be taken in the immediate future.

I am in entire agreement with you that the attitude of the French Government cannot be disregarded and that our two Governments should make a concerted communication to the French Government to reassure them.

I am considering carefully what I think we should say to the French Government on this matter in the light of what you yourself suggest at the end of your message, and I will let you know my Government’s views within the next 48 hours.

862.60/7-2147

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] July 21, 1947.

Participants: M. Bonnet, the French Ambassador;
The Secretary of State;
Mr. Matthews.

Ambassador Bonnet called this afternoon at his request. He said that he had explained to Mr. Lovett on Friday the great anxiety in

81 The source text was transmitted in telegram 3976, July 21, from London, not printed. This message was subsequently delivered to the Secretary of State by British Chargé Balfour in a letter dated July 22, not printed.

32 Ante, p. 997.

80 Supra.
France with regard to recent bi-zonal discussions on Germany. Since then, he said, M. Bidault had received my brief message and it was appreciated. Aside from the "technical aspects" of the new level of industry proposals, he said, the French Government and public opinion attached the greatest importance to the security problem raised for France. He did not wish to repeat what he had told Mr. Lovett but merely wished to say that much use was being made in France of the belief that the recovery of Germany was being given priority over that of France and other Allies. France did not believe that European steel production should be on the same pattern as before the war. Under the Monnet Plan there was provision for a considerable increase in French steel production which France felt should to that extent replace German steel. The French further objected to the proposals for management of the Ruhr coal mines (i.e., turning them back to more direct German operation). M. Bidault felt so strongly that the proposed agreement on the level of industry and any announcement concerning it should be postponed that he was prepared to take a plane for Washington to discuss it.

I told M. Bonnet briefly of the various proposals at Moscow for the increase in the German level of industry where the Soviet Union had suggested a German steel output of 13 million tons. When it became apparent that there could be no agreement on the economic unification of Germany at Moscow Mr. Bevin had suggested the immediate announcement of an increase in the bi-zonal level of industry envisaging a steel output of some 10 million tons. I had felt that this would not be wise at that time and that we did not have enough data to know what the proper level should be. We had therefore agreed that there would be no announcement at Moscow but that we would have our bi-zonal authorities undertake an immediate study with a view to announcing the conclusions within 30 to 60 days. The study proved more complicated than we had anticipated and discussion was consequently long-drawn out. The British and American zonal authorities just happened to reach conclusions at the time of the Paris talks. I said that I could well understand the French worries from the point of view of security in view of the number of times M. Bonnet's country had been invaded by the Germans and what it had suffered from them. Personally, I did not feel that Germany could be a danger to France for many years to come and I was convinced that the Soviet

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34 Under Secretary of State Lovett's memorandum of his conversation with Ambassador Bonnet on July 18 is not printed (740.00119 Control (Germany)/7-1947).
35 The reference here is to the Secretary of State's message of July 18 to Foreign Minister Bidault, the text of which is given in footnote 39, p. 1003.
36 Plan for French economic reconstruction and modernization, prepared under the general supervision of Jean Monnet and approved by the French Government in January 1947.
Union shared this feeling, otherwise, they would not have proposed a German steel level of 13 million tons. The danger, as I saw it, to France would be a Germany controlled by the Soviet Union with German military potential utilized in alliance with the Soviet. This I thought was the real menace for France since it is clear the Soviet régime wants to use Germany for its own advantages. It is not to France's interest to have the Soviet dominate Germany.

There was one aspect of the question which perhaps was not fully appreciated in France, I said, namely, the matter of American appropriations for the costs of our occupation in Germany. The War Department is finding it more and more difficult to obtain approval for its appropriations and insists that it is the one which has to carry the battle with Congress. This was not entirely true since I joined in the support of their appropriations and it seemed to me as though I had appeared before about every Committee on the Hill. We have just had news that the appropriations for Germany, Austria, Korea and Japan have been cut by $175,000,000 so that as it stands now we only have enough funds to carry us through March. We cannot count on a deficiency appropriation after that time for we are then charged by Congress with failure to allocate appropriated funds so that they will last for the full year. In addition the British have told us that they are having difficulty holding up their financial end in the bi-zonal area and have indicated that they will not long be able to do so. I thought the French Government should know of these difficulties. The principal objective at the present seems to me to get increased coal production which is the one thing all Europe needs and then to get it properly allocated.

I said there was one aspect of the matter which I did not fully understand and that is why Mr. Bidault wanted publicity concerning the level of industry agreement. I said that now Molotov knows all about the difficulties and would certainly make full use of the public discussion. I supposed Mr. Bidault's attitude on German industry would help him politically in France.

Mr. Bonnet replied that leaks concerning the impending level of industry agreement had come out first from Germany and coupled with the announcement of our new directive to General Clay had created such agitation in France and had given such ammunition to the Communists that Mr. Bidault felt that he had to make his position clear. He said that his Government could not see the urgency of proceeding with the agreement since German industry will probably not reach the level already accepted by quadripartite agreement for several years. I said that while this was true our people in Germany said that it was important to let the Germans know what plants would
be retained and which ones would be destroyed. Otherwise the uncertainty made it difficult to get them in operation.

The Ambassador said that he had been authorized to tell me that if the CFM meeting in November did not reach quadri-partite agreement, France would be prepared to join her zone to the British-American zones. His Government felt that to raise the level of industry on a bi-zonal basis went beyond zonal authority and was contrary to quadripartite agreements. It could not properly be undertaken prior to the November CFM.

He emphasized France's willingness to consult on ways and means of increasing coal output and offered to send engineers. He said that France had had some of the same problems in getting production in its own mines where the miners and their families had been underfed as well as in the Saar and he thought France could make a real contribution.

I handed the Ambassador for his information a copy of the attached message sent to Bidault this afternoon. He read it and expressed his satisfaction. He said that he knew Mr. Bidault would appreciate our agreement to withhold any further public announcement of the revised bi-zonal level of industry until the French Government had been consulted.

SECRET

[WASHINGTON, July 21, 1947.]

Since sending you my message on July 18th, I have given further consideration to the problems you raise in connection with the proposals put forward by the U.S.-U.K. representatives in Germany as regards the future level of industry in the bi-zonal area in Germany and the management and control of the coal industry in Germany. In order to give time for a full consideration of the views of the French Government in these matters, the United States Government

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*For the text of the message under reference, see infra.

**The source text was transmitted to Foreign Minister Bidault by Ambassador Caffery in a letter dated July 22, 1947, not printed, a copy of which was transmitted to the Department as enclosure 4 to despatch 9396, August 8, from Paris, neither printed. This message was transmitted to Bidault in pursuance of instructions contained in telegram 2670, July 21, to Paris, not printed (711.51/7-1747). A copy of this message was handed to Ambassador Bonnet by the Secretary of State on July 21. Telegram 3116, July 21, to London, not printed, requested Ambassador Douglas to inform Foreign Secretary Bevin of the terms of this message to Bidault (862.6362/7-2147).

**The message under reference, which Ambassador Caffery transmitted to Foreign Minister Bidault on July 19, read as follows:

"I have received your message and am giving it my personal attention. This immediate acknowledgment is to advise you that I fully understand the delicacy of your position." (862.6362/8-847)
will suspend further announcement upon the proposal for the revised bi-zonal level of industry in Germany until the French Government has had a reasonable opportunity to discuss these questions with the United States and United Kingdom Governments.

I have already approached Mr. Bevin in this connection and I hope that we may shortly be in a position to indicate to you the manner in which a consideration of the issues involved may be arranged. I have been informed by Mr. Bevin that the British Government is now considering the whole position and I hope that therefore it will be possible within a few days to go into this matter in greater detail with you.

862.60/7-2447

The Assistant Secretary of State (Hilldring) to the Secretary of State

[WASHINGTON,] July 24, 1947.

Subject: Suggested Position in Discussion with the Secretary of War Concerning Relationship of German Level of Industry Agreement with Marshall Plan.

With the concurrence of the War Department, we have advised Bidault that in order to give time for a full consideration of the views of the French Government concerning the future level of industry in the bizonal area of Germany, the U.S. Government will suspend further announcement upon the proposal for the revised level of industry until the French Government has had a reasonable opportunity to discuss the matter with the U.S. and U.K. Governments. It is important now (1) to develop a fixed U.S. Governmental position regarding the relationship between the German level of industry plan and the general problems of European reconstruction which will evolve out of the Paris conference and the Marshall Plan and (2) to decide upon the appropriate method of consultation with the French Government pursuant to your commitment to Bidault.

In your discussion with the Secretary of War concerning the first problem, it is suggested that you discuss the following points:

a. The Department of State has now been able to obtain informal assurance from the French Government of adherence to the bizonal fusion. It is expected that this action will take place in November of this year.

b. The Department has succeeded in obtaining from Mr. Bevin agreement to "put in cold storage" the question of socialization of the Ruhr-Aachen coal industry.

Both of these commitments are, of course, of direct and substantial benefit to our military government objectives in Germany. The French

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40 No record has been found of the discussions with the Secretary of War alluded to here.
commitment to join the fusion climaxes a protracted and patient effort on our part. There should be no doubt in the mind of the Secretary of War or his associates that the Department of State possesses an awareness of and a vital interest in the problems faced by our military authorities in Germany.

With respect to the Level of Industry Agreement negotiated by Generals Clay and Robertson, although the Department has not yet received its text, it is satisfied that the Agreement is wholly consistent with the guidance previously furnished to General Clay and has no present doubts concerning its validity. The Department has every confidence in the Agreement and will be prepared to defend it with the utmost vigor against suggestions for modification. At the same time, the Department believes that the U.S. Government cannot with propriety, particularly with regard to the basic security interest of this country in the success of an integrated plan for European recovery, decide at this moment that no conceivably meritorious suggestion for modification of the Level of Industry Agreement may be presented as a result of the work of the Paris Conference. The Department’s view is one of elementary prudence. It reflects neither criticism of the Agreement nor doubts as to its soundness. It is based upon the position that the recovery of Europe and the recovery of Germany are two aspects of one problem and that a sound German economy cannot survive in a prostrate Europe any more than that European reconstruction can be achieved without a stable, democratic Germany.

Suggestions concerning methods of consultation with the French Government are embodied in a separate memorandum being prepared by the Office of European Affairs.\(^{41}\)

J. H. HILDBRING

\[862.60/7-2447\]

\textit{The British Chargé (Balfour) to the Secretary of State}

\textbf{MOST IMMEDIATE    SECRET} WASHINGTON, 24th July 1947.

Ref: G67/–/47

\textbf{My Dear Mr. Secretary:} In his message to you of July 22,\(^{42}\) which I conveyed to you in my letter on that date, Mr. Bevin said that he hoped to let you know, within forty-eight hours, the views of the United Kingdom Government on the French protest regarding the German level of industry plan. This question has now been considered by ministers in London and Mr. Bevin has been authorized to suggest to you that the United States and United Kingdom Governments should now reply to the French Government on the following lines.

\(^{41}\) Regarding the memorandum under reference here, see footnote 45, p. 1007.

\(^{42}\) \textit{Ante}, p. 1000.
(a) Nothing further will be done in the direction of implementing the level of industry plan until the beginning of September.

(b) In the interval, the United States and United Kingdom Governments will be prepared to consider any representations that the French Government may care to make to them on the subject of the level of industry plan, although they cannot concede that France, not being a party to the fusion, has an equal right with themselves to determine the level of industry in the bi-zonal area, especially having regard to the financial drain upon them.

(c) In these circumstances, and in view of the desirability of doing nothing to complicate the work of the Paris Conference, it is hoped that the French Government, should they wish to raise any questions about the level of industry plan, will do so direct with the United States and United Kingdom Governments and not at the Conference.

(d) No further action will be taken before the beginning of September in the direction of implementing the Anglo-American Agreement tentatively reached in Berlin concerning the management of the coal industry and in the interval the two Governments will be ready to consider any representations that the French Government may wish to make to them on this subject.

2. Mr. Bevin would be grateful if you could let him know as soon as possible whether you agree to a communication in the foregoing sense being addressed to the French Government. Mr. Bevin is anxious to send instructions to His Majesty’s Ambassador in Paris as soon as possible since he understands that M. Bidault may have to answer a Parliamentary question on the subject on July 25.

3. I will be very pleased to transmit your answer to Mr. Bevin by most immediate telegram.

Yours sincerely,

 JOHN BALFOUR

862.60/7-2447

Memorandum of Conversation, by the Under Secretary of State (Lovett)

[WASHINGTON,] July 24, 1947.

Participants: The Under Secretary
Sir John Balfour, British Embassy
Mr. Graves, British Embassy
Mr. Penson, British Embassy
Mr. Matthews

When Sir John Balfour finished discussing the Indonesian question 43 I referred to the two letters he sent to the Secretary today on

43 The record of the discussion regarding Indonesia has not been printed. For documentation regarding the concern of the United States over the nationalist opposition to the reestablishment of Dutch rule in the Netherlands East Indies, see volume vi.
the question of the German level of industry plan and the French protest regarding it.\textsuperscript{44} I said that we have given such thought to his communications as was possible in the brief time and that I should like to read him the conclusions which we had reached to date. I then read the following from Mr. Matthews’ memorandum:

“We do not feel that we can say anything more to M. Bidault at this time and that we believe that our message of July 21, which his Government has, should suffice for Bidault’s purposes for the next few days. If Mr. Bevin feels that he must send some further message to Bidault we hope that he will merely agree that there should be no implementation of the level of industry plan and no announcement of it for the present and that there should be consultation with the French. We hope Mr. Bevin will not find it necessary to be more specific as to the form of consultation until we can work out the form of consultation together with the British.”\textsuperscript{45}

Mr. Penson took down the sense of this on paper. Neither he nor Mr. Balfour made any comment with respect to the subject other than to say they would forward it to Mr. Bevin immediately.\textsuperscript{46}

In discussing the text of the British proposal I referred to the wording of paragraph (b) which reads as follows:

“(b) In the interval, the United States and United Kingdom Governments will be prepared to consider any representations that the French Government may care to make to them on the subject of the level of industry plan, although they cannot concede that France, not being a party to the fusion, has an equal right with themselves to determine the level of industry in the bi-zonal area, especially having regard to the financial drain upon them.”\textsuperscript{47}

I said that since the purpose behind our recent efforts was to calm down French sensibilities I felt that this paragraph, if communicated to the French, would have the opposite effect. Mr. Balfour agreed and said that it had struck him the same way. He went on to say that Bonnet had told him that he expected “triptite consultations” be-

\textsuperscript{44} One of the letters of July 24 from Balfour is printed supra. In his other letter to Secretary Marshall, not printed, Balfour transmitted Foreign Secretary Bevin’s suggestion that the British and American Commanders-In-Chief in Germany should be instructed that, when replying to any questionnaires they may receive from the Conference of European Economic Cooperation in Paris, they should base their answers on the new level of industry plan (862.69/7-2747). This was, in fact, done.

\textsuperscript{45} The quotation printed here is virtually the entirety of a memorandum prepared by Matthews for Under Secretary Lovett, dated July 24, giving the sense of a meeting of Departmental officers in Assistant Secretary Hildring’s office on the morning of July 24 (862.69/7-2447).

\textsuperscript{46} On the afternoon of July 25, the British Embassy informed the Department of State that Foreign Secretary Bevin agreed with the message sent to him by Minister Balfour following this conversation with Under Secretary Lovett that no consultations should be held with the French regarding the level of Industry until American and British officials had worked out the form under which this consultation would take place. Memorandum of conversation by C. Tyler Wood, July 25, 1947 (711.51/7-2547).
between the three Governments on the level of industry would begin in a week or so and that he had seemed very pleased with Secretary Marshall's message to Bidault. We said that there had been no assurances to M. Bonnet that the consultations would necessarily be tripartite nor did we know definitely what was the French desire.

We pointed out that paragraph (c) of the British communication seemed to visualize nothing more than an acceptance of separate French representations to our two Governments. We did not believe that this would satisfy the French and Mr. Balfour agreed. It was left that he would query his Government as to whether and where and in what form the British visualized consultation with the French. I said that meanwhile we would try to clarify our own thinking on this. Mr. Balfour did not believe his Government would favor having any such consultations in Paris in view of the possibility of confusion with the 16-nation conference.

I also referred to the date of the beginning of September in the British letter and said that I thought it was inadvisable to pin ourselves down at this stage to a definite date. Mr. Balfour agreed.

862.60/7-2547: Telegram

The Political Adviser for Germany (Murphy) to the Secretary of State

TOP SECRET

URGENT    NIACT

1771. Personal for the Secretary. Eyes Only. Thus far we have only press reports regarding your position on the German bizonal level of industry. General Clay has kept me informed of his exchanges with the War Department on the subject and has asked me whether the Department has supplied information regarding its attitude. Petersen informed Clay that he and Secretary Royall had only yesterday learned with "shocked surprise" of the Department's decision to postpone announcement of the new bizonal level of industry and to consult with the French prior to any announcement and I understand that Secretary Royall is to see you today and may make the point that there has been no consultation either with Military Government, Germany, or with the War Department. This Mission officially is in the dark regarding this development. American correspondents in Berlin are pressing for guidance as to State's position.

For your strictly personal information, I also understand that General Clay has informally indicated to Petersen that under the circumstances his usefulness here would appear to be at an end and that
the best solution would be for him to be called to Washington ostensibly for the Coal Conference but actually for the purpose of resignation. I believe that if Clay does retire under these circumstances he may feel obliged to make certain public statements of his views and his disagreement with what he understands has happened. I pointed out to him that thus far the Department has not yet informed him of the facts and that what we have now is largely a newspaper understanding. I would be grateful for the benefit of your advice.

Murphy

The War Department to the United States Military Governor for Germany (Clay) at Berlin

[WASHINGTON,] 26 July 1947.

War 82897. Personal for Clay from Royall and Personal for Murphy from Marshall, State and War Departments agree that US Government will support vigorously the level of industry agreement reached by you with Robertson and defend it against any suggestions from other nations for modification, unless amendment may be found necessary in case of genuine threat to the success of the European economic plan (Marshall Plan) or in the face of a threatened collapse of democracy in France.

State and War Departments agree that in any event full power of decision concerning matters arising out of bizonal fusion will rest entirely with the U.S.–U.K. Governments, and that on any such matters requiring mutual consent of U.S.–U.K. Governments, there will continue to be full coordination between State and War before the U.S. Government proposes or agrees to any modifications, amendments or decisions in such matters.

It is also agreed between State and War that in view of the recognized urgency of the situation in Germany, it is the desire of this Government that announcement of the new bizonal level of industry agreement should be made as soon as possible, consistent with overall

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47 The reference here is to the American-British conference in Washington in August and September 1947 on measures for the control of German coal production; for documentation, see pp. 900 ff.
48 The source text for this telegram is included in the files of the Office of European Affairs, Division of Western European Affairs, Lot 53 D 246, file “Germany-General”.
49 Representatives of the Department of State and the War Department met on July 26 to discuss a proposed memorandum of understanding between the two Departments concerning the treatment of Germany, the level of industry plan, and Ruhr coal production. Various drafts of the proposed memorandum of agreement are included in the EUR/WE files, Lot 52 D 246, file “Germany-General”.
European developments. It is the expectation that it will be possible
to make the announcement not later than September 1st.

The exact course to be followed as to the time and method of im-
plementing the level of industry agreement is being discussed between
War and State Departments as are various questions relating to the
Ruhr coal matter. As soon as the two Secretaries reach an understand-
ing on those or related matters you will be notified.

The War Department to the United States Military Governor for
Germany (Clay) at Berlin

[WASHINGTON,] July 28, 1947.

Personal for Clay from Royall and Personal to Murphy from

Part I. The following understanding \(^{51}\) supplements the agreement
expressed in cable of 26 July to Clay and Murphy: \(^{52}\)

1. No other country will have any vote, veto or power of decision
as to the bi-zonal level of industry, and no liaison representative or
other representative of any other government will participate in any
bi-zonal or other U.S.–U.K. conferences as to the bi-zonal level of
industry.

2. If any Government presents to the U.S. Government its views as
to the level of industry plan, the State Dept may transmit these views
to the bi-zonal authorities for their consideration. Such views will
be appraised by the bi-zonal authorities and given such weight as is
thought proper, and their recommendation on the fundamental ques-
tions of the level of industry forwarded to the U.S. and U.K. Govern-
ments for approval.

3. As stated in the cable of July 26 referred to above, public an-
nouncement of the new bi-zonal level of industry agreement will be
made at the earliest possible date and is expected, in any case, to be
not later than September 1, 1947. If the timing permits, the bi-zonal
level of industry agreement should be presented, simultaneously with
its public announcement, to the appropriate committee of the Paris
Conference as a part of any general plan of western European
reconstruction.

4. If an invitation from the Paris Conference for American repre-

\(^{50}\) The source text for this telegram is included in the files of the Office of
European Affairs, Division of Western European Affairs, Lot 53 D 246, file
"Germany–General".

\(^{51}\) On July 28 Secretary Marshall and Secretary Royall met to resolve differ-
ences of opinion over a memorandum of understanding proposed by the Depart-
ment of State. No record of that meeting has been found.

\(^{52}\) Supra.
sentation is accepted the delegation would be expected to include representatives of the War Department and the Theater Commander.

Part II

5. The U.S.-U.K. coal conference will take place in Washington as scheduled and no other government will be invited to participate. No other country will have any vote, veto or power of decision as to the ownership, management or other matter affecting the coal industry in the bi-zonal area, and unless future circumstances make it imperative, no liaison or other representative of any other government will be present in any bi-zonal or other U.S.-U.K. conference dealing with coal in the bi-zonal area. During the course of the coal conference only such information concerning its deliberations which the State and War Departments agree is appropriate for release will be given to the representatives of any other government in such manner as the State Department may determine.

6. If any government presents to the State Department its views as to coal in the bi-zonal area, the State Department may transmit these views to the members of the coal conference, if then in session, and to the bi-zonal authorities for their consideration. Such views will be appraised by the bi-zonal authorities and given such weight as is thought proper. Where fundamental principles are involved, such views may be transmitted to the bi-zonal authorities with directions that final action thereon not be taken until a governmental decision has been reached.

7. It is agreed that the export price of coal is a matter for final determination and announcement by the bi-zonal authorities subject to any immediate increase in price being confirmed by the coal conference.

840.50 Recovery/7-3047: Telegram

The Under Secretary of State for Economic Affairs (Clayton) to the Under Secretary of State (Lovett)

TOP SECRET

PARIS, July 30, 1947—2 p.m.

3026. For Lovett’s Eyes Only from Clayton. Monnet and I dined together last evening, no one else present.

Monnet says that France is the key country in the implementation of the Marshall proposals, that two things must be done to bring about a satisfactory understanding between France and the United States in connection with such proposals: (1) The German problem must be settled; (2) France must put her financial and monetary house in order.
We both agreed that no final settlement of the German problem could be made until after the CFM meeting in November but, meantime, conversations should be taking place on a rather high level and technicians should be at work.

I told Monnet that my own view is that the German problem, vis-a-vis France has three aspects: (1) security; (2) the political and economic power which the Ruhr gives Germany in her relations with her neighbors and (3) competition. I added that I sympathized with France regarding (1) and (2) but that I had no sympathy whatever for her position regarding (3) if I understood that position correctly; my understanding being that France would like to see the level of heavy industry in the Ruhr forcibly curtailed through the power of the victor in order that corresponding industries could be built up in France and other European countries either by removal of equipment from the Ruhr or otherwise.

Monnet said that while certain individuals in France probably had ideas on (3) such as I had indicated, he did not believe that the French Government or the French people entertained such ideas.

Monnet said that of course the French zone would be merged with the British and the American. I said that my view is that all Western Germany should be put under one administration with all zonal boundaries completely eliminated; that the Ruhr should not be internationalized or detached from Germany but that there should be an overriding international authority of which Germany would be a part, clothed with power of allocating production as between domestic and foreign.

I was delighted to have Monnet make his point number (2). He said that he is giving much thought to the subject, that he has discussed it several times with Bidault and has undertaken the responsibility of preparing a memorandum for the French Government on the steps which should be taken. He said in this connection that he thought it was highly important that a portion of the aid given to France by the US under the Marshall Proposals should consist of gold which could be used as a stabilization fund. I told him that this would be extremely difficult, that it was much easier to justify and support a program which supplies food to hungry people, coal to help heat their houses and operate their industries, cotton to clothe them, etc., than it was to supply gold, but that I certainly would not say categorically that it could not be done if a workable plan for putting the French financial, monetary and fiscal house in order could be devised.

I believe that Monnet is very close to Bidault and has considerable influence in matters of this kind.

Caffery
THE OCCUPATION AND CONTROL OF GERMANY

711.51/7-3047

Memorandum of Conversation, by the Chief of the Division of Western European Affairs (Reber)

[WASHINGTON,] July 30, 1947.

I asked Mr. Penson to call this morning in order that I could explain to him our proposal as to the procedure to obtain French views in regard to the German level of industry plan and management and control of the Ruhr coal industry and gave him the substance of the proposed telegram to Paris 53 which had been agreed with the War Department yesterday, explaining to him that we envisaged obtaining the views of the bi-zonal authorities but that the US Government did not think that tri-partite consultation on this subject should take place. Mr. Penson promised to telegraph this proposal immediately to London.

This afternoon Mr. Penson called to say that in the interim a telegram had been received from Mr. Bevin giving his views as to the proposed approach to the French. Up to a certain point these were in harmony with us as Mr. Bevin suggested that the two governments should now inform the French government that we would be very glad to receive and consider any representations that the French government might care to make to us with regard to the level of industry plan and the coal management plan. Mr. Bevin further believed that it was important once these views had been received that the conversations should take place between the two governments so that the US and UK could establish a common line with the French. At this point, however, the British position differs from ours in that Mr. Bevin considers it equally important, in view of what has already been said to the French, to go further than simple consultation and to be prepared to have tri-partite discussions, provided that these were on an entirely informal basis and at the official level.

When I again explained that we were not prepared to agree to tri-partite consultations, Mr. Penson said that in view of the extreme importance of this problem and its relation to the future of European economic recovery Mr. Bevin feels that no procedural difficulties should be placed in the way of reaching an understanding with the French. He appreciates fully the importance of not allowing the French to think that they have a veto in this matter and of avoiding getting ourselves in the position of not being able to make further progress in the implementation of the plan. He does, however, con-

53 The draft telegram under reference, subsequently sent as 2868, August 2, to Paris, not printed, transmitted the substance of the communication addressed to Foreign Minister Bidault by Ambassador Caffery on August 4, p. 1017. (711.51/7-1747)
sider that the French should be given the opportunity of discussing this vital problem with both the US and UK Governments. I promised to bring this explanation of Mr. Bevin’s views to the attention of the Secretary.

As a result of our conversation Mr. Penson is sending a telegram this evening to London urging that his Government agree to a communication along the lines I had proposed this morning and of reserving the question of tri-partite consultation until the two Governments had had an opportunity to consider and study the French views. He feels that the British Government will wish to raise this point again at that time at the latest.\(^{54}\)

I said that of course I appreciated that if the British Government felt that overwhelming considerations should make it necessary at that stage to raise the question again, we should be prepared to hear their views. I did not now anticipate, however, that even at that time would we be ready to accept the necessity for holding such tri-partite conversations.

Memorandum by the Under Secretary of State (Lovett) for the Secretary of State\(^{55}\)

[WASHINGTON,] August 3, 1947.

The present crisis with the French arose directly out of the statement of Secretary Royall at a press conference in Berlin on August 1st. According to the New York Herald Tribune, the Secretary stated that he knew

“of no agreement by the War Department or the State Department to consult with France before promulgation of the plan to raise the level of industry in Western Germany.\(^{56}\)”

The United Press reports his remarks as follows:

“He also claimed he had no knowledge of French protests on proposals to raise the level of German industry in the British and American zones. Royall said at a press conference that the United States feels free to boost German industrial production without consulting the French Government, which opposes any increase. \(^{57}\)”

\(^{54}\) Penson informed Reber on the morning of August 2 that the British Government agreed with the procedure outlined by Reber for securing French views on the level of industry plan and management of the Ruhr coal industry. Penson stated that Foreign Secretary Bevin reserved the question of referring French views on the management of the Ruhr coal industry to the proposed American- British coal conference. Bevin also felt that at a later stage it would be necessary to envisage some discussions with France. Memorandum of conversation by Reber, August 2, 1947 (562.60/8-247).

\(^{55}\) Source text included in the files of the Office of European Affairs, Division of Western European Affairs, Lot 53 D 246, file – US Policy Towards France.
feel free to take any action with reference to the military government that the War Department and State Department agree on," he said."

The French Government interpreted these reported statements of Secretary Royall as a disavowal of the assurances which had been conveyed by you to M. Bidault in your telegram of July 21st. 56

It is impossible to reconcile Secretary Royall's statement to the press (if he has been correctly reported) with the fact that on July 19th, a message from you to Mr. Bevin 57 proposing that M. Bidault should be informed by both Governments

"that the US and UK Governments will suspend further announcements on the agreed plan for revised bizonal level of industry in Germany until the French Government has reasonable opportunity to present its views for full consideration"

was personally cleared with Secretary Royall by General Carter and Mr. Bohlen. Secretary Royall not only approved the final text of this message but had made several suggested changes in the first draft, which were accepted by you.

Furthermore, the understanding that the French views were to be received and taken into consideration before further announcement is clearly reflected in point 4 of the memorandum of understanding initialled by you and Secretary Royall on July 29th. 58 A further message was sent to Bidault on August 2, 59 after being personally initialled by Assistant Secretary of War Petersen and after agreement with the British Government. This message gave the French Government the assurance that the US Government was prepared to give careful consideration to any French representations on the level of industry plan.

The French Ambassador informed me last night that the Royall press conference had produced a situation in France which was worse than that created by the first information regarding the level of industry plan. The last message to Bidault read in the light of Royall's remarks, according to Bonnet, would only serve to confirm the impression fostered by the Communists in France that our agreement to consult meant nothing, since these events would be interpreted in France as demonstrating that although the US may have agreed to listen to the French Government it had every intention of going ahead with the level of industry plan without paying any real attention to the French views.

56 Ante, p. 1003.
57 Ante, p. 997.
58 The initialled memorandum of understanding under reference here has not been found. The substance of the understandings reached between the State and War Departments is set forth in the War Department messages to General Clay, July 26 and 28, pp. 1009 and 1010.
59 The reference here is to the communication from Ambassador Caffery to Foreign Minister Bidault, August 4, infra.
Secretary Royall's statement serves to demonstrate the unworkable and, indeed, dangerous nature of any such type of understanding with the War Department on matters affecting the US foreign policy. The Secretary of State with the responsibility for the conduct of American foreign policy by direction of the President, cannot be limited in foreign matters by any agreement with another Department of this Government without divesting him of the authority to carry out his responsibilities. There is an important matter of principle here involved.

It must be clearly established that any agreement reached on a technical level (in which category the Clay-Robertson agreement on the level of industry falls) cannot without serious harm to the conduct of American foreign affairs be regarded as superseding the right of this government to reconsider or modify such agreement in accordance with broader considerations. The British Government clearly takes the view that it has the right in so far as General Robertson is concerned and, in fact, proposes to reconsider this agreement in the light of present conditions. As the result of the understanding with the War Department of July 29th, this Government does not have any such free hand. While the War Department has a legitimate right to advise the Secretary of State in the formulation of policy decisions affecting our zone in Germany, it has no right whatsoever to attempt to limit in any way the manner in which the Secretary of State may wish to consult or discuss this subject with any government.

At the present moment, because of the attitude of the War Department, the United States is in an impossible position with regard to the conduct of its foreign policy. Furthermore, a dangerous impression of divided responsibilities and conflict within our government is given to the American public and the world. We are unable as a result of the present situation to live up to our assurances to the French and are exposing the United States in its relations with France to a justified charge of duplicity and dishonest dealing.

We feel that this latest incident shows there is no meeting of the minds and that we are now forced to ask for a reconsideration of our understanding with the War Department and to reassert the necessity that the Secretary of State have a right to modification of agreements reached on a technical level. The understanding with the War Department was a genuine attempt on the part of the State Department to arrive at a solution of our differences. The incident of Secretary Royall's announcement to the press points up the impossibility of conducting our foreign relations in the present condition of the world on the basis of any such understanding.
THE OCCUPATION AND CONTROL OF GERMANY

PARIS, August 4, 1947.

Dear Mr. President: As indicated in Mr. Marshall's message of July 21, 1947,\(^{61}\) which I had the pleasure of conveying to you the following day, the United States Government agreed to suspend further announcement concerning the Anglo-American proposals for the revised bi-zonal level of industry in Germany until the French Government had had a reasonable opportunity to present its views for full consideration.

My Government is now prepared to give careful consideration to any representations which the French Government may care to make to it on the subject of the level of industry plan, concerning which information was communicated to the French Government in Paris on July 16. My Government would welcome an early expression of French views on the subject.

In the circumstances and in view of the desirability of avoiding any action which might tend to complicate the work of the Conference for European Economic Cooperation, it is hoped that the French Government, should they wish to raise any question about the level of industry plan, will communicate their views directly to the British and United States Governments, rather than at the Conference.

My Government is also prepared to receive and consider the views of the French Government with respect to the management and control of the coal industry in Germany, which you mentioned in your personal communication of July 17 to Mr. Marshall.\(^ {62}\)

I understand that a similar communication is being addressed to you by the British Government.

I take [etc.]

JEFFERSON CAFFERY

Memorandum by the Under Secretary of State (Lovett) for the Secretary of State

[WASHINGTON,] August 5, 1947.

(1) On Saturday\(^ {63}\) evening about six o'clock Ambassador Bonnet called Mr. Lovett at home and for forty minutes expressed the greatest

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\(^{60}\) The source text was transmitted to the Department as enclosure 5 to despatch 9396, August 8, from Paris, not printed. This communication was delivered in pursuance of instructions contained in telegram 2808, August 2, to Paris, not printed (711.51/7-1747).

\(^{61}\) Ante, p. 1003.

\(^{62}\) Ante, p. 981.

\(^{63}\) August 2.
concern over what he referred to as the "renewed crisis" in France arising out of the statements made by the Secretary of War in a Berlin press conference on August 1. He stated that the Communists had seized on the statements made by the Secretary of War as proof of the fact that this Government was not sincere in its agreement to give the French views full consideration. Bonnet said Bidault was greatly upset and that he had had three telephone calls and a long cable during the day asking the French Ambassador here to make a démarche and protest.

Bonnet’s greater concern, however, was that, in the light of the French press reaction to the Berlin statements, the delivery on Monday morning to the French Foreign Office of the Department of State’s cable No. 2868 would greatly upset Bidault. This cable, sent with signed War Department concurrence and timed for delivery at the same time with a British message of identical content, stated that "the U.S. Government is now prepared to give careful consideration to any representations which the French Government may care to make to it upon the subject of the level of industry plan,” etc., and went on to say that “in these circumstances, and in view of the desirability of doing nothing to complicate the work of the Paris Conference, it is hoped that the French Government, should they wish to raise any questions about the level of industry plan, will do so direct to the U.S. and also to the U.K. Governments and not at the Conference.”

This message followed up a promise made in our cable of July 21 in which the French Government was notified that this Government agreed to "suspend further announcement with respect to the U.S.-U.K. proposals for the revised bi-zonal level of industry in Germany until the French Government has had a reasonable opportunity to present its views in this connection for full consideration”.

Lovett told Bonnet that he felt that the assurances in this message of full consideration for the French views should calm Bidault rather than excite him. Bonnet answered quite bluntly that it would, except for the fact that it seemed clear to the French, from what had been said in Berlin, that American assurances were merely a device and that there would be no true discussion or consideration but that, after the French had made their statement, the U.S. and U.K. bi-zonal commanders would go right ahead and “do what they had always intended to do”. Lovett replied that cable 2868 clearly indicated that careful consideration would be given to representations and stated further that he felt that the French were evidencing more interest in

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64 Telegram 2868, August 2, to Paris, had given instructions for the delivery of the communication of August 4 to Bidault, supra.
65 The reference here is to a message from Marshall to Bidault, p. 1003.
the form of conversation rather than in the substance of the problem. It was agreed that both parties would check late despatches from abroad and would consult the next day.

(2) After searching the files on Sunday morning, Lovett decided that Bonnet's concern partly arose out of a misunderstanding regarding the form the discussions were to take and he therefore called on the French Ambassador at the Embassy at noon and spent an hour and a quarter with him. Bonnet had the press clippings, notably the *Herald Tribune* of August 2, a United Press report, an INS French report, and the *New York Times* follow-up story on Sunday morning. The Ambassador was visibly upset and showed Lovett a message from Bidault which constituted almost a personal appeal to the Secretary of State not to put Bidault in a position where he might lose control of the delicately balanced French political machine and thereby be compelled to withdraw from the Paris conferences on the rehabilitation of Europe.

It was repeatedly pointed out to the Ambassador that every engagement made by this Government was being scrupulously carried out and that his Government would have the next morning an invitation to start making their representations, both to the U.S. and U.K. Governments. This had no real effect on Bonnet, whose sole desire was to obtain a commitment that we would "sit down and discuss this matter with the French". He admitted that the French views had not been presented and that he was in the position of claiming that he was hurt without an occasion to point to.

The Ambassador calmed down visibly, partly because he took the personal visit as a "friendly and considerate act" and asked advice as to what steps he should take. I urged him to wire the French Foreign Office and refer Bidault to the telegram of July 21 and the precise language in it which, when read with the follow-up which was promised in the earlier telegram, ought to remove Bidault's doubts. Bonnet again said frankly that the language was clear if the intent was to discuss and not merely give the French a hearing but no consideration of their views.

Lovett urged Bonnet furthermore not to attach too much importance to the Berlin press conference, pointing out that everything in the newspaper reports indicated that it was something of a shambles and that the Secretary of War might very well have been misquoted. He said that, while that was possible, it was not likely, as the French Agency reporters were also present.

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*Possibly a reference to the message of July 17 from Bidault to the Secretary of State, p. 901.*
(3) On Monday morning at ten o'clock, at the request of the Embassy in Paris, a teletype conversation was held by Lovett with Mr. Clayton, with Ambassadors Caffery, Douglas and Murphy present.\footnote{Under Secretary Clayton and Ambassadors Caffery, Douglas and Murphy were meeting in Paris to consider matters related to the Conference of Economic Cooperation and the Marshall Plan.} In this teletype conversation, Clayton stated that he had read them the Department's cable 2868 (attached hereto) and that he (Clayton) expressed the opinion "that it would be better to have informal talks with the French on these two questions rather than request them for a formal expression of their views because political considerations would probably compel them to express in writing more extreme views than if substantial agreement could first be reached informally. Once having expressed such extreme views, it would be very difficult to change. With this, all were in complete agreement." Clayton suggested deferring the delivery of the message for a few hours until Clayton and Lovett could discuss this point. However, the British had just advised that, while they fully agreed to the desirability of this approach, they had already presented their note to the French. Under these circumstances, Caffery would deliver the U.S. note in the late afternoon.

At this point the telecommunication was interrupted by the following message: "Have just this minute been informed by British that the French have 'blown up' over the British note." The British note was, of course, identical with ours, as indicated above.

Lovett gave full background to the Paris group as outlined above and urged Caffery to calm Bidault and ask him to accept the assurances given in 2868 that any French views would receive full consideration. Clayton replied that, after getting the background just given him of the press reports and in view of British delivery of the note, he and Caffery felt that it should be promptly delivered. He stated, "Caffery confident he can persuade Bidault in way you suggest."

Bonnet called Lovett on Monday to state that he would not request an appointment with the Secretary of State but would await further advices. He indicated however that he had been warned that a message was coming through which he must present on Tuesday. He did not disclose its content but indicated that it was along the lines of Bonnet's communication to Lovett.

Robert A. Lovett
Memorandum of Conversation, by the Chief of the Division of Western European Affairs (Reber) 68

[WASHINGTON,] August 5, 1947.

Participants:  The Secretary
              The French Ambassador
              Mr. Reber, WE

The French Ambassador called this afternoon to give the Secretary a message from M. Bidault with reference to the United States offer to give consideration to French representations on the subject of level of industry in Germany and the management of the Ruhr mines.

M. Bonnet explained the French position along the lines of the attached memorandum, 69 as follows:

(1) Since the two problems of German industry and the management of the Ruhr mines were so vital to French security and to its relations with the United States and Great Britain, the French Government cannot agree to limit its expression of views on the subject to a written presentation, but must insist upon a frank discussion.

(2) The letter which Mr. Caffery had given to M. Bidault two weeks ago 70 had indicated that the United States Government was prepared to suspend any announcement with respect to these problems until the French Government had had the opportunity of discussing these questions with the United States and United Kingdom Governments. From this the French had believed all that was necessary was to establish the manner in which these discussions should be held.

(3) The instructions of the French delegation which was to have taken part in these discussions had been prepared, since the French Government thought it would be possible to find a basis of understanding which would permit France, without concern for its security, to continue to associate itself in the work of the Paris Conference. In the opinion of the French Government the differences of opinion between the three powers related to the method of presentation rather than to the substance of the problem.

(4) The French Government, therefore, must insist that the proposals which had been made by the American Ambassador in Paris be given effect. Given the seriousness of the situation if the American Government considers it necessary today to abandon the idea of tri-partite conversations, M. Bidault is ready to proceed immediately to Washington to explain France's position directly to the Secretary of State and to set forth the consequences of any refusal to discuss these problems with the French Government.

M. Bonnet then went on to say that the French Government was aware of the necessity of including German industry and German

68 The source text is signed by Secretary Marshall.
69 The paper under reference, a French Embassy aide-mémoire dated August 5, 1947, not printed, is filed separately under 540.50 Recovery/8–547.
70 The reference here is to the message of July 21 from the Secretary of State to Foreign Minister Bidault, p. 1003.
production in any plan for European recovery. Without this it realized that not only could any plan never be accepted by the American people and the American Congress, but it would not be a complete program for Europe, since any such must include German production. The Ambassador had been instructed, however, again to point out how impossible it would be for France to accept any program for European recovery built around an agreement with respect to German industry in which it had not participated. An agreement which had been drawn up solely by the bi-zonal commanders in relation to Germany alone could not be considered acceptable by the French people. Furthermore, his government could not place itself in the position of accepting such a program merely for the purpose of obtaining credits, however badly needed they might be.

M. Bonnet then said that the tenor of his instructions clearly showed the conviction of the French Government that an agreement in substance on these matters would be possible as a result of discussion. Everything which he had received from Paris indicated not only the desire of France to reach agreement with the United States and Great Britain in this matter, but that such agreement was definitely possible.

Without it, however, a serious situation would be faced at the meeting of the Deputies in October and at the Council of Foreign Ministers in November, as the United States and United Kingdom would have one position, France would have another, and Soviet Russia another. Although full agreement among the four was unlikely, at least agreement among the three could be achieved if properly prepared. M. Bonnet then said he wished to conclude his explanation by once again repeating that M. Bidault’s offer to come immediately to Washington demonstrated the seriousness with which this question was viewed in France.

The Secretary replied that he had been informed of M. Bonnet’s recent conversations with Mr. Lovett, and he wished to confirm what Mr. Lovett had told the Ambassador. In order to avoid any misunderstandings at this stage he could not at this time comment upon the Ambassador’s communication. He promised to give it very careful study and to let the Ambassador know, but at this time he could say nothing more.

862.50/3-747 : Telegram

The Under Secretary of State for Economic Affairs (Clayton) to the Secretary of State

TOP SECRET

URGENT NIACT

GENEVA, August 7, 1947—11 a.m.

826. For the Secretary and Lovett’s Eyes Only. At suggestion Monnet and Bidault, they had lunch with me Paris August 6, no one
else being present. I previously explained matter to Caffery who was in full agreement. Following the luncheon, I told him what was said.

Bidault said that he did not think there was very much difference between the French and US view regarding level of industry in Germany, that they would interpose no objections to any level of industry which we and the British might agree upon provided the French people had assurance that the resources of the Ruhr would not again be employed in war on France. He believed that such assurance could be had by the creation of an international board which would allocate the Ruhr production of coal, iron and steel and perhaps chemicals between Germany and other countries. After the peace treaty, such board would be composed of representatives of US, UK, France, Benelux and Germany. Prior thereto, it would be composed of the same countries minus Germany. This board would have nothing whatever to do with the administration of the Ruhr properties, its function being confined exclusively to allocation of products. Bidault thought that the board should have authority over the use of such products so far as German consumption was concerned. I pointed out the difficulty of this but said that the same purpose might be accomplished in some other way.

Bidault pointed out that France had abandoned previous suggestions regarding detachment of Ruhr from Germany, internationalization, etc., that France had no interest in the question whether the Ruhr should be nationalized or should be left in hands of private people, that France is entirely willing to leave ownership and administration with the Germans but that France must insist that access by Europe to the products of the Ruhr should not be subject exclusively to the will of the Germans as it was before the war. This seems reasonable to me.

Bidault was careful to point out that the subject was not a simple one and that it needed more study and exploration on his part but that if the two countries could promptly agree that his suggestion offered a basis for further conversations on a high level, he believed satisfactory decisions could be promptly reached.

Bidault said that frankly he could not understand the need for haste on the part of the US and the UK in reconsideration of the level of industry question at this time because whatever the decision might be it would certainly take 18 months before actual production could be increased to the level previously fixed. Hence, no harm would be done to leave the matter until after the meeting of the CFM in November. Nevertheless, he was willing to go along on a prompt decision provided France could have satisfactory assurances as indicated above.

I told Bidault that I would promptly report this conversation to you, that I would probably be back in Paris early next week at which
time we could have another talk. The whole conversation was on a very friendly and cordial basis.

I had expected that Bidault would make a strong plea for US-UK-French security pact vis-a-vis Germany but this was not mentioned. Have discussed Bidault's suggestions very briefly with Caffery and Douglas and believe I am correct in reporting that they agree that his suggestions are reasonable and that we should accept same as a basis for further conversations.

I believe France is the key country of the 16 participating in the Paris Conference, or, at any rate, it can be correctly said that if France should withdraw or if her present government should fall as a consequence of deep dissatisfaction over decisions relating to Germany, the whole Marshall program would probably be gravely jeopardized.

Hence, I strongly recommend that we try to come to some arrangement with Bidault. He repeatedly assured me that France did not wish to block any of our plans regarding Germany.

Sent Department 826, repeated London 66 for Ambassador's eyes only, repeated Paris 67 for Ambassador's eyes only.

[CLAYTON]

711.51/8-847 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET URGENT NIACT

WASHINGTON, August 8, 1947—7 p.m.

3415. For the Ambassador. As you are aware the French Government has made strong representations looking toward tripartite discussions dealing with the level of industry in the bizonal area of Germany and management and control of the Ruhr coal industry. We are now prepared to agree that these discussions should take place.

As we are informed by the British Embassy that the British Government is likewise agreeable to tripartite discussions on these two subjects, we are today sending the following message to Caffery for presentation to Bidault: 71

71 The message quoted here was sent as telegram 2953, August 8, to Paris, not printed (711.51/8-847). Telegram 3193, August 9, from Paris, not printed, reported that the message had been handed to Bidault on August 9. The telegram added the following:

"Bidault asked me to express to the Secretary his 'gratitude' as well as that of his Government for this 'most constructive step.' He said his Government will be delighted to take part in the discussions." (711.51/8-847)

Telegram 3196, August 9, from Paris, not printed, reported that a similar British communication had been delivered to the French Foreign Ministry on August 9 (711.51/8-947).
“1. I have received the message which you sent me through M. Bonnet emphasizing the importance which the French Government attaches to tripartite discussions of the level of German industry and the management and control of the Ruhr coal mines.

2. I informed M. Bonnet that the U.S. Government would give careful consideration to this explanation of the French position. This has been done and the U.S. Government is prepared to agree to meetings without delay between representatives of the U.S., U.K. and French Governments on the subject of the revised Level of Industry Plan in order that the French views may be considered and objectives of the Plan explored and explained before the Plan is finally formulated and adopted by the U.S. and U.K. Governments.

3. With respect to the management and control of the Ruhr coal mines, the U.S. Government is similarly prepared to receive and discuss the French views with the French and British Governments.

4. Proposals as to the arrangements for the discussions dealing with the Level of Industry Plan and management and control of the Ruhr coal mines will be communicated to the French Government without delay.”

Caffery has also been instructed that: “Upon presentation of the note, you should explain orally to Bidault that the French Government will appreciate that in the absence of a fusion of the French zone with the U.S. and U.K. zones, the U.S. and U.K. Governments are responsible for and must take final decisions regarding the Bizonal area. At the same time you should assure Bidault that fullest consideration will be given to the French views, and stress the urgency which we attach to the earliest possible announcement of the bizonal level of industry plan.”

Now that War Department has withdrawn objections to discussions we believe that the conversations with respect to the French views on level of industry in the bizonal area of Germany and management and control of the Ruhr coal mines should be held without delay and start as early next week as possible. We desire that these conversations take place in London and that you represent this Government. We have requested the War Department to appoint a top level representative of the Military Government to advise you. We hope that the European Theater Commander will be available for this

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72 At the conclusion of the Cabinet meeting on August 8, 1947, the Secretary of State discussed the proposed tripartite London meeting with Secretary Royall. In his memorandum to Under Secretary Lovett on August 8 regarding the Cabinet meeting, Secretary Marshall recorded the exchange with Royall as follows:

“After the meeting Mr. Royall told me he had accepted my views regarding a tripartite meeting with the French in London on the Clay and Robertson level of industry agreement. In other words, he apparently approved of the meeting in London with Douglas our representative. He stated he had talked to Clay this morning and wished Hilldring to show me the record of the talk. He stated that Clay had indicated something about his resignation but he, Royall, was going to give him orders and drop further discussions.” (711.00/8-847)
purpose, although this is of course a matter for the War Dept to
decide. Technical advisors will be sent immediately from here.

After French views have been received and discussed, they will be
forwarded to the U.S. and U.K. Governments for consideration and
decision. With respect to the U.S. Government, the views of yourself
and your advisors should also be forwarded.

Please discuss this procedure urgently with the British Government
as we should like to inform the French without delay of the arrange-
ments to be made.73 Further instructions will follow.

For your information, in view of the importance of decisions on the
level of industry we suggest conversations on this subject be taken up
first and hope they may be concluded within a week, in order that it
may be possible to make public announcement at the earliest possible
date, which in our opinion should not be later than September 1, 1947.
If the timing permits, the bizonal level of industry agreement should
be presented simultaneously with its public announcement to the ap-
propriate committee of the Paris Conference as a part of the plan for
European reconstruction.

Sent to London—repeated to Paris.74

MARSHALL

862.60/8–947: Telegram

The Political Adviser for Germany (Murphy) to the
Secretary of State

TOP SECRET

Berlin, August 9, 1947—9 p.m.

1911. Personal for the Secretary Eyes Only. General Clay received
Royall’s personal messages regarding latter’s agreement with you on
tripartite London conversations to receive and discuss French views
on level German industry and management and control Ruhr coal
mines. Clay informally tells me that decision is not acceptable to him
and that it destroys any vestige of prestige he may still have, placing
him in impossible position. He spoke with bitterness over what he con-
siders absence of conviction and principle on part Department in this
matter. He indicated that he could not agree to go to London, that
of course he would designate a representative for this purpose and he
would also telegraph COS regarding his immediate retirement. He

73 In his telegram 4334, August 11, from London, not printed, Ambassador
Douglas reported as follows:

“Talked to Bevin this afternoon. The procedure outlined your 3415, August 8,
fully acceptable to British on the condition that there be no implications to the
French that they will have the power of veto. In other words the talks will be
held on an informal and noncommittal basis.” (711.51/8–1147)

74 Repeated as telegram 2952, August 8, to Paris.
further said that all of this would make some form of public statement by him inevitable.

I advised General Clay against such a course of action, urging that it might place him in an unfavorable light: that considerations of general policy do not involve his personal prestige; that his knowledge of subject matter and presence at London meeting would be the best guarantee of effective support of US–UK viewpoint on level of industry and Ruhr coal; and that designation of Douglas as US representative at meeting is customary routine since London post selected for obvious reasons, and that this would not place Clay in inferior position.

General Clay nevertheless seems determined to proceed with request for retirement. On other occasions in past I have felt that his expressed desire was tempered by a continuing interest in the job to which he has devoted himself so effectively and I may have been helpful then in persuading him to stay. This time he really seems to have lost interest and does not react to suggestion.

Foregoing for your personal information. 75

Murphy

711.51/8–847: Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, August 12, 1947—6 p.m.

3463. For the Ambassador. As Dept is fully aware, the tripartite discussions referred to in Deptel 3415 of Aug 876 pose questions of procedure and substance which it may be difficult to resolve. As indicated in Deptel 3415, every effort should be made to conclude the discussions regarding level of industry within one week, in order that it may be possible to make public announcement at the earliest possible date, which in our opinion should not be later than September 1, 1947.

75 The Secretary did not reply to this telegram. In telegram 4339, August 12, from London, not printed, Ambassador Douglas expressed his concern at Clay’s intention to retire and expressed the hope that Clay would not carry out his intention and would attend the forthcoming tripartite meetings in London as an adviser (862.60/8–1247). In telegram 3457, August 12, to London, Secretary Marshall replied to Ambassador Douglas as follows:

“Situation mentioned urtel 4339, August 12, has arisen on frequent occasions in the past. I feel that this is entirely a matter for War Dept. decision and that this Dept should not inject itself in the matter. For your own info we have stated to the War Dept. that we considered Clay’s presence as an adviser at the London talks important therefore we have no objection whatever your expressing your own views and desires to him on personal basis.” (862.60/8–1247)

Telegram 1994, August 19, from Berlin, not printed, reported that General Clay had been personally requested by Secretary Royall to attend the London meetings (862.60/8–1947). The Department of State subsequently authorized Murphy to accompany Clay to London.

76 Ante, p. 1024.
1. The purpose of the discussions is to give the French Govt an opportunity to express its views on the new level of industry for Germany agreed upon by the US and UK zonal commanders. Whereas the French should be accorded every opportunity to make a full statement of their views in writing and orally, you should make it clear that in the absence of a fusion of the French zone with the US and UK zones, the US and UK are responsible for and will take final decision on all matters regarding the bizonal area. You should explain the objectives of the plan for the level of industry agreed to by Generals Clay and Robertson and be prepared to furnish such information as is requested and may be necessary to a full understanding of the plan.

2. You should support vigorously the level of industry agreement reached by Clay with Robertson and defend it against any suggestions from other nations for modification. If in your judgment there is a genuine threat to the success of the European economic plan or if democracy in France will be threatened unless changes are made in the new level of industry agreement, you should transmit to the Dept the views of yourself and your advisors, together with the French and British views. Final determination of the US position will be coordinated with the War Dept here.

3. The questions of resumption of reparations and the rate of reactivation of German industry should not be discussed unless you receive later instruction regarding these subjects.

4. If the French should propose a discussion of international ownership or management of Ruhr industries as a condition to their acceptance of the bizonal level of industry agreement, you should point out that "acceptance" is not involved, and that, further, the issue raised by them has such broad implications to the German settlement generally that it can only be discussed at or after the November CFM Meeting. However, if the French propose an International Board with allocating functions only, or if the French raise other questions concerning political or economic security guarantees, you should not comment but immediately transmit the French proposal to the Department with your comments.

5. If a question arises concerning arrangements for adherence by the French to the bizonal agreement, you should repeat the US position that such adherence continues to be desired by your Government and that a formal French proposal will be welcomed. However, decision on bizonal level of industry cannot be delayed pending receipt or discussion of any such proposals.
6. If the French should raise the question of the transfer of the Saar you should reply that it is your understanding that this subject is being dealt with through diplomatic channels and that you have no instructions to discuss it.

PART II.—MANAGEMENT AND CONTROL OF RUHR COAL MINES

7. We hope it will be possible for you to conclude the level of industry talks before getting into the subject of the management and control of coal. Further instructions concerning discussions on the latter subject will be transmitted to you. It is possible, in light of what Bidault has told Clayton, that the French will not wish to spend much time on the coal management problem, and possibly not much on the control question.

PART III.—PUBLICITY

8. It will of course be necessary to issue some communiqué at the close of the talks in London. This will certainly be important from the point of view of the French. It will be helpful to have your suggestions when the time comes as to the type of communiqué to be issued, for clearance in advance by Dept.

MARSHALL

862.60/8-1347: Telegram

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

TOP SECRET
URGENT NIAC

3289. For Lovett from Caffery, Douglas and Clayton.

(1) We met last evening personally and wholly informally with Bidault and Monnet, at their suggestion, for about four hours. The subject discussed was level of industry and Ruhr.

(2) Bidault explained that the French Govt sought the following:

(a) A device which would insure that the Ruhr industrial capacity would never again be used for military purposes against France.

(b) A device which would assure French people that access by Western Europe to production of Ruhr would not be subject exclusively to the will of Germany as in the past.

(c) Withholding of publication of level of industry until CFM meeting. In this connection Bidault argued that there was no need for publication now, that inasmuch as we had taken position re Saar that quadripartite action was a prerequisite, we were on invalid legal grounds in proposing a new bizonal level of industry.

(3) Bidault said that without assurances on two (a) and two (b) the proposed level of industry for the bizonal area would be a shock
to the French people, would confirm the Communist charges that US
and UK were anxious to rehabilitate Germany ahead of other Euro-
pean countries, particularly France, but that with assurances as to two
(a) and two (b) France would not want to hold down production in
Germany.

(4) We explained to Bidault several reasons which made it neces-
sary to publish a revised level of industry for Germany:

(a) to form a basis for comprehensive European program which
could not, we believed, be formulated without estimate of Germany’s
production and contribution.

(b) to assure our people and Congress that every possible step was
being taken to relieve US as soon as possible of the financial burden
of supporting Germany and other European countries whose recovery
was so intimately associated with German production.

(c) to hold out promise to German people that through increased
production their standard of living would rise as European recovery
proceeded. Failure to hold out such promise might mean that Germany,
or at least parts of Germany, would fall under Communist influence
and that accordingly the present frontier might be pushed westwards
to the French boundary.

(5) Clayton recalled the conversation he had had with Bidault
and Monnet last week and asked whether in accordance with that con-
versation an international board to allocate production of Ruhr among
western countries would not be satisfactory. Bidault retreated from
what Clayton understood his former position to be and said that the
French people were concerned about status of Ruhr. He referred in
confused way to something similar to TVA but insisted that he did
not have in mind international control over Ruhr management and
repeated many times that acceptance of level of industry was con-
tingent upon assurances as to two (a) and two (b) above.

(6) We explained: (a) that speaking personally, any complicated
system of control would raise many questions and that it would
probably not be acceptable to US, (b) that, though views expressed
were purely personal, simple international board with authority over
allocation might be approved.

(7) Finally, Bidault admitted that question was not one which
rested on logic but rather on internal French situation. He said that
publication level industry now would be disastrous here, would en-
danger democracy in France unless prior agreement was had on status
of Ruhr. When asked how this could be done and what he had in
mind and, again, whether a board to allocate would not be satisfactory,
he replied that he would have to consider matter further and consult
government, but would have answer in 24 hours.

(8) We fear that meeting on level industry in London as planned
without advance agreement on matter with which Bidault is so con-
cerned will produce violent French opposition to level of industry. This, associated probably with publicity, will, we believe (a) put US position of proceeding in face of strong French dissent and otherwise prove embarrassing to US (b) freeze the French position and make it difficult for them later to go along and (c) might involve possible risk, if we decide to go ahead over French opposition, of the fall of present Govt and at least loss of enthusiastic French support and leadership in the European program.

(9) We have meeting with Bidault and Monnet again. We hope you will agree that (a) further conversations be had here to determine what French have in mind, to whittle it down to minimum and to transmit to Dept, (b) no date now be fixed for contemplated London meeting, and (c) you will be promptly informed. We believe that if agreement be had on what French consider basic there will be little difficulty on level of industry and its early publication, though on this point we would want a firm commitment.

(10) Pending advice from you Deptl 2993 August 12 \(^{77}\) is not being transmitted to French Government.

Caffery

862.60/8–1447 : Telegram

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

TOP SECRET

PARIS, August 14, 1947—noon.

3263. For Lovett from Douglas, Caffery and Clayton. We spent two hours yesterday with Bidault, Monnet, Alphand and Couve de Murville. Our discussions were continued on a wholly personal and informal basis.

Bidault outlined his idea of a device which would satisfy France on points two (a) and two (b) of our telegram No. 3239.\(^8\) He proposed an international board which prior to the peace treaty would be composed of representatives of the US, UK, France and Benelux with the addition of Germany when peace is made. This board would allocate Ruhr coal, coke and steel as between Germany and export and through the exercise of its powers of allocation would limit German consumption to peaceful uses. He further proposed during the period of occupation of Germany that the board should be substituted for the bizonal authorities in the supervision of the management of the Ruhr properties.

\(^{77}\) Not printed; it instructed Ambassador Caffery to inform the French of the American suggestions regarding procedure for tripartite conversations in London and secure from the French agreement to the earliest possible meeting in London (711.51/8–1147).

\(^{8}\) Supra.
We pointed out to Bidault that what we were talking about was some device to satisfy France on the security angle of the Ruhr and that France could hardly have any fears respecting the Ruhr during the period of occupation, hence, should be concerned only with that period beginning with the time when Germany would again be in control of her own affairs; furthermore, that the US could hardly agree to any device which would give a vote in the operation of the German economy to states which paid no part of the resulting deficits. After some discussion Bidault and his advisors were compelled to admit the force of both arguments, and in the end, it was agreed that we were discussing the following:

The US, UK and France would agree to support the inclusion in the peace treaty of a provision to the effect that an international board composed of representatives of the US, UK, France, Benelux and Germany should be established with the power of allocation of Ruhr coal, coke and steel as between Germany and other countries, controlling through the exercise of such power the peaceful use of such products by Germany.

Obviously, this formula removes entirely any question regarding international control of the Ruhr during the period of occupation. Bidault said that he assumed in case there should be a fusion of the French zone with the bi-zone that the French commander would then have a voice in the operation of the Ruhr properties. We said that we could hardly conceive of anything else but that of course all such matters would be the subject of negotiation in connection with such fusion just as the US and UK had negotiated the conditions surrounding the fusion of their two zones.

Bidault raised the question of power to enforce decisions of the proposed board. We said that we assumed that power to enforce such decisions would be provided for in the peace treaty in the same way as power to enforce other conditions of the treaty such as sanctions, etc. Bidault is almost sure to insist on some agreement on this point.

Bidault also said something about trusteeship of the Ruhr properties but we said that we could not discuss that question and insisted that our discussions be kept within well defined limits and on as simple a basis as possible because the subject was difficult enough in any case. All seemed to agree to this and Bidault suggested that we should start trying informally to draft something for presentation to our respective governments. We agreed to this and will attempt to send you something later today. We pointed out the tightness of the time table especially in view of the fact that some statement will be expected soon regarding the proposed London meeting.
This will be followed immediately by another cable with our recommendations in consultation with Martin and Jacobs who are here.  

CAFFERY

862.66/8-1447: Telegram

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

TOP SECRET

PARIS, August 14, 1947—5 p.m.

NIACT

3270. From Caffery, Clayton, Douglas to Lovett.

1. For reasons stated in ourtel 3239, August 13,\(^{60}\) as supplemented by ourtel 3263, August 14,\(^{61}\) we see no practicable alternative to negotiations with the French along lines indicated in ourtel 3263 of August 14.

2. We recommend therefore that the US should tell the French:\(^{62}\)

(a) that the US is prepared to join with them and the UK in support of inclusion in a binding international agreement in connection with the peace settlement with Germany (presumably the peace treaty or the disarmament and demilitarization treaty) of articles providing for the establishment of an international board, composed of representatives of US, UK, France, Benelux and Germany, with power to allocate Ruhr output of coal, coke and steel between German internal consumption and exports, the allocations for German consumption to be adequate to meet Germany’s legitimate economic interest in a reasonable standard of living, but for peaceful purposes only in accordance with demilitarization and disarmament measures which are agreed in the peace settlement.

(b) that the US agrees that provisions for adequate power to enforce by sanctions or otherwise the decisions of the board should be incorporated in the general enforcement clauses of the international agreements referred to above.

(c) that we are prepared to draft with the French and UK a broadly phrased public statement incorporating the substance of the above position.

(d) in consideration for US support of these points, the French will be expected to agree not to object to the revised level of industry agreement or to its early publication after consultation with them and

\(^{60}\) Edwin Martin and George Jacobs, experts in the Department of State on German economic affairs, were detailed to serve on Ambassador Douglas’ staff at the forthcoming tripartite talks in London.

\(^{61}\) Ante, p. 1029.

\(^{62}\) Supra.

\(^{63}\) In telegram 837, August 15, from Geneva, not printed, Under Secretary Clayton reported that Ambassador Caffery, Ambassador Douglas, and he spent three hours the previous evening with French Foreign Ministry officials Monnet, Couve de Murville and Alphand discussing a draft of a memorandum which could be presented to the respective governments for consideration in trying to reach agreement regarding the Ruhr question. The American position in these discussions followed closely the recommendations set forth here in paragraphs (a), (b), and (d). (862.66/8-1547)
to agree to begin negotiations for the purpose of adhering to the bizonal fusion agreement not later than the close of the November CFM meeting, unless such meeting results in quadripartite unification.

3. We consider this to be in line with the Secretary's statement on the Ruhr at Moscow, and therefore should be approached affirmatively as potentially an important contribution to the solution of one aspect of the German settlement, the importance of which has long been recognized. The proposal leaves open the question of the role of the USSR in such a decision until formal negotiations begin, which can be put off as long as the Department wishes to postpone an open and formal break with USSR on this point.

It is felt that Benelux representative will help US and UK protect German standard of living against unduly harsh French action.

Prompt adherence by France to bizonal fusion, though essential, is only a temporary arrangement for giving the French a voice in German allocations, and completely fails to meet the French problem because they are concerned above all with agreement to an arrangement which has at least the appearance of a permanent guarantee against the use of the Ruhr resources in a way which is contrary to the legitimate interests of France.

4. If action can be taken promptly along these lines, anticipate no important problems with French on level of industry, and considerably fewer problems in connection with Paris discussions of Marshall plan on rate of reactivation of German industry. Otherwise French position at London level of industry conference apt to be bitter and result of conference will be only to freeze publicly French opposition to US and UK on German level of industry and rate of reactivation issue.

5. If you can agree to our proposal suggest that it be fully discussed with UK and if UK agrees, we privately prepare with UK and French a statement for publication which can be submitted to the respective governments and, after approval, issued simultaneously with announcement of the revised level of industry. Suggest this statement might be along following lines:

"The Governments of the US, UK and France have agreed that it is necessary to the peace and security of Europe that in connection with the German peace settlement there be established by international agreement an international board, on which Germany shall be represented, with authority to allocate coal, coke and steel produced in the Ruhr between Germany's internal requirements for legitimate peacetime economy, and exports, and have agreed that there must be incorporated in an international agreement provisions which establish means for the enforcement of the decisions of such a board."
6. Douglas returning August 15 and will give Bevin full account of discussions here.  

7. This cable concurred in by Martin and Jacobs.  
Sent Department as 3270, repeated to London as 629.

CAFFERY

862.60/8-1347: Telegram

The Acting Secretary of State to the Embassy in France

TOP SECRET  
WASHINGTON, August 14, 1947—8 p.m.  
URGENT  
NIACF

3031. For Clayton and Caffery.

(1) French preoccupations concerning the Ruhr as set forth by Bidault and Monnet have repeatedly been explained to us by the French and constitute the reasons for our willingness to agree to tripartite discussions requested by Bidault (Refurtel 3239  
). In his recent conversations at the Dept Bonnet has set forth the same preoccupations in similar detail.

(2) The US is fully aware of the French concern with respect to the objectives set forth in paragraphs 2(a) and (b) of your telegram under reference. For the period prior to the establishment of a German govt accepted by the occupying powers these objectives are assured through Allied occupation of Germany. Furthermore, during the occupation period the fusion of the French zone with the US-UK zones would enable France to participate in the attainment of these objectives.

(3) The US is in sympathy with the French objective set forth in paragraph 2(a) and has proposed a method of dealing with the problem of military security through controls established under the terms of the disarmament and demilitarization treaty. The terms of this treaty are currently under review in the light of discussions which

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83 In his telegram 4445, August 15, from London, not printed, Ambassador Douglas reported that, in the absence from London of Foreign Secretary Bevin, he had informed officers of the British Foreign Office of the American-French informal discussions in Paris. Douglas reported that the British attitude was as follows:

"A. At the appropriate time and in the appropriate documents respecting the peace settlement with Germany, some device which will satisfy their concern over the production of the Ruhr and the status of the Ruhr must be provided for.

"B. To reach an agreement with the French in principle even along the lines suggested as a result of the discussions in Paris at this particular time would be premature and would be in the nature of paying the French too high a price for their acquiescence in level of industry." (862.60/8-1547)

84 Ante, p. 1029.
took place at the CFM meeting in Moscow and in the expectation of renewed discussions at the forthcoming CFM meeting. The United States is convinced that this or some other method must be devised to accomplish this end.

(4) We likewise understand the French concern with respect to 2(b) for the period following the establishment of a German govt. At Moscow on April 10, 1947 the Secretary of State recognized the necessity of taking appropriate measures to resolve the question of how to assure the equitable employment of Ruhr resources in the interests of European states including Germany, and of considering special provisions for the overseeing of these resources. At that time he pointed out that the economic questions raised by the Ruhr concentration are equally relevant to the Silesian concentration and indeed to others. He put these questions as follows: (1) during periods of acute shortages how are basic commodities such as coal and steel to be equitably shared; and (2) how are countries within whose boundaries concentrations of basic resources are to be found to be prevented from imposing restrictions which limit the access of other countries to these resources. This explanation of the US position was made during discussions dealing with a united Germany, but these questions still remain unresolved and continue to be a matter of concern to this country. We must obviously consult with the British at appropriate time concerning French proposal set forth in urtel 3263 supplemented by urtel 3270 and see no useful purpose in pursuing this matter further in Paris at this time after you have indicated view set forth this telegram. If the French desire to raise this matter we have no objection to hearing their views during London talks and prior to announcement of level of industry provided presentation of their views would not delay discussion and announcement of level of industry. Since this question involves the matter of treaty which will be negotiated at undetermined time in the future no decision on French proposal can be made during the London talks. At the appropriate time in the future we shall be glad to continue discussion of this matter with the French. For your info our policy in respect to control of the Ruhr in the latter period has not yet been resolved.

(5) With respect to paragraph 2(c), the withholding of the publication of the level of industry until the CFM meeting, we cannot agree to this delay for the reasons set forth by you in paragraphs 4(a),

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66 The statement by the Secretary of State under reference here was made at the 25th Meeting of the Council of Foreign Ministers, Moscow, April 10, 1947; for the Secretary's report on that meeting, see telegram 1207, Delsec 1414, April 10, from Moscow, p. 328.
67 Supra, p. 1081.
68 Supra.
(b) and (c). In our opinion it is essential that decision in this respect be taken as promptly as possible and announcement of new level of industry be made.

(6) Furthermore we cannot understand the necessity of postponing the tripartite discussions which we hoped could be held in London without delay. We had agreed to these discussions at the urgent request of M. Bidault in order to afford the French govt an opportunity to put forward their views both to the US and UK as both govts share responsibility for the bizonal area. We feel ample opportunity would be provided by these discussions for full consideration of the French views as explained to you by Bidault and Monnet. We had further been given to understand by the French Ambassador that it was the view of the French govt that agreement in substance would be possible as a result of these discussions. We therefore expect that the French will now agree to the earliest possible date for these talks in London which should take place not later than early next week. For your info as you recall Douglas has been informed that we expect to announce the level of industry agreement by Sept first, so time is of the essence.

Repeated to London for the Ambassador.  

LOVETT

862.60/3-1547: Telegram

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

SECRET  

WASHINGTON, August 15, 1947—8 p.m.

3524. Several days ago the Brit Emb gave us an urgent message from Bevin with respect to proposals for future arrangements for the control of Ruhr industries which the Brit Govt wished to lay before the Paris Conference. Mr. Bevin expressed the hope that the US Govt would agree that the Paris Conference approve: (a) a speedy settlement of the problem of the future of the Ruhr Basin and the coal, iron and steel industries situated therein, is essential to the recovery of Europe; (b) it is recognized that those controlling powers which are represented at the Conference cannot by themselves make commitments as regards the future of the Ruhr and its industries; (c) nevertheless, subject to suitable safeguards for security, it is of first importance that the coal, iron, and steel industries of the Ruhr should be placed under international control with some form of public ownership in order that

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88 Repeated to London as telegram 3499.
89 The message under reference was presented orally to Samuel Reber by Hubert Penson of the British Embassy on the afternoon of August 11.
their resources may be used for the benefit of Europe as a whole, including Germany.

As stated in our tel 3031 Aug 14 to Paris \(^9\) rptd to you as 3499 we believe that during the period prior to the establishment of a German Govt accepted by the occupying powers the present control of Germany provides the necessary safeguards and no further mechanism is required. With respect to the subsequent period when a German Govt has been established it is our opinion at the present time that such arrangements are a matter for decision in connection with the Peace Treaty to be later negotiated. Just as we have informed the French we should be glad to discuss this matter at an appropriate time after the London talks we would suggest the same procedure in respect to the Brit proposal.

We would prefer that our reply to Mr. Bevin’s message be made by you along the foregoing lines.\(^{21}\) When ample time has elapsed for you to have made communication to the Brit Govt we shall inform the Emb here.

LOVETT

862.60/8-1547 : Telegram

The Acting Secretary of State to the Embassy in France \(^9\)

TOP SECRET WASHINGTON, August 18, 1947—10 p.m.

3076. For the Ambassador for Clayton from Lovett. Regarding French request for reconsideration revised level of industry in event quadripartite unification CFM November (ref Geneva’s NIACT 857 and our 1022 both repeated Paris and London \(^{33}\) you cannot assure French that matter will be reviewed; however the announcement of a

\(^{25}\) Supra.

\(^{21}\) In his telegram 4462, August 18, from London, not printed, Ambassador Douglas reported that he discussed this telegram with Foreign Secretary Bevin on the morning of August 18. Douglas described Bevin’s reaction as follows:

“He agrees thoroughly and feels that while we should at the tripartite meet- ings express sympathy with the French concern and say that we are prepared to consider the problem with understanding at some other time, it is not an appropriate subject for the conference. Moreover, he feels that precisely the same position should be taken at the Paris Conference. Stated differently, it is his belief that we should not, either for the purpose of obtaining French acquiescence on the level of industry or for the purpose of satisfying, at the Paris Conference, French apprehensions, pay any price whatsoever except to indicate future sympa-thetic consideration of the question.” (862.60/8-1547)

\(^{33}\) This telegram was repeated to London as 3551 for the Ambassador and to Berlin as 1705 for Murphy and Clay.

\(^{33}\) Telegram 857, August 15, from Geneva, not printed, reported that the French request referred to here had been made during a meeting of Clayton, Caffery, and Douglas with French Foreign Ministry officials (862.60/8-1547). Telegram 1022, August 17, to Geneva, to Clayton, not printed, stated that an answer to the French request would be forthcoming following consultation with the War Department (862.60/8-1547).
new bizonal level of industry does not necessarily preclude review if circumstances should make such review advisable. Question of whether and how this and other acts of bizonal area, French zone and Soviet Zone will be reviewed will depend upon situation as develops to and at November CFM and upon scope unification agreement, including effective reciprocal undertakings. This statement should be given during talks in London rather than at Paris.

Lovett

Editorial Note

In a note from Soviet Chargé Tsarapkin to Acting Secretary of State Lovett dated August 18, 1947, the Soviet Government took note of the forthcoming tripartite level of industry conversations in London and expressed the view that decisions on such matters could be taken only with the agreement of the four powers occupying Germany; for the text of the note, see Germany 1947–1949, page 362, Department of State Bulletin, September 14, 1947, p. 530, or Documents on International Affairs, 1947–1948, page 623.

862.60/8–1947: Telegram

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

SECRET

PARIS, August 19, 1947—5 p.m.

3816. From Caffery, Clayton and Douglas.

1. Have conveyed to French our desire to postpone further Ruhr discussions reasons given in London’s 4445 and Deptel to London 3593 and 3499 and arranged for tripartite talks to start on August 22, French being unable start sooner.

2. Douglas hopes to hold discussions continuously including Sunday until level of industry discussion is concluded. He is attempting with use Martin, Jacobs and others to reach agreement with UK Foreign Office on details of agenda, the way in which we will deal with any questions which French may raise in London in accordance with Department’s instructions, and tentative draft official communiqué so that we may meet French with unified position. Will report fully.

3. Fully realize importance level of industry announcement on or about September first.

4. Douglas appreciates approval of request for permission to take sympathetic attitude toward French proposal on international allo-

*Not printed, but see footnote 88, p. 1035.

*Not printed.

*Same as telegram 3031, August 14, to Paris, p. 1035.
cation board suggestion and to agree to discussion at appropriate time and place.

5. We recommend that Douglas be given authority at conference to say to French that the appropriate time for holding a meeting of US, UK and French representatives to reach at least preliminary agreement and possibly to agree on a public statement on this question is immediately after the London talks. We urge that you reach early decision in broad terms on US policy in this matter to make such a procedure feasible.

6. Consider tripartite meeting of minds along lines Paris Embtel 3270 97 would be important step forward along difficult road of agreement on German settlement. If at same time, important contribution can be made to strengthening present French Government, it appears to us difficult to justify delay in reaching decision on US policy which must be made in near future in any case.

The question of disposition of products of Ruhr is one of the central facts in preparation of European program at Paris conference. If French do not have at least preliminary understanding with US and UK, it is not likely that they will alter figures for steel production in France which follow generally the Monnet plan. This, in turn, will affect the program, distort it violently, and make it unrealistic in the following respects: The production of French steel, the production of fertilizers, the employment of manpower, French agricultural production, and both French and bi-zonal balance of payments and possibly balance of payments of other countries.

In this connection would appreciate Department views on our analysis of importance of this issue in French political scene and of the threat to accomplishment of original purpose of London tripartite conference, and the freezing of French antagonism to our German economic policy which would follow failure to make any effort to meet it in near future. (Paris 3270). We are convinced that on every score it is essential that we be authorized to proceed with discussions with French and UK along lines of previously reported talks in order at least to arrive at preliminary understandings as to allocating board for Ruhr production.

7. If you can approve indicating to French our willingness to discuss matter in the immediate future, will seek UK concurrence in this course of action. Suggest following amended form of statement discussed with French last week as basis for your consideration.

"Preamble:

The objective is, on the one hand, to insure that the Ruhr can never again be used as an instrument of aggression and, on the other, that

97 Dated August 14, p. 1033.
access to the products of the Ruhr shall not be at the exclusive will of Germany, as in the past.

1. Accordingly the United States, France and the UK will join in support of inclusion in a binding international agreement in connection with the peace settlement with Germany (presumably the peace treaty or the disarmament and demilitarization treaty) of articles providing for the establishment of an international board composed of representatives of US, France, UK, Benelux and Germany, with power to allocate Ruhr output of coal, coke and steel between German internal consumption and exports, so as to insure that the allocations for German consumption are used for peaceful purposes only in accordance with demilitarization and disarmament measures which are agreed in the peace settlement, these allocations to be made (a) to meet the problems presented by critical shortages of those products in Europe, or (b) with due regard to price, and most efficient use. (Note: From (a) to (b) is underlined.) The allocations made for German consumption shall be adequate to meet Germany's economic needs for a reasonable standard of living.

2. US, France, and UK agree that provisions for adequate powers to enforce by sanctions or otherwise the decisions of the board should be incorporated in the international agreement referred to above.

The US will draft with France and UK a broadly phrased public statement incorporating the substance of the above position.

France will agree to begin negotiations for the purpose of adhering to the bi-zonal fusion agreement not later than the close of the November CFM meeting unless such meeting results in quadripartite unification."

Our immediately following telegram, giving particulars of our discussion with Bidault this afternoon, confirms the recommendations herein made.

Sent Department, repeated London as 644.

CAFFERY

862.60/8-1947: Telegram

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

TOP SECRET

PARIS, August 19, 1947—6 p.m.

3319. For Lovett from Clayton, Caffery and Douglas. We called on Mr. Bidault this afternoon and explained that we had received instructions from you to postpone further discussions on the Ruhr question until some more appropriate time; that the subject was not a simple one but involved agreement not only with France and the UK but between departments in Washington and that obviously this would take considerable time. We added that it was the desire of the Department to proceed with the London Tripartite Conference immediately

See telegram 3319, August 19, from Paris, infra.
but that we were authorized to say to Mr. Bidault that at some more appropriate time we would be glad to give sympathetic consideration to the French position on the Ruhr.

Mr. Bidault's first reaction was one of great disappointment and even chagrin. He said that no French Government, neither the present one nor any succeeding one, could agree to a revised level of industry for Germany, without some assurances as to French security and access by Europe to the products of the Ruhr.

After considerable discussion, however, and after assuring Bidault that France was at liberty to present its point of view regarding the Ruhr at the London meeting and that at some later and more appropriate time we would continue the discussions with the view of arriving at an understanding on the Ruhr, he seemed to be more reconciled. We said to Bidault that we would recommend to the Department that such discussions take place as soon as possible after the London meeting. We also said that we would recommend that the form of the announcement of the revised level of industry following the London conference should take into account the legitimate interests of France in the subject not only as to the level of industry but as to settlement of the Ruhr question. Since Bidault had continuously referred to the revised level of industry decision as a priority for Germany we said that we would recommend that the announcement would also deal with this aspect of the matter in a way to meet this objection so far as possible. We of course made it clear to Bidault that the level of industry had nothing necessarily to do with the level of production but he always replied that the two are the same in French opinion and that the revised level of industry will be considered by French people as "hope for the Germans and fear for the French".

Sent Dept as 3319, repeated London for Douglas as 645.

CAFFERY

862.60/5-1947: Telegram

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

SECRET

URGENT NIACI

LONDON, August 19, 1947—9 p.m.

4500. For Lovett from Douglas.

1. Martin and Jacobs have reviewed my instructions on tripartite talks with Hoyer-Millar, who will be principal Foreign Office adviser to Jenkins, the British delegate. I will see Jenkins when latter returns to London tomorrow.
2. In general there is complete agreement on agenda and approach to French.

3. It was stated that Sholto Douglas had decided today to come since Clay was coming.

4. In response to invitation of UK Ambassador in Paris to talks French stated their delegate would be Alphand and French [apparent omission] can be present only when he can be spared from European recovery conference. UK not disposed to press French since they consider Paris talks far more important. Our strong desire to start no later than 21st was expressed. (As Paris telegram told you French have agreed now to start 22nd.)

5. To my surprise Hoyer-Millar stated that UK Government has not approved bizonal agreement reached by Clay and Robertson and that it therefore has no agreed status as I had understood. The UK Government objects strongly to the preamble as being too narrowly addressed to Germany. I agreed with this and had already started Martin and Jacobs working on minimum revisions to meet expected French criticism. However, I now find that in view of UK objections, the French have only been given the figures and not the text. I consider it important that US-UK agreement be reached promptly on a preamble stating the objectives of the revision. Such a statement should help materially with the French. Can you authorize me to initiate at once discussions with British on this subject? Agreed draft would be for your approval. Would expect OMGUS-War representatives to participate in these discussions and be free to submit separate views. UK also objects to failure to provide for retention of capacity in prohibited industries as was provided in report of bipartite working party on level of industry revision. UK requests US Government to agree to original recommendations of working party. They are particularly interested in the import saving resulting in aluminum, magnesium and beryllium. May I have your instructions on this point also for discussion with UK on same basis as preamble? In response to General Clay’s objections to this step the UK takes the view that British representative in CORC had indicated that his agreement to prohibition production these industries was made with specifically expressed reservation that it depended on satisfactory agreement on level of industry and economic unity. UK add that they feel we both are engaging in breach of Potsdam (because Russians have previously broken it) and since spirit of Potsdam is broken it seems futile to

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66 René Massigli, the French Ambassador in London, was subsequently designated the French delegate to the London tripartite talks.
allow ourselves to be obstructed by fact that two separate meetings of CORC are involved. They indicated that it was their belief that US commercial interest was involved. We denied this strongly indicating our belief that US position was determined by General Clay’s belief he was obligated by separate CORC agreement with Russians on this point.

6. British insist that this plan be final one for bizonal area so far as reparations concerned and not be subject to change by quadripartite action in event of agreement on unification at November CFM. They take position and have so informed French that in this event quadripartite level of industry might be negotiated but it would have to be on basis of acceptance present revision as final status bizonal capacity for reparations purposes. They have promised to give us a draft which will embody the view that present agreement determines finally what industry will be left in bizonal area and establishes maximum removals to be made for reparations. They consider its finality to represent large part of its immediate value in bizonal area.

7. Notes received yesterday from Benelux countries were read and Hoyer-Millar said similar notes had been presented in Washington and Paris. UK suggested that question of inviting Benelux views be first item on agenda of talks, with the US–UK position being to supply them with the figures and agree to consider their written comments if received before final US–UK decision is reached. There is no suggestion that they attend talks. It was agreed to transmit this view to Washington but it was pointed out that it was not clear why France should be consulted on Benelux invitation. I think that if we press them UK will agree to make the decision on Benelux a US–UK one. They feel strongly that there is a real Benelux interest in such matters and see no harm in giving them an opportunity to present views. I agree. Would appreciate prompt instructions.

8. British indicate only paper about which further US–UK negotiations unnecessary in their view is bipartite paper to be given us tomorrow morning. This document does not contain preamble. We do not know yet whether differs in other respects from documents received from Washington.

Repeated Paris 463 and USPolAd Berlin for Murphy and Clay as 306.

DOUGLAS

1 The reference here is to the Revised Level of Industry Plan which was subsequently circulated at the tripartite American-British-French talks in London as document TT/F(47)1, August 22, 1947, not printed.
862.60/8–1947: Telegram

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

SECRET

WASHINGTON, August 21, 1947—7 p.m.

URGENT

3609. Identic notes from Benelux countries of nature described paragraph 7 urtel 4500, Aug 19,2 received here yesterday. It is our intention to inform the Paris Conference of any revised level of industry plan as soon as it has been decided by the US and UK Govts and simultaneously with its announcement. We can further agree that US–UK could individually keep these interested Govts informed during the London talks, but this should be a US–UK not a tripartite decision. Should these Govts wish to present written comments it must be understood that in receiving these views we cannot agree thereby to any delay in the announcement September first of the level of industry plan.

LOVETT

862.60/8–1947: Telegram

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

SECRET

WASHINGTON, August 21, 1947—8 p.m.

3616. From War and State for Clay and Douglas. Reur NIACT 4500 3 we had understood agreement made by Clay and Robertson to be acceptable to UK Government which has not raised questions previously. Body of plan as agreed on between Clay and Robertson is plan to be laid on table for discussions with French. With respect to preamble, we can agree this might well be reworded. Preamble should set forth clearly that objectives of new level of industry plan among others are (1) to enable Germany to make its contribution to a coordinated program of European economic recovery but in a way as to preclude the revival of German military power; (2) to create a self-supporting German economy and a tolerable standard of living conducive to the growth of democracy; (3) to provide a firm basis for listing plants to be retained in Germany and those plants available for removal as reparations; (4) to correct the inconsistencies and assumptions (especially unification of Germany) in the old level of industry plan of March, 1946 which have subsequently failed to materialize. Question raised by British concerning retention capacity in prohibited

2 Supra.
3 Ante, p. 1042.
industries should be negotiated between Clay and British Zone representative, we relying Clay's judgment.

Change in preamble also should be negotiated on same basis as original agreement, namely, by the Zonal Commanders.

At opening tripartite meeting French should be informed we expect announcement will be made Sept 1.

LOVETT

840.50 Recovery/8-2147

Memorandum of Conversation, by the Associate Chief of the Division of Western European Affairs (Wallner)

[Extracts]

SECRET [WASHINGTON,] August 21, 1947.

Participants: The French Ambassador, Mr. Bonnet
The Acting Secretary, Mr. Lovett
WE—Woodruff Wallner

The French Ambassador made a farewell call, at his request, on the eve of his return to Paris for consultation.

Turning to the tripartite level-of-industry conversations, the French Ambassador said that he had received very bad news by telephone from Paris and he was most fearful of the failure of the talks. He asked Mr. Lovett if he had anything to tell him. The Acting Secretary said in reply that conversations were opening tomorrow and that he for one had no intention of prejudging their substance or result. He added that Messrs. Bidault and Monnet had had numerous conversations in Paris with Messrs. Clayton and Caffery, and that the Frenchmen had endeavored to obtain a commitment from the Americans for the establishment of a board to allocate the productive facilities of Germany after the period of military occupation; that is to say, a commitment on the content of a peace treaty that might not be drafted for four or five years. Mr. Lovett added that, in his opinion, such an idea would not be connected at this stage with the matter at issue, which was the German level-of-industry. Furthermore, he considered it improper for France to attempt to engage the United States in a bilateral agreement or understanding on the eve of tripartite conversations which were being held at France's insistence. He had been obliged to request Clayton and Caffery to inform Bidault that the meeting opening tomorrow in Paris was the proper place to raise these difficult questions. He added that the idea of an allocating board for
German production in the future might be a good one, and probably
was, but that there was a time and place for everything.

Mr. Bonnet said that he had been away and was not too certain of
his facts but that he did know that his Foreign Minister was very
upset. He developed the familiar French arguments for security
against a resurgent Germany. Mr. Lovett replied that all these ques-
tions would be thoroughly aired at the London meeting.

The conversation now having lasted three-quarters of an hour, Mr.
Bonnet rose to take his leave but said that, in parting, he must recall
to the Acting Secretary the great importance which his government
attached to a rapid solution of the Saar coal problem. He reiterated
the familiar arguments, including the one to the effect that if Molotov
had agreed to the absorption of the Saar at the Moscow Conference
the whole thing would have been settled by now and that the United
States was hiding behind Russian skirts. He spoke of the note * which
his Counselor had delivered to Mr. Thorp the preceding evening. The
Acting Secretary replied that he had not yet seen this note but that
the problem was receiving active consideration in the Department.
Mr. Bonnet again insisted on the delicate political situation in which
further delay on our part would place Bidault.

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S62.60/8-2247: Telegram
The Ambassador in the United Kingdom (Douglas) to the Acting
Secretary of State

SECRET
URGENT
NIACI

4579. For Lovett.

I. Before the convening of the first session of the tripartite level of
industry talks, we met with the British and agreed to give to the
French the text of the plan as agreed in Berlin, minus the preamble
and including Section IV. In addition we agreed with the British that
the representatives of Benelux would be given an opportunity to
examine confidentially but would not be given copy of Appendix A
of the plan.

II. Jenkins and Douglas made introductory statements at today’s
session in which they pointed out the object of the talks, the desire
of all participants for rapid conclusion of them and fact that the plan
determines the amount of industrial capacity to be retained in the bi-

*The French Embassy note under reference, dated August 19, 1947, is not
printed. For additional documentation regarding the attitude of the United States
regarding the transfer of Saar coal resources to France, see pp. 1073 ff.
zonal area and is not a production plan. Douglas also said while glad to have French views, in absence of French adherence to bizonal fusion ultimate responsibility for decisions must rest with US and UK. We urged and obtained agreement that there be agreed statements to the press at the beginning and end of the discussions and no other publicity except by mutual consent. A brief communiqué was issued at the end of the first session. (See immediately following clear telegram.\textsuperscript{6})

III. Massigli opened the French presentation with a statement very similar to what he told me last night, Embtel 4553, August 21.\textsuperscript{6} He pointed out that the French position was based on the hypothesis that we intended no priority for German industrial recovery over that of our allies and that there will eventually be guarantees for France on security. He mentioned that irresponsible reports of a too sudden end of the occupation of Germany impressed France as unhelpful. He said that the level of industry and the control and management of Ruhr coal are so interconnected that France must discuss them together.

IV. Alphand then read a long prepared statement which he described as a “technical presentation.” He reviewed the background of the present meeting with emphasis on the position taken publicly by Bidault that the Paris Committee cooperation meetings involved no priority for German recovery and did not displace the CFM. He then turned to the bizonal reply to the Paris Committee and said that it convinced the French that there was a serious danger that if the bizonal program for steel were carried out France could not reach the level of 12,000,000 tons which they had planned and “which was the basis for the French financial arrangement with the US.” (Presumably referring to Export-Import Bank loan of 1946. We understand no US approval of Monnet plan was involved in granting this loan. Please comment promptly.\textsuperscript{7})

He said that the coal production program of the bizonal area for 1951 was less than pre-war, while other countries were expected to improve on pre-war production. In conclusion, he summarized the French position as follows:

“The French Government will be able to accept the bizonal level of industry if it is clear that:

(1) It will be reconsidered if the CFM reaches agreement on German economic unification.

\textsuperscript{6} Not printed.

\textsuperscript{7} Telegram 3659, August 23, to London, not printed, stated that no approval of the Monnet Plan had been given in connection with the American-French financial arrangements in 1946 (862.60/8-2347). For documentation on American assistance to France in 1946, see Foreign Relations, 1946, vol. v, pp. 399 ff.
(2) Previous agreement is reached on the rate of reactivation of German industry with provision for the export of sufficient coal and coke to insure that German steel production will not absorb so much German coal as to hamper the steel production of other countries, particularly French Monnet plan. To this end the sliding scale should be adjusted and should include coke. In addition provisions to insure adequate coal and coke exports from Germany after the peace settlement should be agreed. (This as well as practically all French proposals are designed to protect Monnet plan.) The adjustment should contemplate inclusion of Saar in French economic system.

(3) The French point of view on the control and management of Ruhr coal mines is that measures taken during the occupation should not prejudice the control of the Ruhr, especially against an international statute for the ownership and management of the coal mines during the period after active occupation ends. During the period of occupation, the occupying powers should retain in their hands not only control of allocations but the details of management in order to avoid the difficulties of resuming such control in the case of internationalization at some later time.

(4) There should be an immediate resumption of reparation removals.

(5) There must be borne carefully in mind the necessity of achieving a balance between German exports and imports."

V. British and we have agreed to study the French proposals and reply to them tomorrow.

VI. We expect to concert with the British a reply to the French for tomorrow afternoon at 3:00. Points one, two, and three are clearly covered in my instructions as is the general question of French "acceptance". I have indicated to British that I am unable to state a US position on the resumption of reparations, point four, in the absence of instructions, and will express our regret that Alphand's fifth point did not receive greater emphasis.

VII. French have requested a statement of our plans on Ruhr control and management which will need urgently as requested in Embtel 4577, August 22.8

VIII. Verbatim text both statements available tomorrow. Will send addition to and corrections of this cable if necessary. Will transmit in full both statements as soon as possible.9

Sent Department, repeated Paris 472 for Caffery, Berlin 393 for Clay and Murphy.

Douglas

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8 Not printed.
9 The records of the Tripartite Talks on the Level of Industry and the Management and Control of the German Coal Mines, are included in CFM Files, Lot M-88, Box 85. The dossier includes the formal minutes of the meetings of August 22, August 23, and August 24 (document designation TT/47/Minutes), the numbered formal conference documents (designation TT/47/P 1–11), and the American delegation minutes of the meetings of August 22, 23, 24, and 27.
Memorandum by the Director of the Office of European Affairs (Hickerson) to the Under Secretary of State (Lovett)

[WASHINGTON,] August 23, 1947.

Subject: International Control of Ruhr Resources

Discussion:

The problem of dealing with the revival of German industry and its relation to the reconstruction of western Europe has reached a critical stage, both as regards the tripartite talks in London and the general economic recovery plan now under study in Paris. There can be no question that the disposition of the products of the Ruhr is one of the central factors in the preparation of the European program in Paris, not only because of the position taken by the French but because of the legitimate interest of other European nations in the rate of German recovery.

In order to meet the serious situation in Germany and to implement a decision of the US-UK Governments taken during the Moscow Conference, it has been agreed by this Government that the bizonal level of industry plan prepared by the US and UK Zone Commanders should be announced September 1st as soon as the French views have been considered.

Not only is the French Government deeply concerned that the new level of industry means that the industrial revival of Germany is being given priority in European recovery; but similar concern has been expressed in this country and the principal line of attack by the Communists on present US policy is that its principal aim is to rebuild Germany. As a counter-balance to agreeing to a higher level of industry France is seeking assurances that (a) Ruhr industrial capacity will never again be used for military purposes against France, and (b) access by western Europe to the production of the Ruhr will not be subject exclusively to the will of Germany.

Assurances that the US Government is still desirous of dealing with the problem of military security through the controls established under the terms of the Disarmament and Demilitarization Treaty have already been given to the French Government in respect to the first of these points. With respect to the second it has been agreed with the War Department that any specific proposal in this connection should be related to the peace treaty negotiations and not decided in connection with the level of industry talks.

On the other hand, it must be recognized that French cooperation is necessary both with regard to the solution of the German problem as
well as with regard to the realization of the Marshall Plan for the
economic recovery of Europe. There is a danger that the failure of the
US Government to come to an understanding with the French at this
time on a general approach to the Ruhr question might result in vocal
opposition on the French part to the new level of industry plan and
might so weaken the present French Government that a French politi-
cal crisis could ensue either through the resignation of Bidault or the
fall of the Government on this issue. The United States has always
expressed a lively understanding of the French concern for security
and it must be admitted that there is justice in the French conception
of an inter-relation between the level of industry plan and the future
of the Ruhr as affecting their security.

Furthermore, it is the considered opinion of Messrs. Clayton, Caff-
ery and Douglas that the United States should at this time recognize
the legitimate interest of France and other European countries in the
allocation of Ruhr production and give assurances that it will support
the inclusion in an international agreement in connection with the
peace settlement of articles providing for some measure of interna-
tional allocation. A more detailed analysis of the French position and
proposals in this respect is contained in the attached annex.

In formulating the following recommendations it is appreciated that
they are not in line with the views presently held by the War Depart-
ment which is concerned lest French preoccupation with respect to
their own security imperil the economic development in Germany
necessary to enable the US to fulfill its responsibilities in this respect
and avoid continuing heavy charges. Minimum assurances of the kind
set forth are however considered in the interest of United States
policy, provide a basis for a real settlement involving the western
zones of Germany, and insure that the European recovery program
will not be adversely affected by the legitimate concerns of European
Powers. It should, of course, be understood that in giving any assur-
ances to the French Government in this connection the United States
is not committed to accept a particular method of implementation
until the peace treaty goes into effect. This is important since the
agreement will not be effective until a much later date at which time
the political conditions in France may be very different from today.
In guarding against future commitments which might benefit a France
which had gone Communist we should however avoid action which
increases this possibility. Any hesitancy displayed in discussing our
purposes and aims in respect of Germany with other Governments
tends to intensify suspicions as to these aims and strengthen the
Communist line of attack.
Recommendations:
A decision on this matter is urgent in view of the present stages of the London talks (see London's telegram no. 4579 10) and is required before further instructions can be sent Douglas. It is recommended that United States policy be clarified in this respect so that the French may be informed during the London talks, that:

(1) The United States Government is prepared to agree in principle with the French and British Governments to support inclusion in an international agreement in connection with the peace settlement of Germany of provisions which would give assurances not only to France but to other European Governments that access by western Europe to the production of the Ruhr would not be subject exclusively to the will of Germany as in the past and,

(2) The United States Government is prepared as soon as the tripartite discussions in London are concluded and the level of industry announced to agree to a further tripartite exploration of the methods by which this assurance may be implemented in the peace treaty. During these discussions sympathetic consideration should be given to the inclusion in the peace treaty of articles providing for the establishment of an international board, of which Germany will be a member, to insure that the distribution of Ruhr output of coal, coke, and steel between German internal consumption and exports will be determined on an equitable basis and that German domestic consumption will be devoted to peaceful purposes only, in accordance with demilitarization and disarmament measures which are agreed in the peace settlement.

[Annex]

Memorandum Prepared in the Department of State 11

[WASHINGTON, undated.]

In a series of informal talks held at Paris during recent weeks, between Mr. Clayton, Ambassadors Douglas and Caffery on one side and Messrs. Bidault, Monnet, Couve de Murville and Alphand on the other, the French have set forth as their position that they do not want to hold down production in Germany and would not object to the new level of industry plan, providing assurance is obtained that (1) Ruhr resources would not again be used for military purposes against France and (2) access to the products of the Ruhr shall not be at the exclusive will of Germany, as in the past.

10 Supra.
11 The source text indicates that this paper was prepared by Howard Trivers, Division of Central European Affairs; Fritz E. Oppenheimer, Special Assistant to the Legal Adviser for German-Austrian Affairs; and John C. de Wilde, Acting Associate Chief, Division of Occupied-Area Economic Affairs.
To bring about such assurance, M. Bidault proposed the creation of an international board which would allocate the Ruhr production of coal, iron and steel between Germany and other countries. After the peace treaty the board would be composed of representatives of the United States, the United Kingdom, France, Benelux and Germany; prior thereto it was to be composed of the same countries minus Germany. During the talks the French conceded that no special controls were required for the occupation and that their proposal referred to the post-occupation period and should be connected with the peace settlement.

In comparison with the French position at the Moscow Conference, this latest French proposal represents a very considerable concession and endeavor to meet United States views. The French have abandoned their previous demands for the political detachment of the Ruhr from Germany and for the internationalization of the Ruhr area. Furthermore, the French are willing to leave the ownership and administration of the Ruhr industry in German hands and declare no interest in the question whether the Ruhr should be nationalized or not.

The latest British proposal suggests that the coal, iron and steel industries of the Ruhr should be placed under international control with some form of public ownership in order that their resources may be used for the benefit of Europe as a whole, including Germany. The British agree on the necessity for international control, but this in their mind is connected with some form of German public ownership. Specifically, they seem to favor ownership by a German public corporation, with actual management vested in an international board of directors.

It will be recalled that Secretary Marshall stated at Moscow on April 10 as follows: “When Allied Military Government in Germany is terminated and a German government is functioning under a constitution, however, some special provision for the overseeing of Ruhr resources may be advisable”. This statement was made in connection with the general conception that the Ruhr area is only one of the key industrial concentrations of Europe, whose resources should be equitably shared by European countries. It was also stated that Germany should have responsibility for management and operation of Ruhr industries and marketing of their products, and that only if the Germans act contrary to the just interests of the other countries should the matter be referred to an international agency.

It is our understanding that the War Department and OMGUS are opposed to any international controls applicable only to the Ruhr, even in connection with a peace settlement.
In agreement with the War Department, the Department has instructed Ambassador Douglas that the French proposal on the Ruhr cannot be considered during the level of industry talks at London, although we are prepared to discuss it at an appropriate time and give sympathetic consideration to a solution of this problem. We told Clayton and Douglas that United States policy in respect to control of the Ruhr has not yet been resolved.

When Bidault was informed of this essentially negative United States policy, he stated that no French Government, neither the present one nor any succeeding one, could agree to a revised level of industry for Germany, without some assurances as to French security and access by Europe to the products of the Ruhr.

It is believed that the French Government will maintain their position during the London talks and that a serious crisis will be precipitated if we insist on the above negative position.

The present French proposal is believed to be close to United States thinking on the Ruhr problem. It appears that the basic conception behind the American approach to the Ruhr problem at Moscow may be realized, at least in Western Europe, through the Marshall Plan which aims at a coordinated and equitable utilization of key industrial resources in the interest of European economic recovery. The fundamental difference then between the present French Ruhr proposal and the United States position lies in the means for assuring the equitable distribution of Ruhr resources. The French propose positive and direct control through an international allocations board, whereas the United States suggest control by an international agency with jurisdiction to act only upon request and if German administration of the resources fails to meet just requirements of other countries. It is clear that the French and United States proposals have one common objective. They differ only in the method proposed for accomplishing this objective.

Accordingly, the United States and French positions are so close that it should be possible to formulate an agreement in principle which would leave for further settlement the method of accomplishing the common objective. Such an agreement should not commit us to acceptance of any particular method of implementation, particularly since we must be mindful of the fact that the agreement will not come into effect until a much later date, at which time the political conditions of France may be very different from today. Furthermore, it is believed that any international control of the Ruhr alone should be limited in time, on the grounds put forth at the Moscow Conference that it would be impossible to expect a country to develop along democratic lines with a group of deeply interested foreign countries in indefinite control of its prime resources.
TOP SECRET

WASHINGTON, August 23, 1947—10 a.m.

3658. For the Ambassador and Gen. Clay from State and War. In connection impending discussions with French re level of industry, Depts considering related question of resumption of reparation deliveries. When resumption deliveries discussed in a June Cabinet meeting, no decision was reached but consensus was that either there should be no resumption reparation deliveries to any country or that reparation deliveries should be resumed to Eastern and Western countries alike. Since then State Dept has reviewed problem and has reached following tentative conclusions:

1. It is desired if possible to avoid actual resumption of reparations deliveries until we are able to know the results of the CFM meeting in November. On other hand, prejudgement of results next CFM meeting should be avoided.

2. At the same time the forthcoming announcement of the level of industry makes it important to give some indication that we are looking toward resumption of reparations deliveries.

3. Therefore suggest that announcement concerning the level of industry include a statement developing the idea suggested for the preamble that the new level will “provide a firm basis for listing plans to be retained in Germany and plants available for removal as reparations”. Should also be stated that such determination will be commenced at once by the bizonal authorities but without any statement as to when or to whom reparations deliveries will be resumed.

4. The determination of plants available for removal will presumably take some time and may provide a sufficient means of delaying deliveries until the November meeting.

Views of Douglas and Clay and Murphy requested regarding foregoing in light of the effect on administration bizonal area and in light probable British reaction.

LOVETT

SECRET

URGENT NIAC

LONDON, August 24, 1947—3 a.m.

4586. I. In accordance your instructions and subsequent US–UK agreement, Hoyer-Millar and Martin gave Benelux representatives opportunity this morning to examine appendix A of agreement. Session was friendly and without incident.
II. Now appears possible to complete discussions of level of industry at session starting 11 a.m. August 24 or possibly at afternoon session same day. Thus far have had nothing to report on US–UK plans for administration German coal mines. As result, prompt completion of talks here may be delayed. Appreciate every effort your part to transmit status Washington discussions this subject on urgent basis. No reports of any sort yet received on progress Washington discussions. (Reference Embassy’s telegrams 4579 12 and 4577, August 22 12).

III. Full agreement reached with UK on responses to French statements of yesterday. Douglas opened afternoon session tripartite talks with reply to Massigli’s statement of yesterday. He assured French of long standing and continued sympathy of US for French security and access to Ruhr production referring to Secretary’s statement at Moscow. He denied any intention giving Germany priority and said French “conditions” on coal, Ruhr, etc. were outside scope of talks. In addition he pointed out importance of parallel recovery German industrial production with that of Europe for European rehabilitation, to make possible a democratic Germany, and to relieve US–UK financial burdens. Urged French to use explanations given them in London to reassure French people as to our intentions.

Jenkins then replied along lines paragraph VI Embassy’s telegram 4579, August 22 to Alphand’s statement of yesterday. He pointed out that French “conditions” were outside scope of discussions and corrected factual statements by Alphand indicating possibility we would give priority for German recovery. In conclusion, he suggested French proceed to exposition of “minor technical comments on level of industry plan itself,” which was agreed. After brief misunderstanding, his statement that we were ready to discuss coal and coke allocations with French and consider revision of sliding scale, it was made clear that French should address themselves first to bizonal authorities.

IV. Alphand stated that in considering the French comments on the levels, the conditions outlined the previous day should be “borne in mind.” To start with they desired that the levels for steel, machine tools, tar distillation, dyes and chlorine be permanent limits on production.

a. With respect to the level of 10.7 million tons for steel, it could be accepted by the French but they considered that the present zonal capacity was 22 million tons rather than 19.2 million tons.

b. Alphand said that Germany required a stock of only 800,000 machine tools which could be maintained by annual production of 32,000 rather than the 48,000 contemplated.

12 Ante, p. 1047.
12 Not printed; it asked for information regarding United States approval of the bizonal agreement on German coal management (862.6362/8–2247).
c. Tar distillation. This process should be strictly reduced to German needs for briquette, pitch, road needs, etc., and capacity should be limited to one million tons with exports of three to four hundred thousand tons of raw tar.

d. Dyes. This industry which was a spearhead of German infiltration abroad and a product neighboring on war production should be limited to the March 1946 level of 60 percent of 1936 with 15,000 tons allowed for exports per annum.

e. Chlorine should be limited to 70 percent of 1936 production as against 60 percent of the 1946 plan. However, caustic soda capacity should be retained until 50,000 tons capacity can be erected outside of Germany.

(Comment: At a meeting with the British after the full session, we agreed that no decision on permanent production limits could be made until the peace treaty and that we considered the present plan only a determination of amount of existing capacity to be retained in Germany. US took position that no concessions could be considered since there does not now appear to be in our view on this account any danger to French democracy or the Marshall plan.) The reasons for our conclusion were not communication [communicated] to the British. (UK prepared to make some concessions if necessary to appease French but thus far not very vigorous or specific. It is our impression that the French request for a reduction in tar distillation and chlorine arises from a technical misunderstanding as the bi-zonal plan provides approximately the capacity they suggest.)

V. The French also said that under-evaluation of existing capacity made the capacity which should be available for reparation removal in the engineering, chemical, cement and non-ferrous metals industries larger than the plan indicates. With respect to machine tools, they argued that the plan does not (as the quadripartite plan of 1946 did not) take into account machine tools in plants employing less than 25 workers. This, together with the under-evaluation previously mentioned, and their desire to consider the useful life of a machine tool 25 years as against US-UK compromise estimate of 22 years, lead them to assert that removals would be about 300,000 machine tools leaving an additional 350,000 tools which they considered surplus under the bi-zonal plan. Removal in chemicals could be greater if a detailed examination were made of the various branches of the industry. French also questioned use of rated capacity figure for cement.

They asked that reparation availabilities from the copper refining industry be increased 20 to 50 percent and those from the leading refining industry by 20 percent.
(Comment: It was agreed in the meeting with the British after the full session that we would recognize the under-evaluation charge by indicating to the French that the plan is one for retaining capacity and if we discover there is more capacity available than is now believed, it will be made available for reparations, but we will make clear that the bi-zonal authorities must themselves be the judge of capacity. It was also agreed that we would tell the French of our willingness to make a survey of surplus machine tools in small plants at some later time and that we would list any surpluses found for reparations. The fact that the rated capacity shown for cement results from a year long quadripartite argument and is only sufficient to produce the amount of cement agreed to be required will also be explained to the French.)

VI. Alphand indicated that the French were not opposed to revision of the prohibited industries. They desired that electronics industry also be prohibited since electronics were likely to be weapons of a future war. If this were done, it might be possible to relax the restrictions on synthetic ammonia and high seas shipping. The French would be willing to re-examine the list of prohibited and temporarily maintained industries.

(Comment: We agreed with British to explain our position on these industries indicating our willingness to include radar among the prohibited industries but not common electronic parts and devices. The decision, however, would be deferred as agreed in the bi-zonal plan.)

VII. Accordance instructions Department's telegram 3616, August 21. Clay and Sir Sholto [Douglas] are meeting to agree on revised preamble and UK proposals respect section IV of agreement, in respect of which Clay has offered to delete reference to quadripartite action.

Sent Department 4586. Repeated Paris for Cassery 475, USPolAd Berlin for Clay and Murphy 397, Geneva for Clayton 126.

DOUGLAS

862.00/6-2447 ; Telegram

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

SECRET

URGENT

NIACt

LONDON, August 24, 1947—5 p.m.

4587. For Lovett from Douglas. Last night Sir Gilmour Jenkins, two or three of the British delegates; Massigli, Alphand and Sergent

14 Ante, p. 1045.

15 Clay and Douglas reached final agreement on the Revised Level of Industry Plan in London on August 27. Regarding the release of the final text of the Plan, see the editorial note, p. 1066.
for the French; Murphy, Clay and I dined together. It was my impression that after the formal discussions today, we can subsequently reach an agreement on a satisfactory communiqué which will give the French Government at least a public statement which they can in turn use to persuade French public opinion.

While neither Alphand nor Massigli have as yet either formally or informally explicitly referred to an allocating board, the proposal is implicit in what Alphand said on Friday. It may well be that in preparing the communiqué, we may be able to negotiate a satisfactory language if I know that it can include something along the following lines:

“US Govt at the appropriate time and the appropriate place will view with sympathetic consideration and engage in discussions on the subject of establishment of an allocating board or some other device for the purpose of ensuring that access to products of the Ruhr shall not in future as was the case in the prewar period be exclusively subject to the will of Germany.”

If you can see your way clear to defining “appropriate time and place” as immediately or shortly following the termination of these discussions, it would be extremely helpful, it being understood always that such an allocating board would not come into existence until after the peace settlement had become effective.

Please give us a prompt answer as the matter may be coming to a head today or tomorrow.16

Sent Department 4587; repeated Paris for Caffery 476; Berlin for Murphy and Clay 398; Geneva for Clayton 127.

DOUGLAS

The United States Military Governor for Germany (Clay) to the War Department 17

TOP SECRET


72088. State Department has requested 18 my comment relative to:

(A) Resumption of reparations
(B) Publication of lists of plants available for reparations under new level of industry plan

16 Telegram 3663, August 24, to London, from Lovett to Douglas, not printed, gave the following interim reply:

“There is considerable difference of views here re subject your 4587 which may have to be resolved at highest level. If after your discussing matter with Clay and Murphy, Clay could recommend your suggestion to War matter would be simpler here and earlier solution probable.” (S/260/8-2447)

17 This message, which was transmitted through the United States Military Attaché in London, was addressed to Secretary Royall, General Noce and General Draper. The source text is included in the files of the Office of European Affairs, Division of Western European Affairs, Lot 53 D 246, file “Germany—General”.

18 Telegrams 3638, August 22; 3653, August 23; and 3661, August 24, to London, pp. 950, 1055, and 952, respectively.

291–612—72—69
(C) Agreeing to consider establishment of international allocating board for Ruhr coal, and

(D) Compromise with the British in establishing a trusteeship of Ruhr coal mines which would permit early vote of German people as to eventual ownership without affecting the US-UK management agreement.

Comment follows herewith: In the interest of German administration and recovery, it would be most desirable to proceed forthwith and complete at earliest possible date dismantling and delivery of all plants to be made available in reparation. However, it is still my strong view that no plant should be given to the USSR until agreement has been reached with respect to the economic unification of Germany. Therefore, I would recommend that reparation deliveries be withheld at least until after the November conference of the Council of Foreign Ministers. In point of fact, this should involve no delay as the agreed plants in US and UK Zones in excess of the new level of industry could be reported to Allied Control Council for allocation with understanding that deliveries would continue to be subject to agreement on economic unification. The time required for allocation of these plants could very easily be extended in quadripartite discussions to avoid decision being made until after November meeting of Council of Foreign Ministers.

This would permit the early publication of plants to be retained in Germany in US and UK Zones under the new level of industry plan. The publication of this list is essential to provide German people with hope, thus encouraging democratic leadership and also to encourage manufacturers to place their plants in order to permit early resumption of production. The publication of this list of retained plants is so important to recovery that it forms a basic reason for the early publication of the new level of industry.

I see no objection in principle to the establishment of an international body for the allocation of coal from the Ruhr and certainly no objection to agreeing to consider the establishment of such a body at an early conference, although whether or not this should be done as a tripartite measure prior to the Council of Foreign Ministers meeting in November is something which deserves serious consideration. However, this decision would be relatively unimportant in so far as Germany is concerned. I do have a strong feeling that the functions of the allocating body should be clearly defined to interfere to the minimum with such sovereign points as are restored to Germany in the peace treaty as otherwise the political effects in Germany would be damaging and cumulative. In general my view is that such a body would be entitled to receive full and complete reports as to the production of coal in Germany and the use to which the coal held in
Germany is placed with powers to intervene to require a greater export of coal if it appears to the advantage of Europe as a whole to require an increased export of German coal. Of course, this measure itself might well be weighed against specifying a fixed percentage of coal production for export purposes in the final peace treaty with Germany. Nevertheless, the former arrangement gives greater flexibility and would be particularly advantageous if the degree of economic cooperation in Europe visualized in the objectives of the Marshall Plan does result. It must be remembered that any agreement to form such an international allocating board made prior to the unification of Germany might well lead to the inclusion of the Soviet Government on the allocating board where it would be able to interfere seriously with the cooperative effort visualized in the Marshall Plan. For this reason consideration of the formation of such a board might well be agreed now but with any formal conference deferred until after the November meeting of the Council of Foreign Ministers when it may be possible to more accurately visualize Germany's immediate future.

I assume that we could agree to no international allocating board during the period of tri-partite control.

I do not believe that we should compromise with British representatives in agreeing to the German people having the right to vote on the permanent future status of the Ruhr coal mines in the near future. I understand that one of the reasons why we desire to compromise results from our own acceptance of socialization as a constitutional right in the constitutions of the several states in the US Zone. I do not quite follow this reasoning. Certainly the United States has always insisted on the constitutional right of any people to determine their political and economic structure under democratic procedures and in approving the state constitutions the approval of the provision was merely a recognition of our long-established support of the right of a people to determine their own future. However, in approving the state constitutions it was clearly stated that matters concerning Germany as a whole were reserved to Military Government. Obviously we would not interfere with state, counties, or cities taking over the public ownership of public utilities serving these political entities only as clearly the question of ownership is one that pertains to the people living within the political entity served. However, it is equally obvious that the fate of the German people as a whole is inextricably connected with the great coal and steel industries of the Ruhr which are the principal resources for all Germany. Without the Ruhr and its products the German people cannot hope to have a balanced import-export program. Hence it is impossible to determine the future of the great
industries as an expression of the will of the German people until it is known what the boundaries of Germany will be and who the German people will be who must depend upon the Ruhr. It is unthinkable to agree to North Rhine Westphalia as one of several German states being permitted to take over all of the assets of the Ruhr unless desired by the German people as this one state would then become the dominant factor in the German political structure.

It is believed that the British have promised the Social Democratic Party just this but this was a unilateral promise. It is further desired to point out that under our joint US-UK controls each Military Government exercises its own independent control of state governments and that with the Ruhr industries placed under this single land its future will be in the hands of a government which reports only to British Military Government. As a compromise, if the 5-year term is too obnoxious to the British to permit agreement, it is suggested that we express our willingness to permit the German people to vote on the socialization of Ruhr industries when it becomes possible for them to vote as a people and when the United States and United Kingdom have agreed that political and economic conditions are sufficiently stable to permit a free expression from the German people. In point of fact, at present the CDU Party holds a slight majority in the bizonal economy council. It is almost certain that this council would not agree to North Rhine Westphalia taking over ownership of the Ruhr industries and it is even doubtful if this council would agree at this time to socialization of these industries. It is a great mistake to assume that extreme Socialists represent present majority viewpoint now in Germany. It is true that they are better organized and are more aggressive, the great bulk of the CDU Party comes from what is normally the middle class of Germany and at most is in favor of only a mild socialization program. In spite of these factors, an election at the present time or in the immediate future would be a great mistake as it would develop bitter political controversy which would be exploited in every possible way by the Communist Party and would certainly interfere seriously with the rate of economic recovery.

New subject. In as far as the designation of the individual to take over the mines is concerned it seems to be of no importance as to whether he is called trustee, administrator, or any other name that conveys the general meaning and purpose of his job. New subject. I am convinced it would be serious mistake to recommend US chairmanship or majority membership in coal Control Group at this time. Organization of Control Group must follow bipartisan pattern for management of economy as a whole: Otherwise, damaging friction is certain to develop between bipartite board which requires joint agreement
and Control Group with majority American control. This question may be raised again if we take on greater financial responsibility. However, it should even then follow pattern established for overall bipartite control.

Request that these views as may be modified by War Department be conveyed to State Department as matter of urgency. Copy has been given to Ambassador Douglas.

852.60/3-2747: Telegram
The Acting Secretary of State to the Embassy in the United Kingdom.

SECRET

WASHINGTON, August 27, 1947—noon.
URGENT

NIACT

3716. For the Ambassador. Confirming your telephone conversation with Hickerson, War and State approve the communiqué quoted in your telegram 4640. If it would assist in securing French acceptance of this communiqué you are authorized "to inform the French Representative that the US Govt is prepared at an early date to engage in discussions on and to give sympathetic consideration to the establishment in connection with the peace treaty of some international device for the purpose of insuring that access to production of the Ruhr shall not in the future, as was the case in the prewar period, be exclusively subject to the will of Germany. You are authorized to tell the French that the communiqué contains the minimum acceptable to the United States." If you give the French assurance set forth above naturally we expect them to remove their reservations in the communiqué.

If absolutely necessary in your opinion to obtain unconditional French acceptance of communiqué you are authorized to inform the French Representative that the US Govt has no objection in principle to the establishment of an international body or some other device to insure that the distribution of coal of the Ruhr takes account of the just needs of Europe including Germany. 20

In connection with the foregoing paragraph please consider carefully Clay’s telegram no. 72088 to War Dept of August 25, specifically

20 Not printed.
21 Telegram 3718, August 27, to London, not printed, gave the following supplementary instruction:
"In connection with penultimate paragraph of our telegram today approving communiqué to be issued at close of level of industry talks the second assurance to be used only as a last resort should likewise refer to the establishment in connection with the peace settlement of the international body contemplated." (852.60/3-2747)
22 Supra.
his paragraph dealing with the international body for coal distribution.

Lovett

§62.60/8-27/47: Telegram

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

[Extracts]

SECRET       LONDON, August 27, 1947—midnight.
URGENT        NILACT

4660. At meeting this afternoon of heads of delegations, Massigli stated that his government would accept draft communiqué (Embassy’s telegram 4640, August 27 \( \textsuperscript{22} \)) subject to following amendments:

1. Paragraph 11 should be placed at end of paragraph 1 and the words “more complete” substituted for the word “better”.\( \textsuperscript{23} \)
I agreed

2. That the words “including Germany” in paragraph 2 be deleted. I agreed. But at tonight’s plenary session, I stated for the record that the phrase “for the rehabilitation of Europe” must of course be interpreted so as to include Germany.

3. That the end of paragraph 3 be changed to read “do not prejudice such guarantees in this respect as may be established in the future”:\( \textsuperscript{24} \)
I agreed

4. There was discussion of phrase in paragraph 4 reading “as might be established to control access to its products”. Difficulty largely one of translation, and I agreed to this wording “to assure to other countries access to its products” as a substitute for “to control access to its products”.

5. That final sentence of paragraph 4 be changed to read: “The French delegation took note of these explanations and reserved the

\( \textsuperscript{22} \) Neither the telegram nor the draft communiqué under reference here are printed. For the identification of printed sources for the communiqué as ultimately issued on August 28, see the editorial note, infra. Differences between the draft communiqué and the communiqué as finally issued are indicated in this telegram and in the annotations thereto.

\( \textsuperscript{23} \) Paragraph 11 of the draft communiqué read:

“Eleven. The three delegations were able, as a result of the conversation, to arrive at a better understanding of their respective points of view.”

\( \textsuperscript{24} \) The conclusion of paragraph 3 of the draft communiqué read as follows:

“... do not prejudice such guarantees in this respect as may be embodied in the peace settlement.”
position of their government with regard to the arrangements for the management and control of the mines."

6. That the words "resulting from" in paragraph 5 be replaced by the word "in".

I agreed

7. After discussion, due largely to French misunderstanding of exact meaning of paragraph 6, I agreed to deletion of words "their plan is intended to establish a program" and the substitution of the words "in the fixing of capacities enables a program to be established, etc."

8. That the word "recognized" in paragraph 7 be changed to "agreed".

I agreed

9. That the words "on the understanding that the coal available for consumption in the Anglo-American zones of Germany as a result of the present sliding scale would not be diminished" in paragraph 8 be deleted.

Massigli stated that he would give us written commitment outside the communiqué including this thought. I told him that this would be misleading everywhere, that this was not acceptable, and that we would have to insist on retaining this clause lest it lead to widespread misunderstanding.

The British likewise declined to accept this proposal.

Massigli stated that under his instructions he would have to consult his government unless all his proposed amendments were accepted. He is therefore communicating again with his government with regard to paragraph 8 and hopes to have their reply tonight.

Before the plenary meeting tonight, I spoke to General Clay on the phone about the French amendments and he is in accord with the position which I took as stated above.

10. At tonight's plenary session, M. Massigli, for the French Government, agreed to the communiqué with the modifications suggested by the French as indicated above and with paragraph 8 intact as originally submitted to you.

11. I did not state, first, publicly that the United States Government, at an early date, is prepared to engage in discussion and to give sympathetic consideration to the establishment in connection with the peace treaty, etc. Nor, second, was it necessary to seek authorization to say that the United States Government had no objection in principle to the establishment in connection with the peace treaty of some
international device, etc. (Department’s telegrams 3716 and 3718, August 27).

As to the first above, I knew from previous discussions that I would have difficulty with the British.

As to the second above, because the first would have difficulty with the British, the second would have led to the same difficulty. Therefore I concluded that it was better to take the risk of obtaining French agreement to the communiqué as modified in form though not in substance.

12. I did, however, say privately to Massigli, after the meeting of the heads of delegation this afternoon and before the plenary session, that we would try to persuade the British to engage in discussion and to give sympathetic consideration to the establishment in connection with the peace treaty of some international device, etc.

13. The full text of the communiqué follows. It will be released for publication in the Friday morning press in England, on the European Continent and in the United States:

...  

Sent Department 4660, repeated Paris for Caffery as 491, Berlin for Clay and Murphy as 414, Geneva for Clayton as 189.

DOUGLAS

Editorial Note


Editorial Note

On August 29, 1947, the Revised Plan for the Level of Industry in the United States-United Kingdom Zones of Occupation in Germany, as completed and signed by Clay and Douglas in London on August 27,

39 Supra.
38 See footnote 20, p. 1063.
was released to the press. At the same time, the Department of State and War Department issued a joint statement briefly describing the objectives of the new plan. For the text of the revised level of industry plan, see Germany 1947–1949, pages 358–362, Department of State Bulletin, September 7, 1947, pages 468–472, Documents on International Affairs, 1947–1948, pages 626–632, or Ruhm von Oppen, Documents on Germany, pages 239–245. For the text of the joint State–War Department statement, see Germany 1947–1949, page 357, or Department of State Bulletin, September 7, 1947, page 468.

Editorial Note

In a note to Soviet Chargé Tsarapkin dated August 29, 1947, replying to the Chargé’s note of August 18 (see editorial note, page 1039), Acting Secretary of State Lovett reviewed the efforts of the United States to reach agreements on matters affecting Germany as a whole and asserted the intention of the United States to make arrangements with any other occupying power willing to work for the achievement of the objectives already agreed upon by the four occupying powers; for the text of the note, see Germany 1947–1949, pages 362–363, Department of State Bulletin, September 14, 1947, pages 530–531, and Documents on International Affairs, 1947–1948, pages 623–624.

740.00119 Control (Germany)/9–147 : Telegram
The Political Adviser for Germany (Murphy) to the Secretary of State SECRET

BERLIN, September 1, 1947—3 p.m.

3006. As anticipated, 69th meeting Control Council 26 held August 30 brought forth lengthy Soviet protest against new British-American bizonal industry level announcement. Referring to governmental note August 18,27 latest bizonal measures branded as rupture of Potsdam Agreement and quadripartite procedure, and another step in process of dismemberment of Germany, following original bizonal merger and subsequent establishment Economic Council. German resources will thus be taken away from German hands and come under influence certain foreign monopoly interests.

26 I.e., Allied Control Council for Germany; for additional documentation on the participation of the United States in the work of the Allied Control Authority for Germany, see pp. 831 ff.
27 Regarding the note of August 18, 1947, from Soviet Chargé Tsarapkin to the Acting Secretary of State, see the editorial note, p. 1039.
French member 28 referred only to official French communiqué published day before. British member 29 quoted in his reply from official Foreign Office reply to Soviet Government. US member, 30 while reserving right reply later in detail, emphasized great efforts made by US delegation for 2 years to achieve economic unification Germany, that invitation to other powers to join present bi-zonal merger still open, but meanwhile US not prepared sit by and watch American zone become economic quagmire unable support self or contribute European recovery.

Repeated London as 316; Paris as 386.
Dept please relay Moscow as 476.

MURPHY

862.60/9-247: Telegram

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

SECRET

URGENT

LONDON, September 2, 1947—4 p.m.

4749. For Lovett from Douglas. I discussed with Clayton, Caffery, Kennan and Bonesteel 31 the advisability of continuing informal discussions with the French in regard to establishing in the peace settlement with Germany, some sort of international device for the purpose of insuring that access to the products of the Ruhr shall not in the future, as was the case in the pre-war period, be exclusively subject to the will of Germany.

(ReDeptel 3716, August 27 32 and Paris Embtel 3316, to Dept August 19 33.)

We all recommend that an immediate continuation of these informal and personal discussions be authorized. It is not our intention that they should necessarily be undertaken for the purpose of arriving now at a definite agreement, but rather that we should aim at a complete exploration of our respective positions with a view to arriving at an informal understanding.

28 General Koenig.
29 Marshal Douglas.
30 General Clay.
31 Colonel Bonesteel and George Kennan conferred with Under Secretary Clayton and Ambassadors Douglas and Caffery in Paris on August 29 and 30, 1947. Bonesteel and Kennan had brought the Department of State’s current views regarding the Conference of European Economic Cooperation then meeting in Paris. For documentation regarding the exchange of views in Paris and George Kennan’s Report on his mission, see volume III, “The Political and Economic Crisis in Europe and the United States response (The Marshall Plan)”.
32 Ante, p. 1063.
33 Ante, p. 1069.
As a result of what transpired in the tripartite conversations on the level of industry, which ended in London on the twenty-seventh, the question of the control of the products of the Ruhr is fundamental to the entire French position. Further discussions with the French cannot but have a beneficial effect upon the French Govt, may mollify its position toward Germany and bring us closer together in regard to a settlement of this issue at the appropriate time.

If you approve of a continuation of the informal discussions referred to herein, a full disclosure and explanation should, of course, be made to the British Govt here, without, however, becoming involved in Britain’s suggestion referred to in Paris Embtel 3270.\textsuperscript{34}

I do not believe that a continuation of the discussions will be unpalatable to General Clay, particularly if, should you approve resuming them, he is kept fully informed and even from time to time asked to advise in regard to them. Indeed, he might be asked to participate in them. The discussions should, however, be attended by only a few and should be on an informal basis.

As I have indicated above, Clayton, Caffery, Kennan and Bonesteel endorse this recommendation. Kennan, on his return, will be able to give you more background.

Sent Dept 4749; repeated Paris (for Caffery’s and Kennan’s eyes only) 501; Geneva (for Clayton’s eyes only) 144.

Douglas

740.00119 EW/9-1047

Memorandum by Philander P. Claxton, Jr., Special Assistant to the Assistant Secretary of State for Occupied Areas (Saltzman)\textsuperscript{35}

SECRET [WASHINGTON, September 10, 1947.]

Subject: War Dept Views on Draft Cable to Douglas Regarding Further Discussions with French on Allocating Arrangement for Ruhr Production

A copy of this draft cable\textsuperscript{36} was given to Under Secretary Draper for the comments of the War Dept. before submission to the Under Secretary for approval. Under Secretary Draper stated on Sept. 5 that he felt unless there was great urgency he could not give a final War Dept. view without obtaining General Clay’s comments. He stated that he hoped to have the comments by Mon. or Tues., Sept. 8

\textsuperscript{34} Ante, p. 1033.

\textsuperscript{35} This memorandum was addressed to the following Department of State officers: John D. Hickerson, Samuel Reber, James W. Riddleberger, Woodruff Wallner, John C. de Wilde, and C. Tyler Wood.

\textsuperscript{36} Infra.
or 9. Since the time factor would appear to allow this consultation, I agreed that he should send the draft cable to Gen. Clay for comment. I also agreed to the minor changes in the text shown on the attached copy as a compromise to restrictive language urged by Under Secretary Draper.

On Sept. 9 Gen. Noce reported to Assistant Secretary Saltzman that a reply had been received from Clay and that Clay, Draper and Noce felt a decision should not be made at this time to continue these discussions with the French on three grounds

a. They did not feel such discussions and the assurances contemplated to be given during them would be desirable from the political point of view because the USSR would object to this tripartite discussion of problems which it would insist are quadripartite in scope and because other countries which would come to the peace conference would resent a prior US-UK-French agreement on this matter.

b. Such a decision is premature. There is no need to make it now since the State Dept. itself suggests the desirability of postponing any such discussion until November.

c. Such discussions and the assurances to be given at them will not help the occupation and might in fact harm it since France will wish to put in action at once any plan for post-treaty controls which might be agreed on.

General Noce was told that these views would be brought to the attention of interested officers of the Department.

[Annex]

Draft Telegram from the Acting Secretary of State to the Ambassador in the United Kingdom (Douglas)

You are authorized informally to begin consultations with the Brit. Govt., reembtel 4749, Sept 2, 1947 in preparation for informal tripartite discussion (rather than American-French talks) of some form of international device to insure that distribution of Ruhr products shall take account of the just needs of Europe including Germany. We shall welcome suggestions as to the place and manner in which these tripartite discussions should take place. We are, however, considering the desirability of postponing any such tripartite discussion until Nov. when we shall be in a better position to gauge the prospects of CFM action.

Please repeat this telegram to Clay and Murphy requesting their comments. They Clay and Murphy should of course be kept fully informed and be prepared to give you and us the benefit of their views.

10 Ante, p. 1068.
There may well be occasions when you, Clay and Murphy will decide that it will be useful for them to participate in the talks when held.

We shall welcome your comments as well as those of Gen Clay’s to the following: During these discussions we should be prepared (a) to agree in principle with the French and Brit Govts to support inclusion in an international agreement in connection with the peace settlement with Germany of provisions which would give assurances not only to France but to other European Govts that access by Western Europe to the production of the Ruhr would not be subject exclusively to the will of Germany as in the past; and (b) to give sympathetic consideration to the inclusion in the peace settlement of provisions for the establishment of an international board body of which Germany would be a member or some other device to insure that the control of the distribution of the Ruhr output of coal, coke and steel between German internal consumption and exports will be determined on an equitable basis and also provision for some method of assuring that German domestic consumption will be devoted to peaceful purposes only, in accordance with demilitarization and disarmament measures to be agreed in the peace settlement.

Sent to London as —— repeated to Paris as —— and Geneva for Clayton as ——.

[LOVEIT]

Editorial Note

During a conversation on September 12, 1947, the Secretary of State and French Ambassador Bonnet discussed the question of the future regime for the Ruhr; see John Hickerson’s memorandum of the conversation, in the documentation on concern of the United States with political and economic developments relating to France, in volume III.

Editorial Note

On September 14, 1947, the Polish Ambassador in the United States, Jozef Winiewicz, addressed a note to the Secretary of State protesting against the Revised Level of Industry Plan for the United States-United Kingdom zones of occupation in Germany. In a note to Ambassador Winiewicz dated September 30, 1947, the Secretary of State rejected the interpretation placed by the Polish Government on the Revised Level of Industry Plan and restated the position of the United States with respect to the Plan. For the texts of the exchange of notes, both of which were released to the press on September 30,

862.60/9-1647 : Telegram

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

TOP SECRET

PARIS, September 16, 1947—noon.

3788. From Clayton, Caffery and Douglas. Reference London Embassy telegram 4749 to Lovett, repeated to Paris as 501, Geneva for Clayton as 144, September 2.

1. In view of the precarious political situation in France, and for the reason stated in London Embassy telegram 4749, we again strongly recommend that the informal discussions, which had commenced prior to the tripartite conference in London, be continued promptly. These discussions dealt with the establishment in the peace settlement of an international device, particularly an allocating board, for the purpose of insuring that the Ruhr would not be used as an instrument of aggression and that access to the products of the Ruhr should not in the future, as was the case in the pre-war period, be exclusively subject to the will of Germany.

2. You will recall that towards the close of the tripartite discussions Douglas was authorized to state that the US Government was prepared immediately to engage in “discussions of and to give sympathetic consideration to the establishment in connection with the peace treaty an international device for the purpose of insuring that access to production of the Ruhr shall not in the future, as was the case in the pre-war period, be exclusively subject to the will of Germany”.

Douglas did not at the conference advance this proposal for reasons which were stated in London’s 4660, August 27.

The French political situation is now more critical than it was at an earlier date. A continuance of the discussions referred to in paragraph one above are accordingly, we believe, more urgent than they were several weeks ago. We would appreciate your advice and authorization to continue them.

CAFFERY

38 Ante, p. 1068.
39 Ante, p. 1064.
40 Telegram 3631, September 22, to Paris, not printed, stated that the Secretary of State had approved in principle the continuance of discussions with the French regarding the Ruhr. The Department of State deemed it preferable, however, that such discussions await the outcome of conversations between Secretary Marshall and Foreign Minister Bidault in New York. For the records of the Secretary’s conversations with Bidault on September 18 and October 5, see pp. 680 and 682.
3. Attitude of the United States Regarding the Detachment of the Saar From Germany and its Integration into the French Economy

851.014/5-2047

The French Ambassador (Bonnet) to the Secretary of State

[Translation]

AB/CN

No. 184

WASHINGTON, May 20, 1947.

The Ambassador of France in the United States presents his compliments to His Excellency the Secretary of State and has the honor to inform him as follows:

At the Moscow Conference it was indicated to the Chief of the American Delegation that the French Government intended to send a commission to the Saar to study, in the light of the experience gained in the course of recent months, the readjustment of the frontier. This Commission has now completed its work and the Ambassador of France is charged with informing His Excellency the Secretary of State of the new delimitation which the French Government proposes to establish. In setting up the latter, it has paid particular attention to the opinions which were presented, in the course of the Moscow discussions, by the American authorities. The changes envisaged concern both the western and the eastern part of the territory.

In the changes made in 1946 in the boundaries of the Saar as they had been fixed in 1919, the French authorities had taken pains to assure the junction of the Saar and Luxembourg and had decided upon the union of the Saarburg district* and certain cantons of the Trèves district. It was hoped that a favorable decision would be made without delay concerning the claims of Luxembourg to a part of the Saarburg district: the extension which had been made to the benefit of the Saar was to be decreased to the same extent. As a matter of fact, no decision was made on this subject at the Moscow Conference and the French Government considers that the resulting uncertainty for the Saar frontier cannot be prolonged without disadvantage. The American experts had been informed at Moscow that the retrocession of certain communes of the Trèves district to the north of Saarburg was envisaged. Pursuing this idea, the Commission decided to give up the Saar-Luxembourg railway connection through Konz and to retain the connection between the two territories only by the highway from Merzig to Remich. It deemed possible, under these conditions, to propose the abandonment of the greater part of the Saarburg district situated to the north of this artery and to join to the Saar only twenty

* Note: The French word is cercle, which may be a translation of the German Kreis—TC [Footnote in source text—translation].
communes with a total of ten thousand inhabitants. On the west, the new frontier would start at the Moselle at the boundary of the two communes of Nennig and Kreuzweiler and would include the communes of Nennig, Sinz, Münzingen, Faha and Weiten; having joined the course of the Saar, it would then follow the administrative boundary between the Saarburg district, on one side, and the district of Merzig Wadern on the other; it would join the frontier of the territory at the junction of these two districts with the Trèves district. Thus a territory representing 62 communes, with a population of 27,000 inhabitants and an area of 394 square kilometers would be abandoned.

So far as the Wadern and Birkenfeld districts are concerned, the work of the Commission has shown the complete justification, from the economic point of view, of the additions made in 1946, which made it possible, in particular, to reestablish the administrative unity of the Merzig Wadern district as it existed before 1919. It then appeared to the Commission that it was necessary, in order to complete this work, to effect a slight addition affecting the valley of the Ostertal, which is bounded on the east by the foothills of Hunsrück and the natural outlet of which is toward the Saar. The two railways which to the north and south connect the Ostertal with the Saar network each carry three workingmen's trains in each direction daily. Before 1919, this valley belonged for the most part to the Saint Wandel district. More than a thousand Saar miners are established there and their number is increasing rapidly. Thirteen communes would be thus joined, all situated within close reach of the railway, the list of which includes particularly, from south to north, Saal, Niederkirchen, Bulach, Hoof, Osterbrücken, Schwarzerden, Oberkirchen, Freisen, Wolfersweiler and Nohfelden.

The proposals of the Commission were accepted by the French Government. By the adoption of these new boundaries, the additions made in 1946 would be decreased by 323 square kilometers, or by one third of the area and by 27,500 inhabitants, or 30% of the population. Thus an important concession would be made to the objections based on principle presented by the American authorities. The enlargement of the Saar territory would be strictly limited to the framework indicated in the note of February 18, 1946,\(^\text{42}\) that is to say to the inclusion, within the boundaries of the Saar, of communications lines and industrial cities which have spread out since 1919 to the neighboring districts and which are closely connected with the economic unit of the coal basin.

A map of the new boundaries assigned to the territory will be transmitted at once to the Department of State.\footnote{The map of the new boundaries of the Saar was transmitted under cover of note AB/CN No. 189, May 22, 1947, from the French Embassy to the Department of State, not printed (851.014/5-2247).}

Mr. Henri Bonnet is happy to avail himself [etc.] \[H[ENRI] B[ONNET]\]

851.014/6-247

_The British Embassy to the Department of State_

_AIDE-MÉMOIRE_

Ref: 979/29/47

_THE SAAR_

His Majesty's Government in the United Kingdom would welcome an early expression of the views of the United States Government on the proposal that a tripartite agreement with the French should be made, recognising on a _de facto_ basis the integration of the Saar in the economic and monetary system of France.

2. Proposals for the integration of the Saar in the French economic and monetary system were submitted by the French Foreign Minister to the Council of Foreign Ministers on April 10th, 1947. The text of his submission is contained in C.F.M. (47) (M) 120 and C.F.M. (47) (M) 114.\footnote{For the texts of the documents under reference, Foreign Minister Bidault's statement on the Saar to the Council of Foreign Ministers in Moscow, April 10, 1947, and a French proposal for a proposed regime for the Saar, dated April 10, 1947, see _Déclarations de Bidault_, pp. 40-43. For Secretary Marshall's report on the 25th Meeting of the Council of Foreign Ministers, Moscow, April 10, at which the question of the Saar was discussed, see telegram 1297, Delsec 1414, April 10, from Moscow, p. 323.}

3. Owing to the opposition of the Soviet Government, the Council of Foreign Ministers was unable to agree upon the French proposals. However, the question of an agreement on the Saar between the French, the United States and the United Kingdom governments was discussed between representatives of the United Kingdom and French Delegations at Moscow. This subject of a tripartite agreement was also mentioned to Mr. H. Freeman Matthews of the State Department by a member of the British Delegation. Discussions have lately been proceeding in London between the Foreign Office and the French Ambassador.

4. There have hitherto been two main obstacles in the way of a tripartite agreement:

(a) Reparations.

(b) The French claim to extend the permanent boundaries of the Saar in accordance with the administrative arrangements made unilaterally by them in 1946.
5. As regards reparations, the informal discussions in Moscow ended in agreement between the French, United States and United Kingdom Representatives on broad principles for charging the Saar to French reparation account. Although this agreement envisaged action through the Control Council, it should not be difficult to re-write it on a tripartite basis. The British Government attach importance to having a definite agreement on reparations before accepting the French administrative proposals for the Saar.

6. As regards the boundary question, the main object of the recent discussions in London with the French Ambassador has been to induce the French Government to modify their claims. The British Secretary of State for Foreign Affairs stated in the House of Commons on the 16th May that while not excluding the possibility of minor boundary adjustments, the British Government found the greatest difficulty in accepting the boundary line proposed by the French which would both deprive the Germans of much agricultural land and give them an excuse for irredentism. As a result of our representations, the French Government have now sent us a modified suggestion for the boundary line.\textsuperscript{48} It is thought that this suggestion has also been communicated to the United States Government. This French suggestion represents an improvement but is still not very satisfactory. Most of the North-Western extension of the “Old Saar” to include Saarburg has been abandoned, but the French still claim the Kreis of Wadern and adjacent districts on the ground that the population largely work in the mines and the local railways only serve this traffic. The total population involved in the extensions now proposed by the French is 64,000 as compared with 92,000 under their previous proposals.

7. The British Government are doubtful whether they will be able to move the French to modify further their attitude on the boundary line. If, however, the United States Government feel strongly that further pressure should be applied, the British Government would be prepared to make another attempt. The French Ambassador in London reports that though no formal reply has yet been received to the new French boundary suggestion, the State Department have given the impression that they have no objection to the line now proposed. If a further attempt is to be made the British Government considers that it might be best to revert to an idea which they have repeatedly put to the French Government without success, that a small tripartite commission should be set up to examine the French claims on the spot and report on their justification.

8. The British Government are strongly in favour of early tripartite action for the following reasons.

\textsuperscript{48} The readjustments of the Saar frontier proposed by the French are described in Ambassador Bonnet’s note of May 20 to the Secretary of State, \textit{supra}. 
(i) The French Government have stated that the delay in settling the Saar question is proving particularly awkward owing to their desire to introduce a special Saar currency at an appropriate moment. They do not wish to issue this currency over an area from which it might subsequently have to be withdrawn.

(ii) The British Government have always supported the French proposal in principle and been in favour of treating it as a special case, having priority over other frontier questions. They do not see why Russian unwillingness to consider the matter should be allowed to frustrate the wishes of all three Powers and consider that the disposition of the present French Government to conclude an agreement provides an opportunity of which advantage should be taken.

(iii) The differences between the British and French points of view on the boundary line do not now amount to much in substance. It seems questionable whether the extra losses of German territory now suggested would, in fact, do much to increase the strength of inevitable German opposition to the cession of the Saar itself, while from an economic point of view the extra loss of agricultural land would be relatively small.

(iv) The alternative to early tripartite action will almost certainly be a unilateral fait accompli by the French. The French Ambassador in London has hinted to the British Government that the United States Government might be satisfied with a fait accompli. The British Government, however, hold strongly to the view that such action would deprive the Americans and the British of the opportunity of showing their friendship to France besides creating an unfortunate precedent for the settlement of other European questions.

(v) Agreement on the Saar is an essential preliminary to any hopes of inducing the French to join in the Fusion Agreement for the Western Zones of Germany. The British Government consider that it would be a price well worth paying for French participation in the Fusion Agreement which would itself have great political, if not economic, advantages. The question of the fusion of the zones of Germany is one of many questions upon which no progress with the French will be possible until some satisfaction has been given to them over the Saar.

(vi) The British Government considers it desirable to strengthen the hands of the present French Government by affording them a political success in German affairs.

9. The attitude of the American Government towards the French claim to the Saar as shown in C.F.M. (47) (M) 116 was originally much the same as that of the British Government. The British Secretary of State for Foreign Affairs is now anxious to know as soon as possible whether the United States Government are willing to join in a tripartite agreement on the lines of the French proposals, and if so,

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For the text of Secretary Marshall’s statement on the Saar made at the Council of Foreign Ministers’ 25th Meeting, April 10, and circulated to the Council as document C.F.M. (47) (M) 116, April 10, see Germany 1947–1949, p. 148, or Department of State Bulletin, April 20, 1947, pp. 695–696. The Secretary’s statement is summarized in telegram 1297, Delsac 1414, April 10, from Moscow, p. 323.
whether they regard the latest French boundary suggestion as acceptable.

WASHINGTON, 2nd June, 1947.

851.014/5-2047

Memorandum of Conversation, by the Assistant Chief of the Division of Western European Affairs (Wallner)

CONFIDENTIAL


Participants: Mr. Béard, Minister Counselor, French Embassy
Mr. Reber—WE
Mr. Wallner—WE
Mr. Trivers—CE

Mr. Béard referred to the announcements made by the French Government at the New York and Moscow Council of Foreign Ministers meetings that certain urgent administrative measures would be taken in the Saar with the view to its eventual incorporation into the French economy. He said that these measures had been delayed pending determination of the frontiers of the Saar territory, but that since further delay would cause too great a burden to fall on the French treasury, it had been decided to carry them out immediately. The purpose of his visit was to inform us that the French Government intended to introduce the Saar mark into the Saar territory on June 15, 1947, withdrawing the German mark from the territory on that date.

Mr. Béard went on to explain that his Government had intended to apply this currency conversion to all territory within the boundaries of the Saar as enlarged by French action in 1946, since it was not anticipated that the views of the British and American Governments on the revised boundaries, communicated by the French to those Governments on May 20, 1947, would be received in time. The French Government had not intended, however, that this decision should in any way prejudice the final delimitation of the Saar territory. Yesterday, however (Mr. Béard went on), the British Government had informed the French Government that it accepted the May 20 boundaries. Consequently, the French Government had decided this morning that it would apply the currency conversion to the Saar territory as delimited in the French note of May 20. He emphasized again that this administrative decision in no way prejudiced such final delimitation of the territory as might be subsequently agreed upon. He said that his instructions required him to make the point perfectly clear that the

47 Ante, p. 1073.
French Government was not “jumping the gun” on us and placing us before an accomplished fact.

Mr. Bérard then gave us the following time table:

On the night of June 7 to 8 the Customs officers now stationed on the 1946 borders would be withdrawn to the borders as delimited in the French note of May 20;

The announcement of the currency conversion would be made on June 10; 48

The actual currency conversion would take place on June 15.

Mr. Bérard requested that this information be held in closest confidence until June 10. He said that while he did not know what the rate established between the German mark and the Saar mark would be, he knew that it would be favorable to the Saar inhabitants and that if the news leaked out there would be a great movement of capital from all the Rhineland into the Saar, with the result of a heavy charge on the French treasury.

Mr. Bérard took advantage of this visit to review at some length the familiar French arguments for the enlargement of the Saar territory beyond the 1920 frontiers. He gave us a lengthy justification of the frontiers as set forth in the French note of May 20, 1947.

WOODRUFF WALLNER

862U.6362/6-547

Memorandum of Conversation, by the Chief of the Division of German and Austrian Economic Affairs (Kindleberger)

[WASHINGTON,] June 5, 1947.

Participants: Assistant Secretary Thorp
French Ambassador Bonnet
GA—C. P. Kindleberger

The French Ambassador called at his request. He stated that in connection with the British request for allocation of American coal in the ECO, M. Alphand of the Quai d’Orsay and Mr. Roger Makins of the Foreign Office had had discussions on Saar coal. The French had proposed that despite lack of a political decision on the future status of the Saar, it might be appropriate for the British, American and French representatives in the ECO to advise ECO immediately that

48 At the 63rd meeting of the Allied Control Council for Germany, June 10, 1947, General Koenig made a declaration concerning the new Saar boundary and the institution of a new currency in the Saar.
Saar coal would be regarded as French. He stated that Mr. Makins after referring the matter to his government had stated that the British were agreeable to this provided that the change-over was made progressively and that the adjustments on the French reparation share on account of the Saar were taken care of. M. Bonnet asked whether the United States government were also agreeable to these conditions, and if so, whether it would instruct Ambassador Caffery in Paris so that the necessary technical discussions could go forward on a British-French-American basis.

M. Bonnet indicated that the Soviet Union was not particularly concerned with coal and that its refusal to agree to the French proposal for the financial and economic detachment of the Saar had been predicated on wider political considerations. Since Secretary Marshall was agreeable to separation of the Saar, M. Bonnet thought that the United States should be agreeable to the treatment of Saar coal as French in line with the exchange of letters between the Secretary and M. Bidault at Moscow.

Mr. Thorp pointed out that taking this step despite the fact that a political decision on the detachment of the Saar had not been made involves certain consequences which the Department would have to consider, and when it had done so, they would get in touch with the French Ambassador again.

Memorandum by the Assistant Chief of the Division of Central European Affairs (Lightner) to the Chief of the Division of Central European Affairs (Riddleberger)


Subject: British Note Regarding Changes in the Saar.

As you know Mr. Henderson of the British Embassy handed me a

"According to a memorandum of conversation by Woodruff Wallner, Assistant Chief of the Division of Western European Affairs, dated June 7, 1947, not printed, French Minister Counselor Bérard gave the following additional explanation of the proposal to treat Saar coal as French:

"The French were perfectly willing to return to ECO for distribution elsewhere the counter-value of every ton of coal they took from the Saar. The benefit to France in this arrangement was that the increased production which they expected from the Saar, due to improved methods of operation under French control, would go to France. It was useless to tell other people how to increase production; the French had tried it with the British and had failed. The French had, therefore, reached the conclusion that the only way to get more coal out of Europe was to mine it themselves in territory under their control." (851.014/6-747)

"For the exchange of letters between Secretary Marshall and Foreign Minister Bidault on April 19, 1947, at Moscow, see pp. 486 and 488."
note on the above subject on the afternoon of June 3. At that time he indicated his Government hoped for an early reply as the matter was considered urgent.

On June 4 Mr. Henderson telephoned to say that Mr. Bevin had sent a telegram requesting the Embassy to endeavor to obtain the State Department’s reaction to the British note at once. Mr. Henderson emphasized that if favorable joint US–UK action was to be taken it should be taken very quickly in as much as the French were probably going to act themselves. Therefore, if we wish to be given the credit in France for supporting them we should make our views known. Mr. Henderson indicated that Mr. Balfour would be glad to discuss the subject with Mr. Matthews if the latter wished to see him.

On June 5 Mr. Henderson telephoned again to report another urgent message from Mr. Bevin requesting a reply from the State Department. The French Ambassador in London has informed Mr. Bevin that the French are about to issue a special currency for the Saar on June 15 to be used in the expanded Saar area excluding 11 communes south of Trèves. The French would be willing to reduce the area of the Saar still further, to the territory tentatively worked out in recent discussions with the British (see British note under reference), provided the US and UK were agreeable to the French proposals.

Mr. Bevin replied that the British hoped to give a formal answer to the French at an early date and that they would do so as soon as they had obtained the views of Washington. He indicated that if Washington would agree the British would accept the boundary changes as discussed in London without prejudice to final delimitation at the peace settlement and subject to reparations adjustments.

I indicated that we were apparently being faced with a fait accompli on this whole question. The French were about to take action anyhow and now that Mr. Bevin has transmitted his views to the French, we would be the “bad boys” if we failed to go along. The main argument in favor of going along seemed to be that we would gain a further slight reduction in the area of the Saar and would gain a certain amount of credit with the French. I mentioned that there were other considerations to be considered and that it was unfortunate that a decision was being forced when the whole question was a very complicated one which deserved close study. There was the coal angle, for example, what effect would the contemplated changes have on the

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42 Reference to note 979/29/47, June 2, from the British Embassy to the Department of State, p. 1075.
43 On June 11, 1947, Foreign Secretary Bevin informed the House of Commons of the British Government’s approval of the new Saar frontier, subject to the conditions described here. An explanation of Bevin’s statement was set forth in an aide-mémoire, dated June 10, 1947, from the British Embassy to the Department of State, not printed (862.014/6–1047).
coal situation? Mr. Henderson did not know. I told him we were discussing this angle of the question with the French this afternoon and that it certainly was one which must be examined before giving an answer to the British. There were other angles to be considered as well, including the effect of our action in the Soviet Union and Poland. Mr. Henderson said that Mr. W. D. Allen of the Embassy was coming over to the Department to see Mr. Matthews or Mr. Hickerson on another matter and that he would probably take occasion to discuss the Saar question at that time.

851.014/5-2247

The Secretary of State to the French Ambassador (Bonnet)

The Secretary of State presents his compliments to His Excellency the Ambassador of France and has the honor to refer to the Ambassador's note No. 184 of May 20, 1947,\(^3\) describing a revision of the boundaries of the Saar territory which the French Government proposed to effect, and also to note No. 189 of the Embassy of France dated May 22, 1947,\(^4\) in which a map of the proposed changes was enclosed.

In harmony with previous statements of the policy of the United States Government of which the Ambassador is doubtless informed, the Secretary of State in the meeting of the Council of Foreign Ministers on April 10 of this year proposed to his three colleagues the immediate detachment of the Saar from Germany and its integration into the economy of France on condition that appropriate modifications be introduced into the level of German industry and that equitable adjustment be made in French claims for reparation payments from Germany. At that time the Secretary of State expressed his willingness to agree to minor rectifications of the boundaries of the Saar territory as delimited in 1919 provided such rectifications could be clearly justified. The Secretary of State continues to regret that the unwillingness of his Soviet colleague in the Council of Foreign Ministers did not make possible a prompt quadripartite agreement for the provisional disposition of the Saar in a manner responsive to the French desires.

Since receipt of the notes cited above, the Minister-Counselor of the French Embassy informed the Department that French customs officials would take up their posts on June 7, 1947 along the line described in these notes and that a plan of currency conversion within

\(^3\) Ante, p. 1073.
\(^4\) Not printed.
the territory so defined would be announced on June 10 and become effective on June 15. The Secretary of State understands that public announcement of these measures has since been made by the French Government.

The Government of the United States takes note of these administrative changes introduced into the French zone of occupation in Germany with the understanding, as confirmed by the Minister Counselor of the French Embassy, that these changes are not intended by the Government of France to prejudice the final delimitation of the Saar territory which is reserved for the peace settlement with Germany.

WASHINGTON, June 12, 1947.

851.014/6-247

The Department of State to the British Embassy

The Department of State acknowledges receipt of the British Embassy’s aide-mémoire of June 2 in which the views of the United States Government are sought with respect to a proposed tripartite agreement for the early integration of the Saar into the economic and monetary system of France.

After receipt of the British aide-mémoire the Department of State was informed by the French Embassy that on the night of June 7–8 French customs officials would take up their posts along a revised frontier line and that a plan of currency conversion within the territory so defined would be announced on June 10 and become effective on June 15. The Department understands that public announcement of these measures has now been made by the French Government.

The British Embassy is doubtless informed that the Secretary of State in the meeting of the Council of Foreign Ministers on April 10 proposed to his three colleagues the immediate detachment of the Saar from Germany and its incorporation into the economy of France on condition that appropriate modifications be introduced into the level of German industry and that equitable adjustment be made in French claims for reparations payments from Germany. At that time the Secretary of State expressed his willingness to agree to minor rectifications of the boundaries of the Saar territory as delimited in 1919 provided such rectifications could be clearly justified. The proposal advanced by the Secretary of State in Moscow continues to be the policy of the Government of the United States.

The Secretary of State has informed the Ambassador of France that the Government of the United States has taken note of the admin-
istriative changes introduced into the French zone of occupation in
these past days with the understanding, which has been confirmed
by the French Embassy, that these changes are not intended by the
Government of France to prejudice the final delimitation of the Saar
territory, a decision which is reserved for the peace settlement with
Germany.

With respect to the boundary question the Department of State, on
the basis of a preliminary study of the lines described in notes of the
French Embassy dated May 20 and 22, is not disposed at the present
time to reject the frontier determined by the French authorities. Like-
wise the Department has no wish to protest the projected introduction
of a new currency for the Saar.

The Department is informed that M. Alphand of the French For-
ign Office is proceeding to London to discuss with the British Foreign
Office reparations adjustments affecting the Saar. The Department
would appreciate being informed of the results of these conversations.

WASHINGTON, June 16, 1947.

862.0362/7-2447

Memorandum of Conversation, by the Assistant Chief of the Division
of Western European Affairs (Willis)

SECRET

[WASHINGTON,] July 24, 1947.

Participants: The French Ambassador, Mr. Bonnet
A-A—Mr. Armour
WE—Frances E. Willis

The French Ambassador called at his request and, among other
things, discussed the French proposal that the coal distributing or-
ganizations of the Saar be integrated into the French economy, be-
ginning October 1, 1947. He stated that he had approached the
Department with this proposal approximately two weeks ago and had
many conversations on the subject, especially with Mr. Thorp, who
is at present away; that the British had agreed, but that he had
received no acceptance from us of the French suggestion. He stated
that this morning he had received further instructions from his Gov-
ernment to press for United States approval.

The French Ambassador outlined briefly the history of the French
Saar proposals. He pointed out that the French proposal to incorpo-

The proposal under reference was contained in a French Embassy aide-
mémoire dated July 11, 1947, not printed. A follow-up French Embassy aide-
mémoire, delivered to the Department of State on July 17, not printed, proposed
a meeting of American, British and French coal experts in Paris on July 22 in
order to reach agreement on certain aspects of the Saar coal matter. The French
proposals were reviewed and renewed in a note from the French Embassy to the
Department of State, dated August 11, 1947, not printed (840.0362/8-1947).
rate the Saar into the French economy had been proposed at Moscow and that Mr. Bevin and Mr. Marshall had agreed but that Mr. Bidault had been unable to obtain Mr. Molotov's approval. In view of the absence of quadripartite agreement, Mr. Bonnet pointed out that France was now proposing that Great Britain and the United States approve the integration in so far as the coal distributing organizations are concerned. He indicated that France wished to make the transition gradual and was therefore proposing an arrangement whereby the loss to the ECO in October would be only 60,000 tons, in November 120,000 tons, and in December 180,000 tons. He pointed out that had Molotov given his consent in Moscow the French would have begun to take all of the Saar coal in May or June of this year and that the loss to the other countries would have been much greater. He urged on the basis of the reasonableness of the French proposal that we give our approval.

The Ambassador also said that he could not believe that we would want “to hide behind the Russians’ skirts”. We had committed ourselves to support of the French request in Moscow and he hoped that the fact that Mr. Molotov did not agree would not cause us to change our position.

The French Ambassador added that we had advanced many objections of a technical nature but that there had been only two of real weight: (1) the loss of dollars to the bizonal area, and (2) the reduction in the amounts of German coal available for the bizonal area and for export. He said that if production in the Ruhr were increased both of these objections would be overcome. He emphasized the importance of this question to the French and expressed the hope that we would be able to agree to the French proposal at an early date.

Mr. Armour assured M. Bonnet that we would look into the question immediately and try to let him have something on the subject as soon as possible.

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862.60/8-647

Memorandum by the Deputy Director of the Office of European Affairs (Hickerson) for the Secretary of State 57

CONFIDENTIAL [WASHINGTON,] August 11, 1947.

Subject: French Request to Begin Transfer of Saar Coal Resources to France

Discussion:

1. The French Government has requested the United States and British Governments to agree that, as of 1 October 1947, the Saar

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57 The source text is endorsed "L" in Under Secretary Lovett's hand.
should be considered as economically attached to France in so far as coal distribution is concerned and that the European Coal Organization be so informed. The French request presumably is based on the expressions of agreement to the economic incorporation of the Saar with France made by Mr. Byrnes, your statement to Mr. Bidault at Moscow and the similar position of Mr. Bevin. Although your statement did not commit us in the absence of Russian agreement to economic integration, it is not believed that the United States should continue indefinitely to consider that lack of quadripartite agreement on this matter is a bar. The great importance to France of resolving this issue and of being given every practicable opportunity of increasing her coal availabilities, makes favorable consideration of her proposals desirable.

2. The French have asked us to discuss with them and the British, as a matter of urgency, the measures necessary to accomplish their objectives in this field. The specific measures proposed by the French would result in a reduction of the supply of coal available for use inside Germany, a reduction of coal exports from Germany, with a consequent loss by the bizonal authorities of export proceeds, and an increase of the French coal supply. While there is no necessity for accepting the French proposal as made, it is believed that the agreement eventually to detach Saar coal from the rest of Germany must necessarily have contemplated a decrease at that time in the total German coal supply and therefore either a decrease in use inside Germany or a decrease in exports to other countries and a loss of export proceeds. The only questions therefore relate to when the detaching of Saar coal will take place and the conditions under which it will take place.

3. As to timing, it is believed that the latest time will be at or immediately after the November CFM meeting. If then the U.S.S.R. agrees to economic incorporation of the Saar into France, there will be quadripartite agreement. If Soviet agreement is not obtained, it is to be anticipated that no general agreement on German economic unity will have been reached and the French have indicated that they will then agree to fusion of their zone with the U.S.-U.K. zones. This would necessarily require a solution of the Saar question. The French would like an earlier agreement on the Saar. It is not believed that an immediate agreement is possible for the following reasons:

(a) Any agreement with the French which shifted the burden of decreased German coal supply on the other countries importing coal

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50 The reference here is presumably to the statement on the Saar made by Secretary Marshall at the meeting of the Council of Foreign Ministers in Moscow, April 10, 1947; see telegram 1207, Delsec 1414, April 10, from Moscow, p. 323.
from Germany could not be reached during the current Paris Confer-
ence without seriously prejudicing the conference. Coal is basic to the
plans of the conferring countries and any action outside the conference
to decrease the coal supply of the countries other than France would
necessarily be unfortunate.

(b) Any agreement which decreased German coal exports would
reduce the dollar proceeds of the U.S. and U.K. in equal shares under
the present bizonal agreement. Such a reduction in British dollar
receipts could not be agreed to without a more general agreement on
the British financial responsibilities in Germany.

Therefore, it seems that final agreement on the Saar should not be
sought pending further developments at the Paris Conference 60 and in
the U.S.-U.K. financial talks. 61 We should be prepared, however, to
reach final agreement by November at the latest.

4. As to the substance of the eventual agreement on the Saar, the
general characteristics should be as follows:

(a) The level of coal availability inside Germany should be suffi-
cient to meet essential increases of German production. This can be
achieved by relating the shift of Saar coal to France to increases in
production in the Saar and in the bizonal area. Agreement to treat
Saar coal as French need not preclude the Saar from continuing to
contribute to the supply of the French zone, or if there is tri-
izational fusion, the western fused zones. The current French proposals recog-

(b) Any reduction in the amount of coal exported from the Ruhr
Aachen area to countries other than France should be minimized to
the greatest extent possible. The U.S. has reserved the right in par-
icipating in the allocation of German coal in ECO to support rearran-
gement of the shares of German coal so that the French will not
get undue advantage from the incorporation of the Saar.

(c) The loss of coal export proceeds which would result from the
Saar detachment from Germany will create a dollar deficit which will
have to be made up by outside financing of essential imports. In view
of the British inability to increase its expenditures in Germany, it will
be necessary for the U.S. to increase its financing of German imports
to cover this deficit. This deficit might amount to $20,000,000 a year,
according to OMGUS estimates. Other estimates have put the pos-
sible deficit at about twice that amount. This is small in relation to the
expenditures we have made and will make for European recovery and
what is lost on German dollar income will be offset by a corresponding
help to the French dollar position.

Recommendations:

I. That you discuss this situation as a matter of urgency with the
Secretary of War in order to obtain his concurrence in the proposal
that we tell the French, confidentially, that we will agree to the eco-

60 The Conference of European Economic Cooperation, held in Paris, July 12-
September 22, 1947; for documentation, see volume iii.
61 For documentation regarding the British dollar crisis and the revision of the
Anglo-American Financial Agreement of 1945, see volume iii.
onomic integration of the Saar into France at or immediately after the CFM meeting in November at the latest, and irrespective of whether quadripartite agreement on Germany is then achieved. This advice to the French should be given in connection with the level of industry talks in such a manner as to obtain the greatest bargaining value.

II. That, subject to such concurrence:

(a) You approve immediate informal conversations with the British and French to reach an understanding on the terms upon which such economic incorporation will take place;
(b) That you approve the objectives set forth in paragraph 4 (a), (b) and (c) above as guidance to the U.S. negotiators.

Concurrences:
A–H (Saltzman); A–T (Wood).

862.6362/8–2547: Telegram
The Ambassador in the United Kingdom (Douglas) to the Secretary of State

SECRET
URGENT

4613. At today's restricted meeting 62 Massigil pressed me to request Department to make the decision in the very near future to support the French desire to incorporate the Saar in the French economic and financial system and to agree to hold detailed negotiations on the transfer of Saar coal to France over a period of time as they requested in their note of last month.

It was made clear to the French by the British and ourselves that we were not prepared to accept the French proposals for the transfer of coal made in their July note. The French however, urgently desire a decision in principle and the commencement of negotiations at an early date which will provide them with some concessions, principally, I think, for public appeal in France.

Since I understand the Department has been considering this matter for some time, I suggest it attempt to meet the French desire for early detailed negotiations by agreeing to the principle involved unless the effect on the November CFM is believed too serious. The French, of course, consider that reason for delay in view of our position in other matters is rather inconsistent.

62 The reference here is to one of the meetings in the American-British-French conversations on the revised level of industry plan for the Western zones of occupation in Germany, held in London, August 22–27, 1947. Other reports on these conversations are printed ante, pp. 1047–1066.
I realize of course that consideration must be given to the effect of any transfer of Saar coal to France on German balance of payments and ECO countries.

Sent Department 4613; repeated Paris for Caffery 482, Berlin for Clay and Murphy 403, Geneva for Clayton 134.

Douglas

862.6362/9-547 : Telegram

The Political Adviser for Germany (Murphy) to the Ambassador in the United Kingdom (Douglas)

TOP SECRET

Berlin, September 5, 1947—2 p.m.

319. Confirming our telephone conversation, Clay wired Draper 3 September substantially as follows on the subject of Saar coal and the forthcoming Berlin meeting on this subject.

At London conference we and the British agreed to meet in Berlin with the French to reconsider the question of coal export from Germany. The French proposed a graduated increase in the percentages included in the Moscow agreement to be extended beyond the limits of the Moscow agreement which stopped at a production figure of 370,000 tons per day. The French claim that their proposal was based on a gradual absorption of Saar coal into the French economy to be replaced in the American and French zones of Germany with Ruhr coal. This will of course reduce the amount of Ruhr coal available for export to other nations. As you know, in the past we have objected to replacement of Saar coal in the American and French zones of Germany by Ruhr coal because it would involve a loss of coal for other European nations and also because this reduction in export would in fact reduce our revenue.

However, in agreeing to the eventual integration of the Saar economy with the French economy we unquestionably accepted the utilization of Saar coal by France as if it were French coal. While we did not fix the date on which such integration would take place, presumably it depended upon quadripartite agreement or else an inability to obtain quadripartite agreement. Facing the fact that this integration is to take place at some time in the future, it may be well to start now with a small token reduction in utilization of Saar coal in Germany to be increased gradually as coal production in the Ruhr increases, with full absorption of the Saar coal into the French economy contemplated when the Ruhr reaches full production of approximately 400,000 tons per day. Our policy must be determined now if the coal

No record of the conversation under reference has been found.
conference to take place here shortly is to be successful. I recommend that we be authorized to negotiate with the French for a gradual absorption of Saar coal into the French economy trying, on our part, not to permit this absorption to begin until production has reached 280,000 tons per day, and holding it to the minimum until Ruhr production begins to approach normal figures. I believe it is desirable to make some concession to the French in this respect but of course not to permit an immediate absorption of Saar coal in view of the serious effect it would have on exports.

The French also desire to be assured a specific percentage of coke in the Ruhr coal allocations. This can be done in part on a ton for ton basis to the extent that the gas resulting from coke production can be utilized in Germany. However, beyond that point it will be necessary to charge seven-tenths of a ton of coke as equivalent to a ton of coal. We do not know as yet what the French demands for coke will be so that we are not at this stage able to determine our ability to meet the French demand in full.

Would appreciate early advice on the premises.

Sent London personal for Douglas as 319, repeated to Department personal for Thorp as 3041.

MURPHY

862.6362/9-547: Telegram

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

TOP SECRET

WASHINGTON, September 5, 1947—9 p.m.

3868. For the Ambassador. Following cable being sent CinCEur, Berlin re US-UK talks with French in Berlin on coal, coke and Saar coal. CC 14732 from Clay, 3041 from Murphy (sent London personal for Douglas as 319 a) and Nos 4801 and 4802 from London b considered in preparing this cable:

1. Urad has been considered here in light new French note of 4 Sept. c requesting Berlin coal discussions be broadened to include not only gradual absorption of Saar coal output by France but also upward revision of percentages of German coal output to be exported under Moscow sliding-scale agreement.

2. State Dept informing French upward revision of percentages of sliding-scale agreement as proposed by them at London Conference

a Supra.

b Neither of the telegrams under reference, both dated September 4, are printed.

c Not printed.

d Reference here is to the agreement between the United States, the United Kingdom, and France regarding the regulation of coal exports from the western zones of occupation of Germany, the subject of the exchange of letters between Secretary of State Marshall and Foreign Minister Bidaut, April 19, 1947, pp. 486–488.
entirely unacceptable. (See para. 1 a London’s 422 to Berlin of 4 Sept.\textsuperscript{65}) Concur, however, in ur suggestion that you negotiate gradual absorption of Saar coal into French economy provided that such di-
version of Saar coal to France should begin only after status of Saar is changed. For ur info US prepared to change status of Saar, in connection with trizonal unification, by tripartite decision immediately after CFM if latter does not reach agreement on question and French will be so informed. Until status of Saar changed, Saar coal must be regarded as German coal and to extent exported must be added to export pool allocated by ECO. To make special agreement on dis-
tribution of Saar coal before change of Saar status would be to cir-
cumvent ECO, successful organ of European economic cooperation, at very time we are insisting on achievement maximum European cooperation at Paris.

3. In negotiating agreement re progressive absorption of Saar coal by France, it should be understood that such action is without preju-
dice to any resulting changes in allocation of pool ECO might make. It should also not prejudice eventual discussion of question of payment for Saar coal which will continue to be consumed in Germany, since we may wish to insist in eventual discussions on trizonal (or quadri-
zonal, if CFM reaches agreement on treatment of Germany as eco-
nomic unit) fusion on French contribution to support of German economy in form of cost-free Saar coal.

4. We have no objection to adjustment of export percentages in sliding-scale agreement to take into account any agreement you may reach on progressive withdrawal of Saar coal from German coal pool available for German consumption and export.

5. French being informed here accordingly.

6. British views sent by Foreign Office to Berlin have been furnished us.

7. In view of urgency suggest you coordinate views with British there. If you feel you do not have sufficient latitude for negotiation with French, cable your views.”

Repeat to Paris for Ambassador.

LOVETT

\textit{862.6362/9-647:} Telegram

\textit{The Acting Secretary of State to the Political Adviser for Germany (Murphy)}

\textbf{TOP SECRET} \hspace{1cm} WASHINGTON, September 6, 1947—3 p.m.

\textbf{URGENT}

1828. For Murphy and Clay. Following note handed French Chargé d’Affaires this morning:

“The most careful consideration has been given to your note No. 295 of September 4, 1947,\textsuperscript{69} which contained the desiderata of your Govern-

\textsuperscript{65} Not printed; the same as telegram 4801, from London.

\textsuperscript{69} Not printed.
ment with respect to the scope of the tripartite conversations on German coal which are scheduled to open in Berlin early next week. In particular, the note set forth the desire of your Government that the United States representative at the talks be empowered to seek a solution of the problems to be considered within the framework of the French proposals, previously communicated to this Government, that the coal of the Saar be progressively considered as French rather than German.

You are familiar with the firm desire of the United States Government to see accomplished the economic integration of the Saar territory with France. My Government regrets that the failure of the occupying powers to reach unanimous agreement has so long delayed this integration; it will continue to support French wishes to that end.

The French Government has proposed that, in advance of a change in the status of the Saar territory, progressively increased quantities of Saar coal be allocated by tripartite agreement to France and that the European Coal Organization be so informed by the representatives of France, Great Britain and the United States. It is the contention of the French Government that there is no legal impediment to such tripartite decision since exports of western German coal have for some time been determined on a tripartite basis. While such legal impediment does not exist, my Government believes that any tripartite decision to allocate Saar coal directly and in advance of a change in the territorial status of the Saar and so remove part of German coal exports from the allocation procedures of the European Coal Organization would not only be inconsistent with the support which both our Governments have heretofore given to that useful organization but would also not be in harmony with the spirit of the Committee on European Economic Cooperation at which sixteen European nations are represented and in which France is taking a brilliant part. Consequently, my Government feels it cannot agree to such a decision at this time.

Desirous, however, of preparing the way for the change in the status of the Saar territory which it has agreed to support, my Government has instructed its representative at Berlin to participate in negotiations with respect to the transfer of Saar coal from the German economy into the French economy, such transfer to take effect immediately upon the change in status of the Saar territory which both our Governments wish to see effected. The negotiations would not, however, cover the financial problems incident to such transfer.

In addition, the representative of my Government in Berlin will discuss, as was agreed recently in London, the French request that there should be an adjustment of the present arrangements to permit of a greater proportion of coke in the present export allocations and that there should be a review of the sliding scale agreement for Ruhr coal and coke exports with a view to extending it beyond the present figures."

Following remarks were made orally to Chargé d’Affaires after delivery note.

1) French Government has given us oral indication of its willingness to fuse its zone with trizonal area after November CFM if latter
does not result in economic unification Germany by four-power agreement. US Govt for its part now declares its willingness agree to economic integration of Saar into France by tripartite decision immediately after November CFM if latter does not agree to such integration and in connection with French decision to fuse French zone with bizonal area.

2) Agreement to be negotiated for transfer Saar coal to France would take effect immediately upon change of status of Saar territory. Lacoste was especially invited to note that it was felt, as indicated in note, that financial aspects of transfer should not be discussed at Berlin. These aspects would, of course, play important part in negotiations for trizonal fusion.

3) Our decision to negotiate for transfer Saar coal to France to take effect at time of integration of Saar into French economy was without prejudice to US position in ECO in event ECO wished make compensatory changes in allocations coal available to ECO pool.\^70

Sent Berlin as 1828; repeated Paris for Clayton and Caffery as 3364 and London for Douglas as 3871.

__Lovett__

862.6362/9-1247. Telegram

The Political Adviser for Germany (Murphy) to the Acting Secretary of State

SECRET

URGENT

3087. Personal for Lovett. Below is text of cable \(^{71}\) OMGUS to War reporting results Berlin coal discussions.

Three principal points have been covered in tripartite coal talks with agreement on first two. We are able to meet French requirements for coke to their complete satisfaction. We have also reviewed French proposals for withdrawal of Saar coal and consider them acceptable. Concomitant adjustment of sliding scale to reflect such withdrawals similarly agreed. All Saar discussions on hypothetical basis with French readily admitting that no withdrawals would be made until settlement Saar status.

\(^{70}\) Telegram 3631, September 22, to Paris, not printed, reported that in reply to the Department's note of September 6 and the oral remarks made to the French Chargé the same day, the French Embassy stated inter alia that the French Government could agree to trizonal fusion only "within the framework of preliminary settlement essential problems relative to three zones such as status of Ruhr; political and territorial organization; demilitarization and occupation; or at very least immediate aspects these problems." (862/9-1647) American-French discussions regarding trizonal fusion were carried on before, during, and after the Fifth Session of the Council of Foreign Ministers, November 25-December 12, 1947. For documentation regarding the Council session, see pp. 676 ff.

\(^{71}\) Telegram CC-1572, September 11, 1947, from Clay in Berlin to the War Department (USPolAd Germany 1947 Files: Lot F-80, Box 69, File-863.6 Coal).
Agreement on coke reads as follows:

"1. The three delegations considered the requirements of coke exports as submitted by the French delegation and agreed that those requirements were within the capacity of the German coking industry at the levels of production of the coal industry as anticipated in the reply given to the Committee of European Economic Cooperation."

"2. They recommend that a statement be made to ECO or its successor organization that when the daily gross clean hard coal output of the Ruhr and Aachen reaches 300,000, 330,000, 350,000 and 400,000 tons per day, the bizonal authorities will be able to include within the total export of net merchantable fuel 7.6, 8.4, 9.2 and ten million tons of coke respectively, if in fact this tonnage of coke is required by the member countries of the organization."

"3. At the same time the members of the organization should be informed that if this proportion of coke is exported to the receiving countries, it will be necessary to alter the proportions of other qualities of fuel made available for export."

"4. The attention of ECO or its successor organization should be drawn to the fact that the increased proportion of coke exports may tend to accentuate the already apparent transport difficulties owing to the greater bulk of coke as compared with coal."

"5. In the event that the increased coking program necessary to meet the estimated total coke requirement for both indigenous and export consumption results in the bizonal area being unable to utilize economically the whole production of gas, the export tonnage level shall be adjusted to account for the losses of gas due to such excess coke production caused by export demands."

"6. Any surplus gas arising from the circumstances referred to in paragraph five above and exported from Germany shall be calculated on an equivalent coal tonnage value and deducted from the German coal deliveries to the nation importing the gas."

Agreement on Saar hypothesis reads as follows:

"1. As a hypothesis, which it would be useful to look into without commitment pending discussions at government level, the three delegations examined the French proposals for the gradual removal of Saar production from the German pool."

"2. It was agreed that the time factor envisaged in the plan appeared a reasonable one from the experts point of view on the assumption that it would come into force before the allocations are adopted for the first quarter of 1948 and did not reach its finality until Ruhr-Aachen output reached 380,000 tons per day, which is the output envisaged during the fourth quarter of 1949 in the replies made by the bizonal authorities to the Committee of European Economic Cooperation."

"3. The three delegations examined the figures included in the French proposals for the French zone and the Saar internal requirements. The figures show an increase in consumption in the truncated French zone of approximately 20% over the range of the table. The three delegations felt that this was acceptable."
“4. The French delegation point out that the table has been calculated on the basis that the French zone’s proportion of the net merchantable fuel available to the three western zones is 12.5% as calculated in the table submitted by the British delegation, but that this does not prejudice the possibility of future adjustments.”

Salient portions of Saar tables are (one thousand metric tons):

<table>
<thead>
<tr>
<th>Ruhr-Aachen Daily Output</th>
<th>Annual Saar Contribution to German Pool</th>
<th>Percent of Bizonal Net Merchantable Production to be Shipped to Export and French Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>250</td>
<td>5597</td>
<td>22.4</td>
</tr>
<tr>
<td>260</td>
<td>5700</td>
<td>22.7</td>
</tr>
<tr>
<td>270</td>
<td>5058</td>
<td>23.3</td>
</tr>
<tr>
<td>280</td>
<td>4279</td>
<td>24.1</td>
</tr>
<tr>
<td>290</td>
<td>3936</td>
<td>24.2</td>
</tr>
<tr>
<td>300</td>
<td>2980</td>
<td>24.9</td>
</tr>
<tr>
<td>310</td>
<td>2322</td>
<td>25.5</td>
</tr>
<tr>
<td>320</td>
<td>1404</td>
<td>26.2</td>
</tr>
<tr>
<td>330</td>
<td></td>
<td>27.3</td>
</tr>
</tbody>
</table>

On last point, regarding projection of Moscow sliding scale, after most careful bizonal scrutiny of minimum requirements we reached conclusion that not even present 25% top export rate could be justified during period of Ruhr-Aachen production increase from 330,000 to 400,000 tons daily, if we were to reach full level of industry output when coal production reached 400,000. However, in view of our instructions, we offered to maintain 25% export rate from 330,000 to 440,000 although this means deferring attainment new level of industry until 440,000 ton figure reached, which to all practical purposes would nullify its establishment. We accept that maximum production of 440,000 tons must be reached in Germany for new level of industry to be reached in full, but do not see how we can do any more. We asked French to accept our undertaking (a) not to cut export rate below present top of sliding scale and (b) to reexamine entire position when factors involved can be more accurately assessed.

Sergent expressed satisfaction with friendly manner in which meeting had been conducted but said there would be disappointment over inability to agree on projection of sliding scale at higher percentage. He will go to Paris to discuss situation in detail and expects return here early next week. We made it quite plain that all agreements of conference must be accepted as a whole in satisfaction of French reservations at London, and that while not asking for a public announcement of acceptance of the new level of industry, we would expect no sniping from government quarters. Unless we received such assurances we said we could not undertake to ratify any of the agreements of the conference.
An agreed tripartite announcement was issued this morning as follows:

"1. The tripartite conference on coal and coke which, as the outcome of the recent London conference has been meeting in Berlin for the past few days, has considered the various aspects of the questions which were referred to it.

"2. The conclusions reached and matters still pending will require further study and consultation before a final announcement can be made, including reference to the respective governments. It is expected that further meetings of the conference will take place in the coming week."

French particularly asked that nothing be said to the press beyond this announcement.

Sent Department personal for Lovett as 3087, to London personal for Douglas 333, to Paris personal for Caffery as 408.

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862.6982/10-147: Telegram

The Political Adviser for Germany (Murphy) to the Director of the Office of European Affairs (Hickerson)

SECRET

BERLIN, October 1, 1947—8 p.m.

3244. Personal for Hickerson. The following cable was sent September 30 by General Clay to War:

"Reference your WX 87,260."72

"Please inform State Department that we have just been advised by French Military Government that draft of agreement under discussion by tripartite coal conference has been referred to Bidault in New York and will probably be taken up with State Department. We are surprised that matter still under discussion here should be referred to such high governmental level, but under circumstances request you inform State as follows:

"Our cable CC-157273 of September 11 outlined progress in coal talks at that date. Since then two sessions have been held in attempt to formulate mutually acceptable statement of extension of Moscow sliding scale and Sergent took with him to Paris for clearance with Alphand our proposed draft communiqué which reads:

"'1. In order to take account of the reservations made by the French Government during the tripartite talks in London on the bizonal level of industry, discussions have now taken place in Berlin between the French, American and British authorities on the distribution of coal and coke from western Germany.

72 Not printed.
73 The text of telegram CC-1572 was transmitted in telegram 3087, September 12, from Berlin, p. 1093.
"2. The French delegation asked that there should be an adjustment of the present arrangements to permit of a greater proportion of coke in the present export allocation. It was agreed that such an adjustment can be made, and the bizonal authorities have undertaken to export coke, if required by the importing countries, as follows:

"When daily gross clean hard coal output in the Ruhr-Aachen reaches 300,000 tons, to export 7.6 million tons of coke; 330,000 tons, to export 8.4 million tons of coke.

"It is anticipated that with hard coal output rising above 330,000 tons daily, coke exports can be increased further in accordance with the requirements put forward in the conversations.

"3. With regard to the projection of the scale to show allocations for export when production rises to higher figures than those shown on the scale, it was agreed that it would not be advantageous to settle this matter definitely at this stage. The rate at which coal production can be increased is difficult to foresee. Likewise, the pace at which bizonal economy can be brought up to the level established by the new bizonal plan is difficult to assess, though it has been agreed that it shall be at a pace not greater than that at which the recovery of the democratic countries of Europe takes place.

"It was agreed to extend the operation of the present sliding scale to the end of 1948, at which time, at the latest, its extension will be examined.

"The British and American representatives gave assurances that they would participate in this latter examination with full sympathy for the needs of the democratic countries of Europe and with a view to establishing export allocations at not lower than the percentage obtaining at the top of the present sliding scale.

"During the period in which coal production is increasing to 440,000 tons daily every effort will be made to obtain increased efficiency in the utilization of coal so as to make an export target of 30 percent possible thereafter. This percentage would be calculated on the same basis as the percentages in the present sliding scale.'

"We have had no reaction from Paris until advice today that matter had been referred to Bidault in New York."4

"Our most careful calculations indicate that our undertaking to maintain 25 percent export ratio until Ruhr-Aachen production..."

4 Foreign Minister Bidault headed the French Delegation to the Second Regular Session of the United Nations General Assembly, meeting in New York, September 16–November 29, 1947. For the records of the Secretary of State’s conversations with Bidault in New York on September 18 and October 8, see pp. 680 and 682.

Agreement on the communiqué regarding the Tripartite Berlin coal talks of September 1947 was reached in November, but final action on the communiqué was postponed pending a collateral agreement regarding the withdrawal of French reservations to the revised plan for the level of industry in the United States-United Kingdom zones of occupation of Germany; see telegram W-69654, November 22, to Berlin, and footnote 72, p. 725. Regarding the communiqué as finally released to the press on December 23, 1947, see the editorial note, p. 1103.
reaches 440,000 tons daily will not give us sufficient coal to attain new level of industry until 440,000 ton output is achieved. We have therefore been unwilling to consider any undertaking to increase export percentage until 440,000 ton level is reached. As indicated in the last paragraph of draft communiqué, we are prepared to envisage 30 percent for exports thereafter.

"French have indicated that even if we reached agreement on sliding scale extension, they would still wish to take up with us their reservation on the level of machine tool production, the manufacture of chlorine, and on the matter of prohibited industries. We stated that we would be glad to discuss these matters at any time, but that agreement in such discussions could not be made a condition for acceptance of the level of industry plan. We expressly stipulated that agreement on the three points on the agenda must be accepted in full satisfaction of the official French reservations."

Sent Department 3244, Paris personal for Caffery by air pouch.

MURPHY

862.515/11-1347: Telegram

The Secretary of State to the Embassy in France

SECRET

WASHINGTON, November 13, 1947—7 p.m.

4229. Dept notified recently of French intention to introduce French currency in Saar middle Nov and requested therefore to negotiate new agreement on trade between bizonia and Saar providing for settlement any balances in dollars within framework trade offset payment agreement between bizonia and France. French given Aide-Mémoire 75 expressing US surprise introduction French currency in Saar particularly in view expressed US intent to expedite tripartite decision on official change Saar status after CFM in connection trizonal fusion talks. US therefore could not recognize de facto incorporation Saar into French economy through introduction French currency by conclusion new trade agreement. Understood here Brit took same position. OMGUS advised to continue treating Saar trade as French zone trade.

On Nov 6 French submitted new note 76 intimating intention to proceed despite US attitude and renewing request we participate in tripartite expert discussion in London to settle technical questions arising out of proposed French action. Present thinking here is to reaffirm

75 Department of State aide-mémoire to the French Embassy, dated November 5, 1947, not printed (862.515/11-2447).
76 The reference here is to a French Embassy aide-mémoire, dated November 10, 1947, not printed (862.00/11-1047).
US position, to maintain we cannot recognize de facto or de jure French steps incorporating Saar into French economy in advance agreed decision on change in status of Saar. Before reaffirming this, Dept communicating through BritEmb with Brit govt to make sure latter concurs. Latter step thought necessary because French note claims Brit agreement to meeting of experts provided US agrees.

Sent to Paris and repeated to USPolAd, Berlin, as Deps. 2300 and to London for Murphy and Gallman as Deps. 4832.

**MARSHALL**

862.515/11-1547: Telegram

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

**CONFIDENTIAL**

**PARIS, November 15, 1947—noon. URGENT**

4899. After brief debate Assembly yesterday voted 416 to 184 a law introduced by government establishing French franc as currency of Saar region (mytel 4855, November 18). This law was suddenly deposited in Assembly; jammed through Foreign Affairs and Finance Committees yesterday morning; debated and passed by Assembly yesterday afternoon; immediately referred to Council of Republic and passed by that body last night.

In his speech defending measure M. Bidault, replying to arguments that measure was premature since economic union of Saar with French had not yet been approved, said that new law was merely another preliminary measure and that he expected that approval of big powers would be received during coming session of Conference of Foreign Ministers. He added that in any case Saar question must be definitely and rapidly settled “and will be in any circumstances”. Bidault blamed Soviets exclusively for delay in approval and said “Allies had been kept informed of French intentions”. The only criticism of bill came from Communists who termed it unilateral decision on part of France re problem which could only be settled by great powers. Communist speakers went on to characterize proposed union of Saar with France as tip from US in reward for France’s giving up reparations and her proper share of Ruhr coal. Communists also charged that law would require issuing of 38 billion francs in additional currency and place unbearable burden on neighboring French departments, which would now have to feed Saar population.

*Not printed.*
Law provides that entry into effect will be determined by later decrees but in debate Bidault indicated government's intention of implementing law without delay.\(^8\)

Sent Department 4899; repeated London 839, to Moscow 531 and Berlin 422.

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862.515/11-1347: Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, November 21, 1947—7 p.m.

URGENT

4814. British Emb Washington has communicated to Dept its Government's suggested course of action with French concerning introduction French currency Saar (reDeptel 4229, Nov 13 \(^9\)). First step would be parallel UK-US representations Paris designed persuade French to take no immediate action under powers voted by Assembly and urging postponement currency exchange.

After you have concertted with British colleague, make immediate representations to French along following lines: by aide-mémoire of Nov 5 \(^6\) Dept made known to French Emb its position regarding Saar currency. Since that time French Govt has received from Assembly necessary authorization to introduce French currency into Saar. This has not changed Dept position. Actual change of currency would be a further and most important step toward economic incorporation of Saar into France. Since French, UK and US deputies CFM have agreed to placing German boundary questions on CFM agenda, US considers currency change would be inappropriate immediately before CFM meeting and would give some justification to claim that unilateral action on boundaries had been taken. US, therefore, urges that French refrain from implementing Assembly action prior to clarification of CFM results.

For your info only, British further suggest "If these representations failed, a formal protest coupled with a statement that pending the outcome of the CFM, HMG and the USG would be willing to leave present arrangements for interzonal trade undisturbed provided that the French for their part would undertake: (a) not to alter the present basis of that trade by diverting to France that part of Saar production -

\(^8\) French currency was introduced into the Saar on November 20. The French representative on the Allied Control Council for Germany announced the action at the Council's 75th Meeting, November 21; see telegram 3611, November 22, from Berlin, p. 900.

\(^9\) Ante, p. 1098.

\(^6\) The substance of the Department's aide-mémoire under reference is set forth in telegram 4229, November 13, to Paris, p. 1098.
which now goes to the Combined Zone, and (b) not to ask that
exports from the Saar to the Combined Zones be credited to the French
offset account."

Reptd. to Berlin and London for Emb and Secdel.

LOVETT

862.90/11-1047

Memorandum of Conversation, by the Associate Chief of the Division
of Western European Affairs (Wallner)

SECRET

[WASHINGTON,] December 2, 1947.

Mr. Berard was invited to call at the Department to receive the De-
partment’s oral reply to the French Embassy’s aide-mémoire of No-


Vember 19, 1947 concerning the introduction of franc currency

in the Saar.

Mr. Wallner made the following points:

(1) by aide-mémoire dated November 5, 1947 the Department in-
formed the French Embassy of its view that any change in the status
of the Saar should be effected in an orderly and agreed manner and
that pending such agreed change of status the US would continue to
treat the Saar as part of the French zone for purposes of trade in the
bizonal area;

(2) the US Government has at no time agreed to the introduction of
the franc into the Saar;

(3) the Department reaffirms the position stated in its aide-mémoire
of November 5 and accordingly sees no useful purpose in the French
suggestion for a meeting of experts in London to discuss the con-
sequences of the currency conversion, and

(4) in respect to the new element in the French aide-mémoire re-
garding a change in the administration of the Saar mines, the De-
partment fully reserves its position.

Mr. Wallner added that while the French aide-mémoire had indi-
cated British agreement with the French position and with the French
suggestion for a conference of experts, conversations with the British
Embassy gave the definite impression that the British Government,
like our own, regarded the introduction of the franc into the Saar as
premature and inopportune.

*In his telegram 5040, November 24, from Paris, not printed, Ambassador
Caffery reported that the British Embassy in Paris had not received instructions
regarding parallel American-British representations to the French Government
(862.515/11-2447). Telegram 4886, December 2, to Paris, not printed, replied that
since the Saar currency exchange had been announced by the French in the
Allied Control Council for Germany and in view of the British Embassy’s lack
of instructions, it was believed by the Department that there would be no useful
purpose in further protest or representations in Paris (862.515/11-2447).

* The French aide-mémoire under reference is described in telegram 4229,
November 13, to Paris, p. 1098.
Mr. Berard took careful note of the above remarks and replied that he regretted the impression that apparently prevailed in the Department to the effect that the French Government was seeking to obtain the retroactive acquiescence of the US Government to the currency conversion. He stated that the currency conversion had not been decided on for the purpose of forcing American recognition of a further step in the incorporation of the Saar into the French economy. He said that the decision had been taken for purely technical reasons based on the present favorable sentiments of the Saar population towards France, sentiments which might later prove less favorable to such conversion. He said he quite understood the American position in refusing to recognize the conversion but that he was deeply disturbed at the practical implications of our refusal to discuss the effects of this conversion on trade between the Saar and the bizonal area. He expressed his fear that this would cause disruption of the normal economic exchanges between the two regions, possibly to the detriment of the American zone.

Mr. Wallner replied that the French should not worry too much about the American zone. He added that whatever the reasons for the conversion, it had created a very poor impression in Washington and that it would appear to be the part of wisdom for the French Government in these difficult times to avoid steps concerning Germany which produced friction with the British and American Governments.

In parting Mr. Berard again expressed his concern at the practical effects of our refusal to discuss the consequences of the conversion on trade between the Saar and the bizonal area.

862.00/12-1747: Telegram
The Acting Secretary of State to the Consul in Baden Baden (Mayer)
CONFIDENTIAL
WASHINGTON, December 23, 1947—6 p.m.

516. Circumstances cited urtel 54 Dec 17 83 do not necessitate any change your attitude re Saar. Status of Saar under new government and French-approved constitution is still regarded as provisional, pending formal confirmation by international agreement. US has

83 Not printed; it reported that the French Government had approved the draft constitution for the Saar, previously approved by a commission of Saarlanders. The Saar Landtag thereupon voted legislation necessary to implement the constitution and declared the constitution to be in effect. Government leaders were also elected at this time. (862.00/12-1747)

Article 1 of the Saar constitution provided that the Saar was an autonomous territory economically attached to France.
noted such unilateral steps by French without protest and thus has neither approved nor disapproved.

For your background info Sec statement on frontiers at CFM Nov 27 contained following:

"With regard to Saar, US supports claim of France to econ integration of Saar territory. Political status of Saar should be based, we think, on principle of political autonomy and local self-government. I urge that at this session we approve French proposal of econ integration of Saar territory into that of France. After this, details, including territorial limits, can be worked out." 84

When Bidault pointed out at Nov 28 CFM meeting that Marshall and Bevin supported econ integration of Saar into France, Molotov made no comment in reply, thereby preventing quadripartite agreement. 85

It is expected French will again request US-UK approval French measures affecting econ attachment Saar to France and political arrangements separating Saar from zone. Any such US approval would be de facto in nature and presumably would include proviso full recognition depends final peace settlement.

According to NY Times article, date-lined Paris, Dec 18, French ForOff official stated "Saar must remain in indefinite state until accord with Sov Govt for its econ attachment to France obtained."

Sent Baden Baden as 516; Rptd Berlin as 2508; Paris as 4582 (Paris please comment on authenticity Times story).

LOVETT

Editorial Note

On December 23, 1947, a tripartite American-British-French communiqué was issued to the press regarding the arrangements agreed upon in Berlin in September by American, British, and French representatives on the distribution of coal and coke from Western Germany. For the text of the communiqué, see Germany 1947-1949, page 484, or Documents on International Affairs 1947-1948, page 636.

84 Regarding the Secretary of State's statement quoted here, made at the 3rd meeting of the Council of Foreign Ministers, Fourth Session, London, November 27, 1947, see telegram 6219, Delsec 1507, November 27, from London, p. 734.

85 For the report on the 4th Meeting of the Council of Foreign Ministers, November 28, see telegram 6240, Delsec 1509, November 28, from London, p. 786.
4. Reparations Policy

740.00119 EW/2-2747: Telegram

The Acting Political Adviser for Germany (Muccio) to the Secretary of State

SECRET

BERLIN, February 27, 1947—9 p.m.

482. Manpower and Reparations Directorates86 have been considering communication from IARA dated October 18, 1946, relative to recruitment of labor in Germany for work abroad for purposes of re-erecting plants allocated to member countries of IARA, and in particular to request from Yugoslav Military Mission. In Labor Allocations Committee of Manpower Directorate US, UK, and French members agreed to recruitment, subject to following conditions:

(a) The prior permission of the zone commander concerned must be obtained.

(b) Recruitment must be effected through or in collaboration with the German labor authorities unless the zone commander decides otherwise.

(c) Every individual recruited must be given a copy of the contract of service before his departure.

Soviet member agreed to these conditions but objected to stating these as policy and insisted that these be applied to Yugoslavia. Requests from other countries to be answered on merit of individual case.

Matter being referred to Manpower Directorate, which has asked our guidance. Wish to point out that proposed reply avoids decision as to use German labor for reparations. It permits only recruitment. Presumably this could be done by or through German authorities under provision German authorities pay workers in marks and recipient country obtains service as reparations. If recipient country was to pay workers it would be export German service and entail payment foreign exchange. Department’s views urgently needed toward use German labor for such purposes in general and by Yugoslavia in particular.

Sent to Department as 482; repeated to Brussels as 18.

Muccio

740.00119 EW/3-747

President Truman to the Secretary of State

WASHINGTON, March 7, 1947.

My Dear Mr. Secretary: On April 27, 1945, I appointed the Honorable Edwin W. Pauley as my Personal Representative on Repara-

86 Directorates of the Allied Control Authority for Germany. For additional documentation on the participation of the United States in the work of the Allied Control Authority, see pp. 831 ff.
tions Matters with the rank of Ambassador and as United States Representative on the Allied Commission on Reparations. At that time I directed Ambassador Pauley to report to me personally and directly on all matters within his jurisdiction.

In recent discussions between you and Ambassador Pauley, and Ambassador Pauley and me, it has been agreed that, in view of the special importance that reparations questions will probably assume at the forthcoming meeting of the Council of Foreign Ministers in Moscow, it would be desirable to centralize full authority and responsibility for these proceedings in you as Secretary of State.

Pursuant to these discussions Ambassador Pauley submitted to me on February 14, 1947, his resignation as my Personal Representative on Reparations Matters and as United States Representative on the Allied Commission on Reparations. I have with reluctance accepted Ambassador Pauley's resignation in a letter to him of this date, a copy of which is attached.\(^{87}\)

I trust that the experience and knowledge gained by Mr. Pauley in reparations problems will be available to you as you may require.\(^{88}\)

Very sincerely yours,

HARRY TRUMAN

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740.00119 EW/2-2747: Telegram

The Acting Secretary of State to the Office of the Political Adviser for Germany

SECRET

WASHINGTON, March 19, 1947—7 p.m.

603. Have considered proposal stated urtel 482 Feb 27\(^{89}\) relative recruitment labor in Ger for work abroad purposes re-erecting plants allocated member countries IARA as reparation.

We are opposed in principle to use of Ger labor abroad as form of reparation. Also reaffirm our pos against recruitment at present time of labor in Ger for work abroad on temporary or permanent basis as stated in Warx 88496 (Dec)\(^{90}\) to OMGUS, except as authorized in connection with recruitment of replacements for POW's returning to Ger which will be discussed in later message to OMGUS.

However we are agreed in principle that recruitment of Ger technicians be permitted for purpose assisting in re-erection of plants removed as reparation. Such recruitment should be conditioned upon following requirements in addition those you listed: First, recruit-

\(^{87}\) The attachment is not printed.

\(^{88}\) Pauley subsequently became Special Adviser to the Secretary of State on Reparations. Regarding Pauley's duties and the arrangements under which he carried on his work in the Department of State, see the letter from Pauley to the Secretary of State, November 13, 1947, p. 713.

\(^{89}\) Ante, p. 1104.

\(^{90}\) Not printed.
ment be on voluntary basis. Second, technicians be permitted leave Ger only on temporary assignments limited to period necessary to accomplish re-erection of the plants, and that arrangements be made to ensure their return. Third, arrangements for remittances of earnings to Ger be accomplished in accordance with procedure which will be outlined in later message to OMGUS.

ACHESON

740.00119 EW/6-947

Edwin W. Pauley, Special Adviser to the Secretary of State on Reparations, to President Truman

[WASHINGTON,] June 9, 1947.

My Dear Mr. President: I have heard that my letter to you of April 15, 1947, discussing the proposals of Mr. Herbert Hoover with regard to the reparations program and the future of Germany, has been regarded by some as supporting a program of “pastoralization”—de-industrializing and converting the nation into farm land. It has consequently occurred to me that some of the aspects of my letter may have lost connection with the context of my original recommendations to you on the subject of reparations. I should like, therefore, to clarify a few points, and to recall the official basis for the position taken by the United States Government in this matter. I am definitely not in favor of the so-called pastoralization of Germany.

My only insistence, in my letter of April 15, 1947, was against departing from the philosophy of the Potsdam Agreement in favor of the philosophy apparently advocated by former President Hoover, namely the philosophy of rebuilding Germany, without regard for long-range economic or political implications, ostensibly in order first, to counteract communism, and secondly, to meet the needs of Europe. There is no reason, except the keeping of a faith inherent in all international accords, to cling to the statistical letter of the Potsdam Protocol and its supporting agreements. The actual level of industry to be maintained in Germany, and the specific nature of the reparations

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91 The source text was sent to the Secretary of State under cover of the following letter, also dated June 9, 1947:

“I enclose a copy of a letter I have addressed to the President. The original letter, of which this is a clarification, was written before my connection with the State Department. I wish, however, that you be informed of this communication.”

92 Not printed.

93 At the request of President Truman, former President Herbert Hoover carried out an economic mission to Germany and Austria during February 1947. For the text of former President Hoover’s report on economic policies in Germany, which was sent to President Truman on March 18, 1947, see Herbert Hoover, An American Epic: The Guns Cease Killing and the Saving of Life from Famine Begins 1939–1963, vol. iv (Chicago, Henry Regnery Company, 1964), pp. 245–256.

to be taken from Germany are and should be subject to amendment, by international agreement, as experience dictates. Secretary Marshall has indicated his willingness to consider such a modification. I am, as you know, now engaged in an intensive study, at Secretary Marshall’s request, of such a possible modification. The objective of our current study is to determine what changes need be made in the first place to call a halt to the drain on the American taxpayer to support the German economy, in the second place to meet the needs of Europe for food and commodities, in the third place to bolster up the sagging structure of peace, and in the fourth place to insure the inability of Germany again to wage war against us.

However, there is no tendency on my part to advocate the stripping from Germany of all her industry, or the conversion of Germany into grazing land. Germany can and must fit into the pattern of European economy and assist in the filling of the commodity needs of the continent. Yet I do not see how the fact that Germany is now hungry, and that all Europe is needy calls for the scrapping of Potsdam and the return to Germany of her pre-war domination over the European economy. The fact that Russia seems to be playing the role of devil’s advocate should not necessarily lead us into blind flight in the opposite direction.

In my letter to you, I cited certain errors in Mr. Hoover’s statistics. I do not claim infallibility for mine. I hope all figures can be re-examined, so that the best possible and most scientific judgment can be reached by our own Government, in preparation for its negotiations with the other Great Powers.

You may recall that the American position in the German reparations negotiations was prepared by the Informal Policy Committee on Germany (IPCOG), consisting of representatives of the State, War, Navy and Treasury Departments, the Foreign Economics Commission, and my Mission, guided by frequent conferences with you and with members of the Foreign Relations Committee of the Senate and the Foreign Affairs Committee of the House of Representatives.

One of the points agreed upon during these discussions, and embodied in my formal instructions (Memorandum No. 2, Informal Policy Committee on Germany 99), was the need for leaving in Germany the means of self-support.

This point constituted one of the basic principles which I submitted at Moscow on June 21, 1945,86 before the first plenary session of the

99 For the text of the Instructions to the United States Representative on the Allied Reparations Commission, document IPCOG 2/2, May 18, 1945, see Foreign Relations, 1945, vol. iii, p. 1222.
86 The basic principles referred to here were reported upon in telegram 2441, July 6, 1945, from Pauley in Moscow, Foreign Relations, The Conference of Berlin (The Potsdam Conference), 1945, vol. i, p. 527.
Allied Commission on Reparations. The principle was embodied in the Potsdam Protocol in the statement:

"Payment of reparations should leave enough resources to enable the German people to subsist without external assistance. In working out the economic balance of Germany the necessary means must be provided to pay for imports approved by the Control Council."

This document corresponds completely to my fundamental position in the matter. All that is proposed now is that we maintain that basic position, but propose whatever adjustments are vital to achieve the four objectives cited above, the objectives of your foreign policy.

Respectfully,  

EDWIN W. PAULEY

740.00119 EW/7–1047: Telegram  
The Secretary of State to the United States Delegate to the Inter-Allied Reparation Agency (Dorr) at Brussels

SECRET  

WASHINGTON, July 10, 1947—5 p.m.

URGENT

962. For Dorr. Following is text OMGUS message received in response Wash comments on level of industry discussions 97 (draft this message transmitted with Todd’s letter June 19 98).

"Re WDSCA rad WX–81354. 99

"I find it difficult to know whether paragraphs 2 and 3 are to govern our actions or if our actions are to be governed by paragraph 6. Both objectives cannot be accomplished at the same time. It is obvious that the revised level of industry will not leave very much of importance for IARA nations in the form of completed and usable German capital equipment of the type which they desire. While it will leave substantial steel and miscellaneous plants and separate machinery, it is apparent that the IARA nations are more interested in those plants in Germany which are important to German export and to immediate European needs. If the delivery of such plants to IARA nations is the governing factor as implied in paragraph 6, request you advise

97 Pursuant to an American-British agreement reached during the Fourth Session of the Council of Foreign Ministers in Moscow, March–April 1947, American and British occupation authorities in Germany had undertaken negotiations for a new level of industry plan for the western zones of Germany. Tentative agreement on a new plan was reached in early July. For documentation regarding the new level of industry plan, see pp. 977 ff.

98 Not printed.

99 In response to certain questions raised by American occupation authorities, a War Department cable was sent to General Clay [WX–81354, July 2, 1947, not printed] setting forth in paragraphs 1–3 certain considerations which were to guide him in determining the German requirements for capital equipment in order to enable Germany to contribute to European economic recovery and to become self-sustaining. Paragraph 6 of the cable, however, stated that the instructions were to be interpreted subject to the reservation that the new level of industry was to produce substantial reparation for the countries of the Inter-Allied Reparation Agency.
us as to the minimum deemed essential for IARA nations, as this
would automatically fix the level of industry to be left in Germany.
Our calculations have not been based on delivering any specified quan-
tities to IARA nations. They have been on the need for a German in-
dustry which will provide a self supporting economy with a low but
reasonable standard of living which will contribute to European re-
cover. We are fully prepared to carry out any instructions relative
to meeting IARA needs but we cannot negotiate under indefinite in-
structions which approve a revised level of industry only in the un-
derstanding that it also produces substantial reparation deliveries of
complete and usable German capital equipment to carry out previous
US commitments to IARA countries. Since these commitments were
made by our government we feel that we should be advised as to what
in its opinion will constitute their fulfillment. It is certain that in any
event IARA countries will feel that they have not received their
needs.

"Reply to detailed inquiries in urad will be made soonest."  

Request ur comments urgently.

MARSHALL

740.00119 EW/8-747

Report by the United States Delegate to the Inter-Allied Reparation
Agency (Dorr)  

SECRET

REPORT OF DISCUSSIONS IN BERLIN CONCERNING AVAILABILITY OF DATA
ON PROPOSED LEVEL OF INDUSTRY JULY 16–JULY 26, 1947

I. The Mission.

On June 4, 1947 the Department instructed me by telegram to make
recommendations to it for the simplification of procedures for han-
dling industrial capital equipment reparations from Germany.  
It soon became obvious that compliance with such instructions would depend
on knowledge of the type and quantity of industrial capital equipment
which might be available for distribution in the future, and of the
practical problems which faced those authorities in Berlin charged

1 The message quoted here was telegram CC-9790, July 6, 1947, from General
Clay in Berlin to the War Department.

2 The source text was transmitted as an enclosure to a letter of August 6, 1947,
from Dorr to Joseph A. Todd of the Division of Occupied-Area Economic Affairs,
not printed.

3 Deptl to Brussels 770, June 4, 1947. Such instruction was, as I understand
it, issued as an aid to the implementation of a four-power agreement reached at
the Moscow Conference of March–April 1947, that existing procedures concerning
industrial capital equipment reparations should be revised to secure more rapid
and efficient distribution of this type of reparation. [Footnote in the source text.
For the agreed and unagreed points regarding German reparations reached
during the Fourth Session of the Council of Foreign Ministers, Moscow, March
10–April 25, 1947, see Part II, Paragraph II of document CFM (47) (M) 148,
April 23, 1947, pp. 461, 467.]
with the duties of deciding what equipment could be made available for reparation, of inventorying, valuing, dismantling and packing such equipment, and of allocating it between the USSR and the West. Accordingly, the Department was informed of and approved my intention to go to Berlin for consultation with appropriate OMGUS officials.

Before my departure, in the course of its consideration of a new level for German industry, the question was raised by the Department as to whether the proposed new level would provide sufficient industrial capital equipment for reparation purposes to permit the United States to fulfill its reparation commitments to IARA nations. A reply was received from OMGUS which stated that the proposed level of industry had not been drawn up with reparation obligations in mind, that while there would be a very considerable body of industrial capital equipment available, it would not, in the judgment of OMGUS, be of the type desired by IARA, that the goals of an establishment of an adequate level of industry sufficient to permit Germany to support herself and to contribute to European recovery, and the goal of providing adequate industrial capital equipment reparation for IARA nations seemed mutually inconsistent and urging that the Department’s instructions in regard to the amount of reparation to be made available should be clarified.

The Department repeated this telegram to me with instructions to comment. I answered briefly, but indicated I could not make a full comment without further knowledge of what the new level of industry implied as to the amount and kind of plant which would remain available for reparation. As I was going to Berlin anyway in connection with the procedural question which had already been raised by the Department, I was instructed to look into this question at the same time.

On July 14, 1947 it came to my attention that, (a) although the question of whether the proposed level of industry made adequate provision for reparation commitments appeared to be an open issue still under debate between the Office of Military Government and the State Department, and (b) General Clay had asked for further instructions, (c) General Clay had nevertheless announced that he intended to make the proposed plan public on Wednesday, July 16. In view of my imminent departure for Berlin (planned for that day) I thought it advisable to telephone the Department to determine whether there was any change in the situation, and whether it was

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* See WDSCA IAD WX-81354. [Footnote in source text.]
† A copy is attached as Annex A. [Footnote in source text. The Annex was a copy of telegram 962, July 10, 1947, to Brussels, supra.]
still desirable that I should attempt to go into the reparation implications of the proposed new level. I was instructed that it was more than ever important that I go to Berlin at once and secure as much information as possible concerning the kind and quantity of industrial capital equipment which would remain available for reparation under the projected new plan. Accordingly, I left that evening for Germany and arrived in Berlin soon after lunch on July 16. I was accompanied by my Deputy, Mr. Alexander B. Daspit, and by Mr. Edward O'Flaherty, United States Expert Adviser to the Tripartite Commission for the Restitution of Monetary Gold (since my mission also included discussions with officials of the Finance Division of the Office of Military Government concerning the amount and character of looted gold found in Germany).

II. Interview of July 16 With the Economic Director of the Office of Military Government.

As soon as possible after my arrival in Berlin I conferred with Ambassador Robert Murphy, United States Political Advisor to the Office of Military Government, and gave him a general explanation of my mission. Shortly afterward, at the suggestion of Mr. Orren McJunkins,‡ from whom I first sought information as to the reparation implications of the new level of industry, Mr. McJunkins and I, accompanied by Messrs. Daspit and O'Flaherty called upon Mr. Lawrence Wilkinson, Economic Director of the Office of Military Government, with whom I was already acquainted. A Mr. Spencer of the Economic Directorate was with Mr. Wilkinson and remained in the room during the interview, which occurred sometime between six and seven o'clock in the evening.

I saw that Mr. Wilkinson was very much occupied, and in view of the lateness of the hour I suggested that perhaps it would be better to defer discussion until the next day. Wilkinson, however, pressed me to explain my mission. I explained briefly my interest and expressed my desire to go over with him the proposed level of industry and to discuss what plants might be expected to become available for reparation under the projected new level. Wilkinson stated that there were many newspaper men who would like to know the same thing, but that the level of industry agreement would not be publicly released that day as had originally been planned. I replied that I realized no public release was being made and that I was not requesting the information for communication to IARA, but solely in confidence in fulfillment of my mission as United States Delegate and as a representative of the State Department. Wilkinson stated, however, that he could not make

‡ United States member of the RD & R Directorate of the Allied Control Authority. [Footnote in source text.]
any release whatever. Upon my pressing the point, he picked up the telephone and called General Clay. I protested that if it were a question of securing General Clay’s consent, I would prefer to state the case to him myself. Wilkinson, however, put the question to General Clay in terms of asking confirmation of his own stand and without mentioning any of the points which I had stressed in favor of my request.

Since I did not speak to General Clay on the telephone myself, I can only report what Wilkinson stated was the General’s attitude. This was that a clear and unambiguous order had been received from the War Department forbidding the release of the information I was asking for to anyone, but that if I could secure authority from the War Department there would be no difficulty. Wilkinson went on to emphasize that, of course, the Office of the Military Government was anxious to give me the desired data and had no desire to keep anything from me, but that so long as the War Department order stood it would be impossible to grant my request. He continued that, of course, if a cable were sent to Washington explaining the situation and authorization were received, the Office of Military Government would be only too glad to cooperate. I pressed Wilkinson to state exactly the type of authorization which it would be necessary to receive and he repeatedly stated that there was no desire whatever to hold back any information. The whole tenor of the discussion was that there was an unfortunate technical obstacle in the way of my being informed, and that as soon as this was cleared there would be no further difficulty.⁸

Mr. Daspit and I went almost immediately from Wilkinson’s office to the code room of the Office of the U.S. Political Advisor where I despatched a cable to the Department explaining the situation and asking that the appropriate authorization be requested.⁹

III. Interview With General Clay, July 23.

I remained in Berlin after the Wilkinson interview of July 16 awaiting instructions from the Department, attending to various matters concerning the restitution of monetary gold, and conferring with British reparations personnel. At about 3:30 on the afternoon of July 23 I received word that General Clay wished to speak to me and went immediately to his office. No one else was present at our interview.

⁸ I have subsequently re-checked this with Messrs. McJunkins, O’Flaherty and Daspit, and they all agree with my recollection of the transaction. Following this interview, Mr. McJunkins said as we were walking down the hall of the Economics building “If I were you I would send that cable right away”. [Footnote in source text.]
⁹ Telegram 1701, July 16, 1947, from Berlin, not printed.
General Clay began by saying that he had received a directive from the War Department ordering him to acquaint me with the details of the proposed level of industry plan. He said he had appealed to the War Department to reverse this order and meanwhile had no intention of complying with it. He said that in any event, rather than comply with it he would resign. He further directed that during my stay in Berlin I should address any communications to the State Department solely through War Department channels.

I expressed surprise and concern at the position taken by General Clay. I explained to him several times the circumstances of the meeting in Mr. Wilkinson’s office and repeatedly stressed that I had been, as I understood it, invited to secure clearance from the War Department so that information as to the reparation implications of the new level of industry plan might be revealed to me. General Clay insisted that my use of the Office of the Political Advisor’s cables had been improper, and that that was not an official channel for communication with Washington. I stated that I had understood that this was a regular State Department channel of communication and that as an employee of the State Department this was for me the proper means of communication. I did my best to conciliate General Clay and to urge on him that I not only had no idea that he would object to my being informed regarding the level of industry, but that I had understood from Wilkinson that the course I had followed would be agreeable to him.

I then urged that he consider with me the merits of whether or not I should not be informed concerning the level of industry. I pointed out that the Department had instructed me to make recommendations for the revision of reparation procedure and that obviously I could not do this intelligently without knowing something about the prospective nature and volume of reparation to be made available and having a full understanding of the procedures currently being followed and the practical considerations which might affect any change. I also stressed the fact that as United States Delegate to IARA, I would have to be in a position to explain and, if necessary, defend such decisions that might be taken concerning the level of industry if, as seemed not unlikely, questions were raised in the Assembly. Furthermore, I pointed out that he himself had raised with the Department the question of whether or not it was possible to have both a satisfactory level of industry and a level of reparations which would be satisfactory to IARA. I stressed the fact that he had himself expressed an opinion concerning what might and what might not be satisfactory to IARA, and that the Department was naturally interested in seeing
whether the reactions of the United States representative on that body were the same.

General Clay then stated with considerable emphasis and not without heat that the question of German level of industry was of exclusive concern to Germany and to the Office of Military Government, that it was fully subject to his control and could be changed tomorrow if he thought fit. He indicated that he considered it highly undesirable that anyone else should have anything whatever to do with the establishment of such level. I expressed some surprise and noted that the General had in public statements repeatedly pointed out the fact that the German problem was merely part of the European problem, and that the recovery of Germany was intimately tied up with the recovery of Europe. I also said that whether or not he considered the matter one of exclusive German concern, I was sure that he would wish to take into consideration all relevant factors in arriving at his decision. The General expressed some disagreement with this view, stating that in a case like this there were always bound to be differences of opinion, and that the main point was to arrive at a prompt decision. He went on to say that he had no interest whatever in my problems or in whether I was able to accomplish my mission well or badly. I replied that I could not accept his statement as a serious expression of his attitude, and that I was sure that on more mature consideration he would wish to take a different position. I pointed out that there were constantly recurring situations in which the handling of affairs at IARA might be either a help or a hindrance to the Office of Military Government, stressing particularly the argument over German rolling stock in IARA countries, and the desirability from the Zone Commander's standpoint of the prompt handling of reparation items allocated to IARA.

General Clay stated several times that the projected level of industry plan had no implications whatever in regard to reparation. I inquired why, if that were so, was it necessary to promulgate a plan since the objective of the original level of industry plan of limiting German industry for security purposes had apparently been largely abandoned under the new directive for the governing of Germany. General Clay replied that the new plan was solely for the purpose of reassuring German interests and demonstrating to them that the threat of plant removal was no longer one which they needed to fear. I expressed my understanding that one purpose of establishing a new level of industry was to establish the amount of reparation and to carry out the understandings for resumption of reparation removals which had been arrived at between Secretary Marshall and Mr. Bevin at Moscow. General Clay denied that there had been any such understanding or
that there was any assurance whatever that reparation removals would be resumed. He stated that the Cabinet had voted against the resumption of reparation removals, and that the Secretary of State’s vote had been the lone dissent from this proposition. He repeatedly questioned the economic value to the recipient nations of such removals despite my calling to his attention the eagerness of most IARA countries to receive capital equipment and the keen competition which has prevailed in IARA.

General Clay stated further that he was bound by an agreement with the British Zone Commander not to release any information to third parties regarding the proposed new level.

I attempted throughout to conciliate General Clay and went so far as to state that if he really felt so strongly opposed to my receiving this information, I would not on my own responsibility force the issue and would, if he desired, withdraw my request. He stated that it was too late, that he had communicated with the War Department and that there was nothing to do now but to await a reply from Washington. I expressed strong regret at this and indicated that in that event, my only course was to seek further instructions from the Department. The interview ended at about 4:30 p.m.

IV. Later Developments.

After the meeting I immediately made notes of my conversation with General Clay. The preceding section of this report is based on such notes. The following day I communicated the substance of my conversation to my Deputy, Mr. Daspit, and I also communicated the main facts to Ambassador Murphy.

On the evening of July 23 I telephoned Mr. Joseph A. Todd of the Division of German-Austrian Economic Affairs, and explained the situation to him. He instructed me to stand by for further developments. On Friday evening Mr. Todd telephoned me to say that because of the absence from Washington of Mr. Howard Petersen, Assistant Secretary of War, it would be impossible to settle the controversy before the following week. I pointed out that a new session of the IARA Assembly was scheduled for the following Monday and that I felt that I should be in Brussels at that time. It was agreed that I would report the situation by cable and return to Brussels. The following morning I despatched Berlin telegram 1758 of 26 July 1947. * Before leaving Berlin I called again on General Clay and informed him of my intended departure and of the fact that I had communicated the situation to the Department. General Clay was rather affable. He stated, however, that he considered the request I had made un-

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* Not printed.
reasonable. He said also that he hoped that when I next returned to
Berlin I would find someone in his place with whom I would be able
to get along better. I assured him I would regret very much seeing
anyone else in his place, and that I was sincerely sorry that he did not
feel that we could get along together. We shook hands at parting and
I had the feeling that short of abandoning my position completely I
had accomplished as much as was possible to accomplish to avoid
personal acrimony or an open break.

V. Conclusion.

I cannot avoid the conclusion that General Clay has a strong emo-
tional bias against the entire idea of reparation from industrial capi-
tal equipment, which sometimes leads him into not altogether
temperate statements and attitudes which are not always well reasoned.
I am strongly of the opinion that if there is to be an effective program
of industrial capital equipment removal from Germany, a broad but
clear and explicit agreement for full cooperation and full exchange
of information between representatives of the Office Military Govern-
ment and of the U.S. Delegation to IARA and the IARA Secretariat
is essential. Under present conditions adequate joint planning, though
badly needed, cannot be achieved and the entire program is therefore
severely hampered.

[Brussels,] 30 July 1947

RUSSELL H. DORR

740.00119 EW/7-3147

Memorandum by the Assistant Secretary of State for Occupied
Areas (Hildring) to the Secretary of State

SECRET


Subject: Resumption of Reparation Deliveries from the Bizonal
Areas.

Discussion

This subject was discussed at the President's Cabinet meeting on
June 27 10 and the discussion reported in your note of that date (Tab
A 11). General Clay has since recommended (CC 9862 of 12 July, Tab
B 11) that there be no further deliveries until the question of German
unification is definitely decided, or, as an alternative, that deliveries of
equipment in excess of the revised level of industry 12 be made to
limited IARA nations (i.e. presumably excluding Czechoslovakia,

10 For Secretary of the Navy Forrestal's diary entry on the Cabinet meeting
of June 27, 1947, see Walter Millis (ed.), The Forrestal Diaries (New York, The
11 Tab not found attached to source text.
12 For documentation regarding the revised level of industry plan for the United
States-United Kingdom zones of occupation of Germany, see pp. 977 ff.
Yugoslavia and Albania) pending Soviet fulfillment of the provisions of the Potsdam Protocol. It is considered certain that the IARA Assembly would refuse to agree to such exclusion.

French concern about the new Level of Industry Agreement can probably be met in large part if they are convinced that the purpose of the new level is to permit immediate resumption of reparation removals and not to utilize all the retained capacity in the near future. France and other countries would fail to understand the reason for our determining and announcing a new level of industry unless we also announced as soon after as possible that we were resuming deliveries of capital equipment in accordance with the new level.

A postponement of deliveries until German unification is accomplished would: (a) make it impossible for European countries, in drawing up coordinated recovery plans, to calculate with certainty on the receipt of German equipment (b) decrease the value of eventual deliveries because of further deterioration, German destruction and because the recipients will have made arrangements for equipment from other sources (c) increase the resentment of IARA countries (d) increase the pressure from the Russians and the IARA countries to substitute reparations from current output for capital removals.

Recommendations

It is recommended that, at an early Cabinet meeting, you recommend to the President that he permit the simultaneous resumption of reparation deliveries to both the Soviet Union and the IARA. If the President believes that we should not for the time being resume reparation deliveries to the Soviet Union, it is recommended that you urge him to permit deliveries to the IARA alone, including those members of IARA which are regarded as under the domination of the Soviet Union, i.e., Albania, Czechoslovakia, and Yugoslavia. This second recommendation conforms to General Clay’s alternative position, except as to the three countries mentioned.

Memorandum by the Assistant Secretary of State for Occupied Areas (Hilldring) to the Secretary of State

SECRET

[WASHINGTON,] July 31, 1947.

Subject: Review of U.S. Position on Reparations from Germany and Japan

Germany:

Discussion: The basic purposes of U.S. reparations policy remain those of disarmament, European reconstruction and a German econ-
omy limited to peaceful needs and to the living standards of the rest of Europe. Our policy is, however, circumscribed by the need to reduce our German costs, the probable necessity to assume some of the British expenditures, the greatly increased population of the Western Zones, and the unlikelihood of economic unification of Germany.

The level of industry Agreement is designed for two purposes; to determine finally the amount of equipment to be removed and to provide not a production program to be implemented but merely an amount of capacity which the bizonal area should contain if it is ultimately to become self-supporting and contribute to European recovery. The rate at which retained capacity is activated is, for the next few years, of far greater importance than the actual level of capacity retained. We therefore contemplate not a priority for German production but a coordinated reactivation of idle capacity in Europe in partial implementation of the proposals made in your Harvard speech.

Such coordination requires the assurance that reparations deliveries in accordance with the new level will be resumed and completed as rapidly as possible. The decision to resume should be sought at an early Cabinet meeting. A separate memorandum is being sent you urging this approach.

Recommendations:

1. That however firmly the Clay-Robertson plan may be initially pressed, the countries consulted should not be given the impression that it is unalterably fixed, except, (a) that no revisions which would significantly hinder the early achievement of German self-support could be considered and (b) that the U.S. and U.K. must make the final decision, both on general principles and on detail.

2. That we emphasize that the capacity retained is less important than the question of the rate at which it should be reactivated in the interests of European recovery.

3. That reparation deliveries be resumed as soon as possible after, and if possible simultaneously with the final agreement on a new level of industry; and that such deliveries be made both to IARA countries and the USSR (and Poland), or at the minimum, to all IARA countries.

4. That all future public announcements concerning the level of industry should emphasize a) that its chief purpose is to determine the amount of reparation removals, b) that it in no way constitutes a pro-

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33 The reference is to the revised level of industry plan for the United States-United Kingdom zones of occupation of Germany on which Generals Clay and Robertson reached agreement in early July 1947; for documentation regarding this plan, see pp. 977 ff.
duction program or gives German recovery a higher priority, and c) that it is U.S. policy to relate both level of industry and the rate of German recovery to a general European recovery plan.

[The remainder of this memorandum was devoted to a discussion of the basic problems of Japanese reparations policy. For documentation on this matter, see Volume VI, Japan: War claims: reparations, restitution, levels of industry and of production.]

740.00119 EW/8-447: Telegram

The United States Delegate to the Inter-Allied Reparation Agency (Dorr) to the Secretary of State 14

CONFIDENTIAL

Brussels, August 4, 1947—5 p.m.

1198. GA from Dorr. Regarding reparation procedures can make following preliminary and tentative comment. Considerable further discussion of specific problems raised by list of availabilities under such revised level of industry plan as ultimately agreed desirable however.

1. So far as plants in US zone concerned and leaving inspection out of current consideration no procedural changes seem necessary at this time. Inventories and valuations of all but a few of plants which would be available for reparation under any conceivable industry level have had quadripartite approval. Informally assured east-west allocation and delivery of inventories to IARA could be accomplished within a month to six weeks after decision on reparation resumption.

2. About 450–500 plants have been inventoried and valued in UK zone. UK authorities thought this would cover majority of plants under industry level plan discussed by US-UK in Berlin but that considerable inventory and valuation work would remain. Informed that no list of plants to be removed under this plan had been prepared by UK and it is not clear to me that there is full coordination between those selecting and those valuing plants.

3. I feel that every effort should be made to provide IARA with data sufficient to enable it to allocate by industries. Such practice desirable not only because it would permit most effective contribution to overall problem of European reconstruction but also because it would largely eliminate such vexing problems as UN bid for equipment July sale, suballocations and attendant shipping difficulties,

14 Telegram 1147, August 14, to Brussels, for Dorr, not printed, replied to this telegram in part as follows:

"Your recommendations concerning revision reparation procedures greatly appreciated. Altho appears undesirable make any further direct approach US-UK authorities in Germany at this time, assume you will discuss your proposals in detail with your UK colleague in preparation joint approach at appropriate time." (740.00119 EW/8-447)
delays in ultimate liquidation of IARA interests in specific reparation plants. McJunkins US RDR agrees completely. Since plants likely to become available US zone already nearly all inventoried, problem becomes one of coordinating British program. Whitham British RDR agrees in principle and informally indicates willingness consider:

(a) Furnishing summary data regarding output plant characteristics, etc., and tentative valuation for plants not yet inventoried (doubtful Russians would agree allocations this basis however);

(b) giving priority to inventorying those plants necessary to complete those industry groups most nearly ready for handling as units. Believes nonferrous metals, steel and optical groups could be completed with fair rapidity.

4. I doubt feasibility of formulating concrete changes present procedure until specific list of plant availabilities, date of resumption of reparation removals and question of Russian participation settled. Russian participation will of course mean much less flexibility in departing from present valuation and accounting regulations.

5. Have noted with concern possibility of delay in making nonferrous plants available even after industry level set. Fact of quadrilatrite agreement for total prohibition seems no reason why part of industry could not be removed at least as soon as plants from any other industry even though final level uncertain.

6. To secure earliest possible maximum contribution by reparation program to European recovery, believe IARA should be provided with overall minimum list of plants to be available by industries. (If the recently proposed industry level could be taken as an agreed minimum there is no apparent reason why such a list could not be produced immediately.) At same time assembly should request each country to submit its requirements for capital equipment in each industry in which plant is to be made available. Secretariat should prepare analysis industry by industry on basis of general demands submitted which could serve as overall guide to it in preparing allocation programs and to assembly in voting thereon.

7. Procedural questions of joint IARA-ACA interest such as substitution of summary plant descriptions and more thorough inspection for detailed inventory and valuation will be of varying importance depending on time of removals, resumption and upon Russian participation in program.

8. Those handling reparation deliveries in US-UK zones apparently do not anticipate serious difficulties in continuing dismantling despite German protests. British anticipate certain number of strikes but
expect to handle these taking position that to confess inability to handle such problems would be tantamount to confession inability to occupy Germany.

[DOERR]

Editorial Note

Telegram 3653, August 23, to London, page 1055, set forth the tentative views of the Department of State regarding a delay in the resumption of reparations deliveries. General Clay’s comments were sent in telegram 72088, August 25, from London, page 1059.

740.00119 EW/9-847

The Political Adviser for Germany (Murphy) to the Secretary of State

[Extract]

CONFIDENTIAL

Berlin, September 8, 1947.

No. 10862

Sir: I have the honor to forward herewith information on the development and current status of negotiations with regard to “reciprocal deliveries,” that is, deliveries by the Soviet Union of food and raw materials in exchange for 15 percent of the capital equipment received from the Western Zones, as provided by the Potsdam Agreement. As the Department is well aware, no such deliveries have yet been made.

About a year ago, to some extent at least as a result of a communication from the Inter-Allied Reparations Agency, a Working Party on Reciprocal Deliveries was set up under the Economic Directorate. In June, 1947, this Working Party was transferred to the Reparations, Deliveries, and Restitutions Directorate, and henceforth this Directorate will assume responsibility for reciprocal deliveries and questions related thereto. Recently the Reparations, Deliveries, and Restitutions Directorate prepared a report on the “Value of Commodities, Place of Delivery, and the Determination of Sources of Reciprocal Deliveries,” for consideration by the Coordinating Committee. In the absence of agreement on the method of evaluation of commodities, the entire question was returned to the Reparations, Deliveries, and

36 Document CORC/P(46)408/3, August 7, 1947, not printed.
Restitutions Directorate. (See our cable 1955, 14 August 1947.) Since very little agreement could be reached at this level at a meeting held on August 22, 1947, a comprehensive report on the points which remain unsolved is being prepared for submission to the Coordinating Committee.3

Three principal questions await resolution by the Coordinating Committee:

(1) Who shall take delivery of commodities dispatched as reciprocal deliveries? The Soviets insist that each Zone Commander shall take delivery and sign receipts for commodities in proportion to the industrial capital equipment dispatched from that particular Zone; neither the Zone Commanders of the Western Zones nor the Zone Commander of the Soviet Zone can act as agents for IARA. The three Western nations insist that they can only accept such commodities "acting on behalf of IARA."

(2) What is to be the source of the commodities dispatched as reciprocal deliveries? The Soviets insist that they alone are to determine the source from which such commodities are delivered. The Americans and British—partially supported by the French—insist that commodities furnished as reciprocal deliveries must come from outside Germany, unless they are in excess of the requirements of an agreed minimum economy for all of Germany and are not exportable to provide funds for reimbursement of occupation costs.

(3) What is to be the price of the commodities dispatched as reciprocal deliveries? The Soviets insist that the cost of packing and transport outside the German borders should be added to the 1938 price in Reichsmarks (plus 5 per cent), and therefore, such costs should be borne by the recipient. The three Western nations insist that such costs are already included in the basic price (i.e., the 1938 price in Reichsmarks plus 5 per cent), and that they should not again be added to the price used for accounting purposes.

The main questions of principle and an outline of the development and current position of the various delegations on each are indicated in the following pages.

... ... ...

Respectfully yours,

ROBERT MURPHY

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37 Not printed; it reported that at the 133rd Meeting of the Coordinating Committee of the Allied Control Authority, August 13, 1947, document CORC/P(46) 408/3 was referred back to the Reparations, Deliveries and Restitution Directorate for further discussion (740.00119 EW/8-1447).

38 Reciprocal deliveries were discussed at the 137th Coordinating Committee meeting, September 12, and the 70th Allied Control Council meeting, September 20. Ultimately, at the 139th meeting of the Coordinating Committee, October 2, agreement was reached on a Soviet offer to deliver certain goods, including wood, benzine, grain and synthetic rubber, as reciprocal deliveries. Decision on the questions of principle, i.e., the source of deliveries, transportation costs, etc., was deferred pending economic and political unification of Germany. For an account of the commodities made available by the Soviet Union and the amounts finally allocated to certain member governments of the Inter-Allied Reparation Agency, see Inter Allied Reparation Agency: Report of the Secretary General for the Year 1947 (Brussels, 1948), pp. 21–22.
740.00119 EW/9-1147: Telegram

_The Secretary of State to the Embassy in the United Kingdom_ 19

**TOP SECRET**

WASHINGTON, September 11, 1947—5 p.m.

3946. Text of State-War telegram (TopSec) to OMGUS on resumption reparation deliveries follows:

"For General Clay and Ambassador Murphy. Following is policy of State and War for resumption of reparation deliveries:

1. No actual deliveries on reparation account to be made until after next CFM meeting other than advance reparations & equipment from war plants being delivered under existing policy.

2. As it is very important not to give any basis for charges that the commitment on this subject given in connection with level of industry announcements not made in good faith, you will prior to next CFM discussions avoid any association of resumption of reparation deliveries with attainment of economic unity.

3. Publication of plant lists should be made as soon as possible. Expected delays in obtaining tripartite agreement on allocation and valuation mentioned in Gen Clay's NR 72088 20 will be relied upon instead to postpone deliveries until after CFM meeting.

4. All preliminary steps will be taken in US and UK zones so that deliveries can be resumed to certain countries as soon as possible after next CFM meeting.

5. Deliveries to USSR to be suspended indefinitely if economic unity not attained at next CFM meeting. State studying question whether deliveries to Albania, Czechoslovakia and Yugoslavia should also then be suspended."

Sent London rptd Paris 3423 and Brussels 1270.

MARSHALL

740.00119 EW/9-1547: Telegram

_The United States Delegate to the Inter-Allied Reparation Agency (Dorr) to the Secretary of State_

**TOP SECRET**

BRUSSELS, September 15, 1947—11 a.m.

1407. OE from Dorr. ReDeptel 1270, September 11. 21

1. In view paragraph five feel it extremely difficult make any statement whatever to IARA re US policy which might not in certain even [events?] afford later justification for charges of bad faith. Accordingly request detailed instructions concerning position to be taken by US.

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19 Telegram 4120, September 24, to London, not printed, asked Ambassador Douglas urgently to assess the feasibility of obtaining British concurrence to the position outlined in this telegram. Should Douglas deem such concurrence obtainable, he was to present the position to the British as soon as possible (740.00119 EW/9-2047).

20 Ante, p. 1059.

21 Same as telegram 3946 to London, supra.

291–512—72—73
2. Re paragraph five hope that, if Dept seriously considering stopping deliveries to any non-occupying power, opportunity will be afforded me to present personally views as to possible effects on work here. Would such suspension apply all reparation deliveries including neutral assests [assets], or only industrial equipment? Is there any indication British French would agree? If not, presume restriction would apply solely to relatively small number plants which might be delivered from US zones, since British French have already shown willingness make unilateral removals from their zones when quadripartite action blocked. Strongly inclined to feel if any restriction attempted position US Delegation IARA would become untenable in view clear violation Paris Act.

3. Pending advice from Dept regarding extent to which British support our attitude, have not felt it possible to discuss subject even informally with British delegate.22 British alternate delegate going Berlin today probably for consultation this matter.

[ORR]

740.00119 EW/10-347

Memorandum of Conversation, by Joseph A. Todd of the Division of Occupied-Area Economic Affairs

SECRET

[WASHINGTON,] October 3, 1947.

Participants: Mr. Hubert Penson—Minister, Advisor to the Ambassador on Germany, British Embassy.
Mr. A. F. Geolot, Second Secretary, British Embassy
Mr. C. Tyler Wood—A-T
Mr. Covey T. Oliver—OE
Mr. Joseph A. Todd—OE

Messrs. Penson and Geolot called to present the views of the United Kingdom with reference to the United States proposals23 discussed by Ambassador Douglas with Foreign Secretary Bevin in London last week. These proposals were to the general effect that further deliveries to the Soviet Union of capital equipment as reparation would not be made pending the outcome of the forthcoming CFM meeting, and that no deliveries would be made thereafter to the Soviet Union if agreement was not reached on the question of economic unity for

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22 Telegram 1288, September 15, to Brussels, for Dorr, not printed, replied in part as follows:

“For your info this position has not yet been discussed with UK. Until further informed you should endeavor avoid responding questions this subject.” (740.00119 EW/9-847)

23 The reference here is presumably to the statement of policy for the resumption of reparation deliveries set forth in telegram 3946, September 11, to London, p. 1123.
Germany. The Foreign Secretary was also informed that the United States was considering the possibility and desirability, under the latter circumstance, of including Albania, Czechoslovakia and Yugoslavia under the ban against further deliveries, despite the status of these countries as signatories to the Paris Reparation Agreement.

The British Embassy representatives stated that their Government viewed these United States proposals with alarm and referred to the commitment given by the Secretary of State at Moscow that reparation deliveries under a revised level of industry would be resumed to both Eastern and Western nations. They went on to point out the probable undesirable effect on the CFM discussions if the Soviet Union should be in a position to charge bad faith as a result of delaying tactics which were clearly revealed as such. While the UK is willing to consider the prohibition of further deliveries of capital equipment to the Soviet Union if the CFM fails to reach substantial agreement, she is very anxious to proceed rapidly with the announcement and implementation of the reparation program under the revised level of industry.

During the discussion it was made clear that the allocation of capital equipment between the USSR and IARA would not take place before approximately December 1, even if there were no delays of entirely usual origin, and that actual dismantling and removal in any appreciable volume could not, therefore, be expected before the end of the year.

Mr. Wood pointed out that there appeared to be general agreement between the two Governments regarding the desirability of having the record clear at the time the CFM was discussing economic unity and, because of the time table referred to above, little disagreement as to the practical results which might be expected. Before confirming officially that the US was prepared to agree allocations before or during the CFM meeting in the event this came about in the normal course of events, he wished to consult Assistant Secretary Saltzman and, possibly, Undersecretary Lovett.

In addition to the question of making allocations and resuming deliveries, the UK representatives also stated it appeared desirable to emphasize at the time the new reparation program was announced that the US would make every effort to maintain the food ration in the bizonal area and to assist the Germans in reviving their economic activity conditioned upon the acceptance by the Germans of the reparation program and their full cooperation in its implementation. Mr. Wood stated that the Department wished to take this question under consideration and informed the UK representatives that he would get in touch with them at a later date.
The possibility that the existence of official allocations might make it difficult to halt deliveries to the Soviet Union if this course proved desirable was discussed. There was general agreement that the political circumstances attendant upon failure to reach agreement on economic unity would be sufficient basis for nullifying allocations even if they have been officially confirmed.

The British Embassy representatives stated that their instructions did not refer in any way to the suggestion that deliveries to Albania, Czechoslovakia and Yugoslavia might also be halted.

740.00119 EW/10-1647

The Chief of the Reparations Section, Economic Division, Office of United States Military Government for Germany (McJunkins) and the Chief of the Reparations, Deliveries, and Restitution Division, Control Commission for Germany (British Element) (Whitham) to the Secretary General of the Inter-Allied Reparation Agency

BERLIN, October 14, 1947.

Sir: We have the honour to inform you that the United States and United Kingdom zone commanders have directed that the following information be communicated to you.

2. It has been the view of all four occupying powers of Germany as expressed at the Council of Foreign Ministers in Moscow that the level of industry fixed for Germany in March 1946 was too low. United States and United Kingdom Governments accepted this level on certain conditions, chief of which was that Germany would be treated as an economic unit; these conditions have not been fulfilled.

3. A revised level of industry has been planned for the United Kingdom and United States zones in Germany and jointly announced by the two zone commanders in August. In fixing this level, the requirements of countries entitled to receive reparations, the great majority of whom are represented at IARA, were fully considered. With this consideration in mind, we have endeavoured to the best of our ability to meet these requirements.

4. Since the publication of the revised level of industry plan for the UK/US zones of Germany, we have been engaged on the task of selecting the plants to be placed on the reparation list. The list is complete and is attached hereto. This list is still subject to amendment.

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24 This letter was delivered to the Secretary General of the Inter-Allied Reparation Agency at Brussels on October 16, 1947. The source text was transmitted to the Department of State by the British Embassy on October 16.

25 For the text of the list under reference, which was released to the press on October 16, see Plants and Part Plants Listed for Reparations from United States and United Kingdom Zones (of Germany): House Committee on Foreign Affairs, 80th Cong., 1st sess. (Washington, Government Printing Office, 1948).
The adjustments if any will, however, be only of a local character and you can be assured that no major modification will be made, and that substitutions will be of an equivalent capacity and value. Such minor changes in the list will not affect the total value of plant on the reparation list and they will be notified to you as soon as possible as we are anxious that the work of allocating reparations should not be retarded through uncertainty as to the precise plant to be made available.

5. The list contains 682 plants of which 302 are war plants and 63 are plants which have been allocated as advance deliveries and are now being dismantled. Apart from those allocated as advance deliveries, the list does not include any plants which are under the prohibited industries in the 1946 plans since these industries are now being reviewed and a final statement will be made in due course. Similarly, industries temporarily permitted under the 1946 plan are subject to further consideration before we can determine what plants if any may be added to the list. We fully appreciate the desire of your member nations to have a complete and final picture.

6. There is a further point to which we would draw your attention. For reasons which you will readily appreciate, it may be necessary in the case of certain factories to delay dismantling to allow for the transfer of the workers and the work in progress to other factories which are being retained in Germany. There are a few cases where the needs of our occupational forces will delay the date upon which the plants can be made available. You will shortly be advised of the plants so affected. In making decisions in individual cases, you may rest assured that we will bear in mind the importance of making reparations available as expeditiously and as fully as possible. Indeed we do not think that the programme as a whole will be seriously affected by these considerations.

7. The United Kingdom zone commander has determined that the publication of this list of reparations inevitably brings to an end the British emergency delivery scheme. This scheme was introduced to help countries in urgent need of reparations at a time when a limited number of advance deliveries and general purpose equipment from war plants was the only form of capital equipment available as reparations. Equipment to the extent of 75 million RM (residual value) was to be made available under this scheme. It has not been possible to provide more than a proportion of the amount originally envisaged. Nevertheless, an opportunity has been given for countries to obtain some of their most urgent needs of machine tools, which, without the introduction of this special emergency scheme, would still remain unsatisfied.

8. With the publication of the accompanying list we hope that the
uncertainties which surround the question of reparations will be removed. It is our intention to value all plants on the list and proceed to allocate them according to approved procedure.

We have [etc.]  

O. R. McJunkins  
G. S. Whitham

740.00119 EW/11-147: Telegram  

The Acting United States Delegate to the Inter-Allied Reparation Agency (Daspit) to the Secretary of State

CONFIDENTIAL  

BRUSSELS, November 1, 1947—3 p.m.

1703. OE from Daspit. Assembly 26 October 30 rehearsed reactions to new plant list anticipation visit next Wednesday Sir Cecil Weir, bizonal economics chief.

I had privately asked Rueff to refer to limits imposed on Assembly by part II, article 2 27 and he did so before calling on Yugoslavia to open debate.

Yugoslavia made three points: (1) Since list 28 did not reach IARA via Control Council, constitutional problem created for IARA, since Paris act preamble bases reparation on Potsdam. (2) Invited other nations to join in protest at low level of reparation which contrary to Potsdam provision that German people compensate to greatest extent for aggression. (3) Current production should be instituted in lieu of 10 billion reichsmarks IARA originally expected.

I expressed regret that advice of President disregarded, asked that minutes be edited so as eliminate portions of Yugoslav statement that did not lie within proper scope IARA’s concern, and moved adjournment on ground political issues raised were not proper subject Assembly debate and their discussion dangerous to harmony and effectiveness of agency.

Followed long and inconclusive discussion Article II, part two. Pointed out by some delegates that under rules, President had responsibility for calling speakers to order. Rueff stated there was dif-

27 The citation here is to the Agreement on Reparation from Germany, Establishment of an Inter-Allied Reparation Agency, and Restitution of Monetary Gold, signed in Paris on December 21, 1945; for text, see Department of State Treaties and Other International Act Series No. 1655, 61 Stat. (pt. 3) 3157, or Inter-Allied Reparation Agency: Report of the Secretary General for the Year 1947, Annex II.  
28 The reference here is to the list of plants in Germany subject to reparation transmitted to the IARA in the letter of October 14 from McJunkins and Whitham, supra.
ference in shading between French and English texts part II, Article 2 and that in his opinion French text justified expression disappointment with plants actually declared available. Stated however that current production dangerous question and he had several times considered ruling speaker out of order this point.

When became obvious Assembly would defeat adjournment motion, withdrew it, expressing confidence that President would exercise wisdom in holding further debate within proper limits. Debate which followed very moderate in tone.

Czechoslovakia advocated more detailed advance information so that IARA countries could make plans on overall basis, expressed disappointment no plants producing raw materials for ammunitions or armament plants available. French seconded latter point specifically desired plant for manufacturing submarine diesel cylinders.

Dutch made strong statement that revival German peaceful industry would contribute more to recovery IARA countries than few machines IARA could expect as reparation.

British recalled Potsdam first-charge principle on current production. French urged speed-up allocation, at present rate would take 18 months allocation new list, in addition to dismantling lag. Suggested cross index new numbers with ACA numbers for purpose identification.

Albanian said by-pass of Control Council rendered void part one Articles 2 and 3, opening up possibility new claims by member governments against Germany and against equipment allocated by IARA in future.

I pointed out that IARA crossing bridges in advance, since statement of McJunkins and Whitham forwarding list clearly showed the list did not constitute allocation to IARA, but an advance list sent for information, and that IARA had no cause to assume normal procedure would not be followed in formal declaration of availability. Further discussion suspended until after meeting with Weir. Yugoslavs and Albanians indicated introduction of strong protest resolution being considered.

Assembly extensively debated Rueff suggestion for press release repeating statements Clay, Robinson, Wilkinson, Bevin to counteract impression that new list would destroy German industry.

Albania strongly opposed on grounds such statement implied satisfaction with new list and when number other delegates showed lack enthusiasm, idea abandoned.

Sent Department 1708, repeated Berlin 139.
SECRET

BERLIN, November 1, 1947—7 p.m.

3484. Personal for Hickerson. Brussels 1675 from Dorr to OE. General Clay has been in communication with War Department regarding Dorr's desire to have OMGUS representative appear with British representative before IARA Assembly November 6 to discuss new bizonal plant list and reparation program.

Clay is averse to having OMGUS representative appear before IARA and "be shot at by the members from Albania, Yugoslavia, and Czechoslovakia." He believes that OMGUS is under no obligation to explain to them the several reasons entering into the preparation of the bizonal level of industry and the list of plants. He feels that if an explanation is necessary it could best be made on government level and that it is IARA's function simply to allocate equipment declared surplus by the occupying powers. If OMGUS representatives become involved in detailed explanations they might conceivably make statements which some representatives in IARA might seize on and turn propagandawise against US.

Clay intends to stand on this position unless he receives clear-cut instructions to the contrary from Washington. There would seem to be validity in his point of view but there may be a question of broader policy consideration known to the Department. If so, please indicate.

Sent Department as 3484, repeated Brussels for Dorr as 153.

MURPHY

CONFIDENTIAL

WASHINGTON, November 4, 1947—7 p.m.

URGENT

1583. For Daspit. Dept fully approves your position during Assembly session reported urtel 1703 Nov 1. You shld accordingly inform Rueff and at the same time reiterate your statement that President responsible for ruling speakers out of order if statements not within proper scope for Assembly discussion. You might also suggest in connection with any possible rulings this nature that Rueff shld make statement that protest against actions by Occupying Powers most appro-

Not printed.

Ante, p. 1128.
priately and effectively presented thru direct diplomatic channels and that failure agree debate at IARA no indication whatever that such protest considered inappropriate.

You shld specifically state that US Del will not transmit officially to your govt any resolution or other formal communication which is regarded as outside proper scope IARA Assembly or Secretariat. In the event discussion renewed in Assembly and improper protest resolution appears likely of adoption, you are authorized at your discretion to make statement before Assembly along these lines.

Your statement that McJunkins-Whitham communication 31 informative only entirely confirmed USPolAd’s 3473, rptd Brussels as 151, Oct 31. 32 Continue keep Dept and USPolAd fully advised all developments.

Rptd USPolAd, Berlin as 2222.

MARSHALL

740.00119 EW/11-147 : Telegram

The Secretary of State to the Political Adviser for Germany
(Murphy)

SECRET WASHINGTON, November 4, 1947—8 p.m. URGENT

2228. Dept not informed exact purpose stated by IARA Secretariat (reurtel 3484 Nov 1 33) in extending invitation OMGUS reps appear with Brit reps before IARA Assembly, but agrees entirely with Gen Clay’s view that OMGUS reps shld not become involved in controversy at IARA as to justification of bizonal level of industry and list of plants thereunder. Understood here that purpose of visit was to discuss mechanics, procedures and general info re plants to become available only, but appreciated would be difficult keep discussion within these limits.

Dept’s chief concern is that no basis be given for feeling among IARA countries that US unsympathetic re facilitating delivery capital equipment with UK being regarded as sole supporter IARA interest this connection. Dept is informed that neither Dorr nor Daspit had anything whatever to do with issuance invitation by Sec Gen, or in fact even knew in advance that invitation being issued. Daspit requested confirm this for ur and Dept’s info.

Matter is not regarded as serious by Dept, altho regretted invitation was twice accepted and cancelled without any explanation,

31 Dated October 14, 1947, p. 1126.
32 Not printed.
33 Ante, p. 1130.
thus placing US Del at IARA under some embarrassment inasmuch as every effort has been made in the past by US Del be in position fully explain and support all action taken by OMGUS. This considered very desirable by Dept, and suggested you may wish convey contents this msg to Gen Clay as illustrative importance keeping US Del as fully informed as circumstances permit at all times on matters pertaining to implementation of reparation removal program.

Rptd Brussels for Daspt as 1585.

Department has agreed message to Clay from Army concurring his position.

MARSHALL

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Editorial Note

On November 13, 1947, Edwin Pauley transmitted to the Secretary of State a paper setting forth a proposed reparations plan in anticipation of the forthcoming session of the Council of Foreign Ministers in London. For the paper and the accompanying letter from Pauley to the Secretary of State, see pages 713–719.

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740.00119 EW/11-1547: Telegram

The Acting Secretary of State to the Acting United States Delegate to the Inter-Allied Reparation Agency (Daspt) at Brussels

CONFIDENTIAL URGENT NIACt

WASHINGTON, November 18, 1947—3 p.m.

1655. For Daspt. Dept agrees view urtel 1792, Nov 15,*4 that no strenuous effort appropriate kill IARA protest resolution. However, instruction to president to “take such steps as he may deem appropriate... with a view to the increase of the total amt of reparations in conformity with the agreements reached at Yalta and Potsdam” considered highly objectionable following grounds (in addition general considerations outlined urtel 1703 Nov 1 and Deptel 1583, Nov 4): (a) implies IARA right to interpret Yalta and Potsdam; (b) implies Yalta co-equal with Potsdam in defining total amt reparation,

*4Not printed; It reported the text of a draft resolution protesting against the inadequacy of the list of plants declared to be subject to reparation from Germany (740.00119 EW/11-847). The list of plants was that referred to in the letter of October 14, 1947, from McJunkins and Whitham to the IARA, p. 1126.

On November 19, 1947, the Assembly of the Inter-Allied Reparation Agency adopted a resolution expressing its disappointment over the low amount of reparation so far declared available for distribution to Agency members; for the text of the resolution, see Inter-Allied Reparation Agency: Report of the Secretary General for the Year 1947, pp. 14–15.
whereas US position is that Potsdam solely governs, and Paris Agreement mentions only Potsdam; (c) grants excessive discretion to president.

You shld draw attention these views but take no action secure formal amendment as this wld tend associate US with resolution. Dept wld have no objection as to substance to resolution which simply expressed IARA disappointment, instructed Rueff inform CFM. You shld however abstain from voting on such resolution.

LOVETT

862.60/12-147

The Acting Secretary of State to the Chairman of the House Committee on Foreign Affairs (Eaton)

[Extracts]

[WASHINGTON,] December 6, 1947.

MY DEAR MR. EATON: This will acknowledge receipt of your letters of November 25 and December 1, 1947, transmitting copies of House Resolution 364 and House Resolution 365, and requesting the comments of the Department of State thereon.

House Resolution 364 provides in substance that the entire dismantling program in the United States Zone of Germany be suspended until the Congress has had the opportunity to study the economic effects of such dismantling upon future United States expenditures in aid of European recovery; and that an attempt be made to bring about similar action in the British Zone. The objective of the Resolution appears to be to enable the Congress to assure itself that the dismantling program will in no way increase the financial burden on the United States.

With this objective the Department of State is, of course, in complete sympathy. All directives to the United States Zone Commander have consistently emphasized the necessity for minimizing United States financial costs in Germany, and for bringing Germany as rapidly as possible to the achievement of self-support. This factor was basic to our decision to increase the industrial capacity to be retained in the bizonal area after it became clear that the conditions which were assumed for the earlier Level of Industry Agreement for all of Germany could not be fulfilled at this time.

It was necessary to ensure, in accordance with international agreements, a prompt contribution by Germany to the economic reconstruction of the victims of German aggression, and to carry out the

* Neither printed.
fullest demilitarization of Germany consistent with German self-support and with European reconstruction. Therefore, General Clay was instructed to prepare, in concert with his British colleague, a Revised Level of Industry Plan. This Plan was published on August 29, 1947, and the list of plants selected for removal thereunder was published on October 16.

As stated in the text, "the over-riding requirement (in the development of the Plan) was to provide the level of industry necessary to make the area self-supporting." General Clay's instructions were to ensure the retention in Germany of sufficient industrial capacity to permit not only the achievement of a self-sustaining economy, and thereby the elimination of U.S. financial contributions, but also a substantial contribution through exports to general European recovery.

It is the considered opinion of the American and British authorities who have worked with these problems for over two years now that the Plan achieves these objectives. It is their firm belief that the plants scheduled to be removed could not, because of world shortages of food, fuel and raw materials, possibly be used in Germany within the next four to five years; and that their removal, therefore, will cause no loss of German production. General Clay has provided the following statement which expresses his position clearly:

"The United States has consistently refused to permit production in Germany for reparations as it is apparent such production would be supported by the United States. However, it has realized from the beginning that there was an excess industrial capacity in Germany built up during its war effort which could be removed from Germany without detriment to its normal economy. Therefore, the United States had favored reparations in the form of capital equipment, realizing that a reduction in Germany's industrial output was also a security measure.

"Our first calculation of the level of industry failed to take into consideration the effect of failure to obtain early unification, subsequent boundary changes, and underestimated increases in population. Moreover, it failed to give adequate consideration to the need for Germany's production to assist in European recovery. Realizing our mistake, we requested and obtained authority to revise the level of industry for the British and American Zones which had started to operate as an integrated economic unit. The revised level of industry gives to Western Germany what it had in 1936. It is true that this will not support the standard of living which existed in 1936. It is a pro-

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8. See the editorial note, p. 1066.
9. The statement that follows was cabled from Berlin by General Clay in response to an inquiry from the Civil Affairs Division, Department of the Army. The statement was transmitted to the Department of State in a memorandum from the War Department dated December 3, 1947 (740.00119 Control (Germany)/12-347).
ductive output per capita approximately 75% of the per capita output in 1936, and capable of providing a reasonable standard of living taking into consideration the standard prevailing in Europe as a whole. It will permit exports from Germany sufficient to pay for essential imports, including food, and the exports made to other Western European countries will eventually assist in their recovery. However, it is doubtful if the industrial capacity left in Germany can be put fully to use in less than 5 years, and it would be indeed many years before the full capacity, including that made available for reparations, could be put to use. If, in fact, this equipment is removed by other Western Nations, it may well contribute to European recovery at an earlier date than if left in Germany.

"While the IARA organization does include some of the satellite countries, they would obtain very little of the equipment.

"Coal, transport, and manpower are not available to Western Germany to support an industry greater than now contemplated. Western Germany no longer has access to the Brown coal fields of Eastern Germany and hence must use hard coal for many purposes formerly served with Brown coal. This of course reduces its steel-making capacity. Germany's transport has been badly damaged. There is a great shortage of rolling stock and waterway stock. Germany's repair facilities were designed only to keep up with normal depreciation. They too are badly damaged and it will be many years before these repair facilities can take care of present depreciation and at the same time replace the railroads, barges, and other transport equipment lost as a result of war damage.

"Moreover, even today Germany is facing manpower shortages everywhere, although total production is less than 50% of prewar production and the population of the 2 Zones has increased by more than 6,000,000 persons. The reasons for this shortage in manpower lie first in the heavy casualties suffered by Germany during the war, the still missing prisoners of war, and the low productive output of its present manpower due to food shortages. Young and middle aged skilled manpower is in short supply. It will take many years for replacement manpower to be found and to be trained. The increase in population is composed largely of untrained women and the young and old. Moreover, even if food becomes available, it will be several years before the working population can be fully restored to its prewar productive ability.

"It is my sincere conviction that in view of these factors, we have left to Western Germany all of the industrial capacity it can use. Of course cases can be made for specific plants and we are prepared to consider recommendations from the Germans for transfers and other replacements to save specific plants when it can be shown that such plants are essential to the German economy. While the German politicians have gone on record disclaiming responsibility, there is no widespread evidence that the proposed program has created any serious disturbance or that it will create such disturbance. Obviously the Communist Party will attempt to make it an issue before the German people.

"I have frequently pointed out that fear of the effect of dismantling on the German people failed to take into consideration the effect that
discontinuance of the program would have on the Free Nations of Western Europe. We have entered into an international agreement at the Paris Conference in which we promised deliveries of capital equipment. While no quantities were specified, it was certainly intended that the deliveries would be substantial. It seems to us that we have reduced the deliveries to a minimum to satisfy our commitments to these countries and to meet real needs. A failure to deliver substantial quantities of capital equipment would certainly be regarded as a breach of our commitment. In the case of France, I have pointed out its concern as a matter of security over the present agreed level for the British and American Zones. The French believe too that shortages of coal will make it difficult to establish this level in Germany without holding back industrial development in Western Europe. Therefore, in establishing the present level of industry, we have already challenged French friendship and any further increase in this level would be certain to arouse great additional French resentment.

"Moreover, this presently agreed level of industry is not a unilateral US matter but a joint matter covering the British and American Zones with, in fact, the greater amount of the capital equipment coming from the British Zone.

"In the general interests of Western Europe we believe we have reached a solution which, while perhaps satisfactory to no one, is less unsatisfactory to everyone than any other solution which could be developed. Finally, this decision settles the reparations program, fixes the plants to be left in Germany so that their owners may put them at work, and definitely tells the nations belonging to IARA what they may expect from Germany. This final solution is essential and further delays and studies could only add uncertainty and doubt to a program which needs resolving now.

"In addition it might well be pointed out that the repairs of Germany's war damage will for years require a substantial percentage of German manpower and this alone would prevent sufficient manpower being available to operate present industrial capacity in Germany if all of this industrial capacity were left in Germany and fully restored for production."

Quite recently the Department of State had occasion to make a general statement of its position on the relationship of the dismantling program to the proposed European Recovery Program. This statement seems relevant to the present inquiry and is set out below in its entirety.

[Here follows the text of the statement by Acting Secretary of State Lovett on the objectives of the reparations removals program in Germany, released to the press on November 26, 1947. For the text of the statement, see Department of State Bulletin, December 7, 1947, pages 1088.]

The right of the member countries of the IARA to receive reparation from Germany is incontestable. A delay of two years has already occurred in the large-scale implementation of the reparation program on which they counted when signing the Paris Agreement. Still fur-
ther delay would tend to be considered by them as evidence of lack of United States interest in reparation and security, and as lending substance to the Soviet charge that the United States favors German over European recovery.

The Department of State would, of course, agree that these considerations, strong as they are, could not take precedence over important United States interests. It is the firm view of the Department, however, that the Revised Level of Industry Plan affords ample protection to the financial interests of the United States, and that all other United States interests in this matter favor the prompt completion of the dismantling program. The Department of State would not, therefore, favor passage of House Resolution 364.

House Resolution 365 constitutes a rather detailed request for information. The Department of State is prepared at all times, of course, to furnish to the best of its ability any information requested, in whatever form, by the Congress, its Committees, or its individual Members. A memorandum is enclosed which furnishes the additional information not believed to have been provided by Mr. Lawrence Wilkinson’s testimony before your Committee on December 3. If this information is considered sufficient for your immediate purpose, it would appear unnecessary to have the Congress pass this Resolution.

The information furnished herewith was gathered with the complete cooperation of the Department of the Army, which concurs fully in the views expressed.

Because of the urgency of the matter this letter has not been cleared with the Bureau of the Budget, to which a copy is being sent.

Sincerely yours,

ROBERT A. LOVETT

740.00119 EW/12-2747

The British Embassy to the Department of State

AIDE-MÉMOIRE

Reference is made to the recent conversation of the United States Secretary of State with the British Foreign Secretary on December

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38 Not printed.
39 House Resolution 365 of the Eightieth Congress was adopted by the House of Representatives on December 18, 1947. The Resolution requested the Secretaries of State and Defense to transmit information to the House of Representatives on eleven questions regarding the removal of industrial plants from Germany. For the text of the questions contained in House Resolution 365 and the answers provided thereupon, see Department of State Bulletin, February 8, 1948, pp. 155-191.
40 Delivered on December 29, 1947; see the memorandum of conversation by Acting Secretary Lovett, infra.
17th regarding the question of reparations deliveries to the Soviet Union.\textsuperscript{41} In this conversation, Mr. Bevin recalled the conversation which had taken place between them at Moscow when, as Mr. Bevin understood, it had been agreed that both Governments should proceed with deliveries from the Western Zones to the Soviet Union and Poland, as well as to the other Allies. At the recent Council of Foreign Ministers meeting in London, Mr. Bevin had said that His Majesty’s Government intended to carry out the Potsdam decisions on reparations.\textsuperscript{42} This implied that His Majesty’s Government, for their part, considered reparations deliveries from West to East should continue to be made. After the Council of Foreign Ministers had ended, the British Cabinet had further considered the matter and had confirmed the view that it would be a great mistake to stop deliveries to the Soviet Union. Mr. Bevin stated that he thought it would be playing into the hands of the Soviet Union if we stopped delivering reparations from capital equipment to them. He also made it clear that he had never been happy when action had been taken in the Control Council which had prevented allocations being made over a long period.

It was clearly stated by Mr. Bevin that His Majesty’s Government considered themselves committed to deliver what they had covenanted to deliver to the Soviet Union—that and no more. On the other hand he was anxious to avoid any conflict with the United States Government over this question. There were bigger things going on in Western Europe which should surely take precedence over this question of surplus equipment.

It had been understood that, on his return to Washington, Mr. Marshall would consider the whole question in the light of His Majesty’s Government’s views, and that Mr. Bevin would then be informed of the considered opinion of the United States Government. It is not clear, however, particularly from Senator Vandenberg’s remarks\textsuperscript{43} in the recent debate in the United States Senate, whether the United States Government may not have already decided that all deliveries to the Soviet Union from the United States Zone should cease.

Whilst Mr. Bevin entirely appreciates the strength of feeling on the subject in the Congress and understands the necessity of the United

\begin{itemize}
  \item For the record of Secretary Marshall’s conversation with Foreign Secretary Bevin on December 17, see p. 815.
  \item For the statement on reparations by Foreign Secretary Bevin, intended for delivery to the Fifth Session of the Council of Foreign Ministers, London, November 25-December 15, 1947, but not made and subsequently published in the press, see Documents on International Affairs, 1947-1948, pp. 522-527.
  \item Reference is to a statement by Senator Vandenberg to the Senate on December 19 on the question of reparations; regarding the Senator’s statement, see the memorandum of conversation by Lovett, infra.
\end{itemize}
States Government’s paying full attention to this feeling, he cannot help wondering whether the full implications of a policy of terminating reparations deliveries to the Soviet Union have been realised and the complications which such a policy would be likely to cause in our relations not only with the Soviet Union but with the I.A.R.A. powers.

In addition to the general arguments used by Mr. Bevin against taking a step which the Soviet Union will almost inevitably regard as marking the final breach between West and East Germany and the undesirability of departing from the Potsdam decisions, Mr. Bevin has instructed me to mention the following further points which, in his view, should be taken carefully into consideration:

(i) Of the 25 per cent share in reparations allocated to the Soviet Union, 15 per cent is in return for reciprocal deliveries from the Soviet Union. These are now being made. On receipt, these reciprocal deliveries are turned over to the I.A.R.A. powers, including the United States, the United Kingdom, and France. If all deliveries to the Soviet Union are to be stopped it is certain that the Soviet Union will stop making these reciprocal deliveries. This will inevitably cause the United States and the United Kingdom great difficulties with the I.A.R.A. powers, who will thus be deprived of part of their share of reparations. The I.A.R.A. powers, whose friendly cooperation is very necessary for the success of the European Recovery Plan, are already disappointed at the smallness of the reparations programme as a whole, and they will greatly resent any unilateral action by the United States and the United Kingdom calculated still further to reduce the reparations accruing to them. This is especially so as some of them will have been counting on these reciprocal deliveries from the Soviet Union of scarce commodities, such as timber and wheat as a means of helping their own economic recovery. Furthermore, if reciprocal deliveries are stopped, it will no longer be possible for the occupying powers to make use of their share or part of it for the benefit of the German economy.

(ii) It is most desirable to do everything possible to stimulate trade between Western Germany and the Soviet Zone. The cutting off of reparations deliveries to the Soviet Union would have just the reverse effect.

(iii) It is undesirable to take any action which might give the Soviet Union an excuse for making the Allies’ position in Berlin, which they are already attacking, even more difficult; or so prejudice the chances of maintaining in existence the quadripartite machinery, one of whose main functions in future could be reparations allocations.

(iv) If none of the dismantled plants is to go to the Soviet Union, the opposition of the German Communists to the reparations plan as a whole is likely to be greatly increased and the task of the Anglo-American authorities in enforcing it made correspondingly harder, especially in the British Zone where the major problem arises.

(v) It has frequently been suggested that the United States’ intention is to suspend deliveries not only to the Soviet Union (and Poland) but to Yugoslavia, Czechoslovakia, and Albania. This would constitute
a definite breach of the Paris Act on Reparations. Although the stoppage of deliveries to Russia might be justified on account of Soviet failure to observe the Potsdam decisions, this argument could not apply to these other countries and it would be difficult to justify depriving them of reparations.

(vi) It is clear in the view of His Majesty's Government that Category I war plants should be completely dismantled and removed physically from Germany.

(vii) It has been suggested that all the reparations procedure might be carried out up to and including the dismantling and packing stages, the material then being stored in Germany. Whilst such an arrangement would clearly be much better than suspending reparations procedure altogether and leaving the plant allocated to the Soviet Union undismantled, it would inevitably encounter many difficulties in respect of storage accommodation and provision of guards.

WASHINGTON, 27th December, 1947.

740.00119 EW/12-2947
Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] December 29, 1947.

Participants:  The British Ambassador [Lord Inverchapel]

Mr. Penson
Mr. Lovett
Mr. Wisner, A-S
Mr. Wailes, BC

The British Ambassador called by appointment at 3:30 today and left with me the attached Aide-Mémoire concerning reparations deliveries to the Soviet Union and certain members of the IARA group. After giving me an opportunity to read the Aide-Mémoire the Ambassador asked for an indication of our current views on the subject.

As background I pointed out that this matter had recently come very much to the fore during a debate on the floor of the Senate concerning the Department of the Army's request for a deficiency appropriation for occupation expenses in Germany and the other occupied areas. An attempt had been made to write into the Appropriation Bill a clause which would prevent the use of any of the appropriated funds for the compensation or other expenses of personnel engaged in the dismantling of non-military plants in the bizonal areas of occupation in Germany. Due to the strong stand and prestige of Senator Vandenberg, he had been able to effect the withdrawal of this crippling amendment. In order to accomplish this result it was necessary for

...Supra.
Senator Vandenberg to give the firmest assurances to the Senate that the entire dismantling and reparation program would be the subject of an exhaustive investigation by the Senate Foreign Relations Committee as soon as the Congress reconvenes. It had also been necessary for the Senator to say that he had been advised by State Department spokesmen that the Department is seeking adequate arrangements with the British regarding any further shipment of dismantled plants to the East, or words to that effect. Later in the same day the Department had issued a very brief statement to the press in approximately the same language. It was obvious that there was a very strong sentiment in the Congress against the making of further reparations deliveries by the United States under the Potsdam Agreement inasmuch as the Soviet Union had so flagrantly violated various provisions of this agreement.

I then pointed out that it would seem from reading the attached Aide-Mémoire that the British Government had overlooked a major factor which considerably colored the thinking of our Congressmen on the subject. This is the fact that the United States has recently agreed to take over a substantial portion of the United Kingdom's dollar commitments in the bizonal area. This added expense to the American taxpayers led many members of Congress to feel that we could not afford to continue to make reparations deliveries of plants equipment and material which might be used to lessen U.S. dollar expenditures.

The Ambassador then pointed out that at the bottom of page 2 of the attached Aide-Mémoire it was indicated that reciprocal deliveries from the Soviet Union are now being made and inquired whether, in view of this fact, we were still not prepared to go along with the Potsdam decisions. I replied that we had no information of actual receipt of any such deliveries in the American Zone, but that we would send a telegram immediately to ascertain the current situation. I said that it might be somewhat easier to convince Congress that we should continue certain reparations shipments if they were on a "barter basis" and in return for countervailing deliveries by the Russians. I indicated, however, that we were still considering the whole subject of our reparations policy and that we would reach no final decision until after the return of the Secretary to Washington.

The Ambassador then raised the question of our reparations policies toward the LARA nations and I pointed out that this aspect of our reparation policy is likewise still under study but that I felt somewhat more optimistic about the possibility of continuing deliveries to

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"The text of the Department's press statement, dated December 19, is quoted in telegram 2629, December 30, to Berlin, infra."
all the IARA countries, as distinguished from the Soviet Union and Poland.

Finally, the Ambassador inquired what our views would be toward Britain’s proceeding with reparations deliveries without similar action on our part. I replied that frankly I felt that such action by the UK would perhaps cause the Congress to inquire why the British Government should continue to honor commitments made at Potsdam and not those in connection with the American loan, et cetera. I pointed out that there was the obvious answer that in one case the British Government was in a position to render specific performance, and in the other it could not. This, however, would be hard to get across to the American public and Congress, and I felt, therefore, that there would undoubtedly be repercussions during the hearings and debate on ERP.

Lord Inverchapel said that he appreciated receiving these views which he would send on to London. At the same time he would ask his Government to furnish him with information on the extent of reciprocal deliveries from the Soviet Union.

ROBERT A. LOVETT

740.00119 EW/12-2447: Telegram

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

SECRET

WASHINGTON, December 30, 1947—6 p.m.

2529. Following is reply to Belgrade’s tel 2335, Dec 18, repeated to Frankfurt as Belgrade’s no. 6 (Repolad’s 3784, Dec 24):

"Dept’s position re resumption reparation deliveries to Soviet satellites not expected to be determined before end first week January. (Reembtel 2335, Dec 18) Although it has been standard practice to permit reparation teams of IARA Countries to enter Germany to supervise packing and shipment of plants ready for delivery, present uncertainties as to future treatment Soviet satellites, including uncertainty whether plants allocated prior to new level of industry but not yet delivered would be included in a possible stoppage of deliveries, make it desirable that Albanian representative not proceed to Frankfurt at this time”.

Vandenberg’s statement was made after consultation with officers of Dept in course of opposition to appropriation bill rider designed to prevent use of appropriated funds for MG reparation functions. Vandenberg defended continuance of deliveries to IARA countries on

46 Not printed.
47 Not printed; it asked for information regarding Senator Vandenberg’s Senate speech of December 19 and the Department of State’s press statement of the same day (740.00119 EW/12-2447).
ground that US committed by Paris Agreement on Reparation, thus by implication restricting non-delivery to USSR. Expected that whole question of future plant removals as reparation will receive detailed consideration at next session Congress and Dept’s highest levels considering matter at this time. In meantime Dept’s official position is that given in Dept’s press statement issued after Vandenberg speech, namely “The State Department confirmed that it was seeking adequate arrangements with the British regarding any further shipment of dismantled plants to the East. The Secretary of State had a preliminary talk on this subject with Mr. Bevin before leaving London”.

LOVETT

Editorial Note

During 1947 the United States continued to be involved in negotiations concerned with the restoration of monetary gold looted by Germany during World War II and with the liquidation of German assets held abroad. On October 17, 1947, the Tripartite [United States-United Kingdom-France] Commission for the Restitution of Monetary Gold announced at its seat in Brussels the preliminary distribution of gold to certain of the countries which during World War II had been despoiled of monetary gold by Germany; for the text of the announcement, see Germany 1947–1949, pages 428–430. On October 10, 1947, the United States, United Kingdom and Italy concluded an agreement under which approximately $28 million of Italian monetary gold uncovered by Allied forces in northern Italy in May 1945 were to be transferred to the Italian Government; for the text of the agreement and the accompanying statement to the press, see Department of State Bulletin, October 19, 1947, page 770. On November 4, 1947, and December 16, 1947, respectively, the United States, the United Kingdom and France concluded protocols with Austria and Italy for the restitution of gold; for the texts of the protocols, see Department of State Treaties and Other International Acts Series 1683 and 1707, respectively, or Germany 1947–1949, pages 430–431. On August 14, 1947, the United States, the United Kingdom and France entered into an understanding with Italy on a program for the liquidation of German assets in Italy; for the text of the memorandum of understanding and the accompanying statements to the press, see Department of State Bulletin, August 24, 1947, pages 388–389. On December 5, 1947, the United States, Canada and the Netherlands signed at Brussels an agreement relating to the resolution of conflicting claims to German enemy assets. For the statement issued to the press concerning this latter agreement, see Department of State Bulletin, Decem-
ber 14, 1947, pages 1192–1193; for the text of the agreement and an article by Ely Maurer and James Simsarian summarizing its main provisions, see Department of State Bulletin, January 4, 1948, pages 3–13.

5. Measures to Deal With the Food Crisis in Germany; Principles of a Food Supply Program For Germany

862.5018/4–347: Telegram

The Acting Political Adviser for Germany (Heath) to the Secretary of State

TOP SECRET

BERLIN, April 3, 1947—2 p.m.

792. 1. Current unrest in Ruhr politically significant because demonstrations represent first mass protest against food shortages which have in fact existed for many months. The authorized ration has never been met in full in all parts of British Zone and the same is true for some areas in the US Zone. Unless conditions improve it is our opinion that these strikes and demonstrations will tend to become more frequent and will spread to other parts of the British and US Zones. Although present situation appears to have developed as a spontaneous protest against conditions it could be easily exploited by organized groups in order to embarrass German authorities and Military Government as well. Field report from Military sources state Communists very active in Ruhr.

2. Present food shortages in Ruhr cities appear to be mainly due to a breakdown of the German Administrative Organization responsible for the distribution of food. Actual tonnages of imported food supplies received by British since zone merger January first have been at a higher rate than ever before and grain earmarked for Ruhr is estimated at 6,000 tons per week or about 25% above requirements. Confusion between German food officials and those responsible for transport has brought about impossible situation. There are cases reported where entire food trains cannot be accounted for. In some areas food supplies received in excess of approved allocations and in other areas they are short. British blame situation on premature handing over of responsibility to Germans and since March 24 have reestablished direct military supervision and control over movement of imported supplies.

3. Although the emergency in the Ruhr may be relieved temporarily by extraordinary measures to move food supplies to urban centers the prospect is that the overall food situation in both zones will grow worse instead of better between now and the 1947 harvest. There
has been a sharp decline in farm to market deliveries in both zones since the end of January because of weather conditions and transport difficulties. A winter kill of planted grain will require large farm retentions for reseeding. Enforcement difficulties are growing and there is increased black market operations. Although Military authorities do not believe that collection machinery is in danger of immediate breakdown they do point out that collections become more difficult when the official rations are inadequate or not honored. Another complicating factor is the unpopularity of the bizonal livestock reduction program which is so unpopular with farmers that the German authorities have made no serious effort to enforce it.

4. As result of the impending crisis in food supply Military Government in both zones is bringing great pressure on German officials to take steps which will improve collections. Minister Presidents of the various Laender have been told what is required of them and have been asked to state what military assistance they need to carry out their program.

5. Although not minimizing the seriousness of probable short fall in farm collections of about 190,000 tons grain equivalent, food and agriculture officials of the US Zone feel that the largest single factor in the deteriorating food supply is the anticipated short fall in imported bread grains. The present IEFC allocation is 340,000 tons below the figures stated by the bizonal panel in February as the minimum necessary to meet the 1550 calorie ration scale. OMGUS cable for attention Secretary Patterson (CC–8614, March 31, 47*4) states that on the basis of imports now in sight German officials say that a cut of 500 calories per day in the bread and cereal ration will be necessary to maintain distribution. Cable further states that in order to hold present ration at 1550 calorie allocations and deliveries for April and early May must be increased by 200,000 tons.

6. In our opinion situation is extremely grave. Even if collections from German farmers were 100% efficient there is not enough food in sight to meet the 1550 ration level between now and June 30. The US and UK Governments either must import enough food to be certain that the ration scales will be met or be prepared to face continued demonstrations and possible disturbances. Also occupying powers must expect considerable inefficiency from the German administration of the food and agriculture programs until it gains experience. The Chairman of the German Executive Committee on Food and Agriculture for the combined zones has asked for greater authority over the respective Laender Administrations. Col. Hester now in

*Not printed.
Stuttgart discussing problems with bizonal control group and German authorities. Will report further when we have more information.

Repeated to Moscow; personal for Ambassador Murphy as 235.

HEATH

862.5018, 5–847

Memorandum by the Assistant Secretary of State for Occupied Areas (Hildring) to the Under Secretary of State (Acheson)

[WASHINGTON,] May 8, 1947.

For various reasons, including apparent poor handling of collections in the zones, the food situation in Germany has now reached a most critical point. Present stocks are so low that the zone officials in at least the UK Zone are not distributing the authorized ration, although there has been no official cut.

In order to correct the situation and to insure continued distribution of the 1,550-calorie ration after July 1, it would be necessary to ship an additional 250,000 tons of grain from the U.S. in the months of May and June. I am told by the supply authorities that it is impractical to expect an increase of this size to the zones. Officials of the War Department and members of the Bizonal Supplies Committee have requested the Department of Agriculture to allocate an additional 130,000 tons of wheat to be shipped in May and as early as possible in June. They are specifically requesting wheat, since it is agreed by the procurement and supply officials that only through the procurement of additional wheat in the Northwestern territory of the U.S. can additional shipments be made from the U.S. during May and June.

I want to re-emphasize the urgency of maintaining the ration of the two zones of Germany at this time. This Government must take whatever action is necessary to insure the successful operation of the US–UK Zones of Germany under the Fusion Agreement. I, therefore, recommend that you support Secretary Patterson’s plea for a minimum of 130,000 tons of additional procurement U.S. wheat for the zones, which will be discussed at the Cabinet Food Meeting tomorrow at 4:00 p.m.

J. H. HILDRING

*Presumably a reference to the meeting of the Secretaries of State, War, Commerce, and Agriculture, May 12; see Secretary of War Patterson’s letter to Secretary of Agriculture Anderson, May 12, 1947, infra.*
The Secretary of War (Patterson) to the Secretary of Agriculture (Anderson)\textsuperscript{49}

WASHINGTON, MAY 12, 1947.

Dear Mr. Secretary: At our meeting this afternoon, at which the Secretary of State and Secretary of Commerce were also present, I outlined the dire conditions prevalent in the United States and the United Kingdom zones in Germany. I pointed out the urgent need for 150,000 tons of additional wheat, over and above the amounts already scheduled for May and June. I request that you purchase the 150,000 tons for the account of the War Department as soon as possible, by direct purchases or otherwise. It will be satisfactory if not to exceed 35,000 tons of durum wheat are included as part of the 150,000 tons.

I also request that arrangements be made to ship the wheat so that it may leave our ports by June 15, or by June 30 at the very latest.

This transaction will not dispense with our needs for July and August, which are also of great importance.

The sooner this matter can be handled, the sooner we will be in a position to relieve the worst features of the present extreme shortage of food in the United States and United Kingdom zones.

Sincerely yours,

ROBERT P. PATTERSON

Statement Issued to the Press by the Secretary of War (Patterson)

[WASHINGTON, MAY 14, 1947.]

Western Germany's most recent food crisis has been a source of deep concern for weeks to General Clay (United States Commander in Germany), to the staff here, and to me as Secretary of War. Every measure within our power has been taken to meet it. Since last December, food shipments to Germany from the United States have been greater than ever before. Substantially all of such food imports required have had to come from the United States as the only available source, but they have been paid for jointly by the British and ourselves.

\textsuperscript{49}The source text was sent to the Secretary of State by the Secretary of War under cover of a transmittal note dated May 12, 1947, not printed.

In a letter to former President Herbert Hoover, dated May 15, 1947, not printed, Secretary of State Marshall wrote in part as follows:

"I have just received your letter of May 12 with further reference to our conversation the night of the Gridiron dinner."

"Since seeing you there has been a meeting of the Secretaries of State, War, Agriculture and Commerce, where a decision was reached to send 150,000 tons of wheat to Germany by June 30, in addition to present allocations. That, I believe, meets your suggestion for Germany." (862.50/5-1247)

The Hoover letter under reference is not printed.
In February, Mr. Hoover’s authoritative survey of food needs laid down a program of required imports calculated with regard to the then estimated food supplies available in Germany. The imports called for by Mr. Hoover have been met up to May 1, except for an amount equal to about one week’s ration. Even this is only a delay, not a reduction, as present scheduled shipments—for which cargoes are available and ships have already been chartered—are sufficient to make up this short-fall in this month and in June, as well as the current deliveries recommended by Mr. Hoover’s report for such months.

However, subsequent to Mr. Hoover’s departure from Germany, it became evident, with the breaking up of the winter, that large amounts of food had been destroyed or would be required for reseeding, because of winter destruction of crops which had been sown in the fall. These factors reduced available local supplies by almost 200,000 tons. A very substantial part of this was directly attributable to the severity of the winter, which was the worst in almost 50 years.

Our present estimates are that over 400,000 tons of food will be delivered to Germany in May—including 72,000 from countries other than the United States—at least 400,000 more in June and even more in July. Such shipments, we believe, should be sufficient to maintain the ration from now on. These have been made possible only by the most vigorous efforts by the departments of State, Agriculture, and War, working jointly as a team to meet the crisis by speeding up shipments and, to the maximum extent possible, increasing total amounts.

Also as a part of this emergency program, 74,000,000 pounds of dry non-fat milk solids (dry skimmed milk) have been procured and are now about to be shipped to Germany. This has been possible because skimmed milk is at this time in surplus supply, and has been under purchase by the Department of Agriculture. This milk supplies a much-needed protein content in the German diet which has been sadly lacking because of shortage of other foods. It also makes possible the most effective utilization in the diet of large shipments of corn, of which available supplies in this country are much larger than of wheat or flour. These steps are pursuant to the policy of the War Department, as previously illustrated by the seed potato program, to utilize as far as possible for the occupied territories foods which are in surplus.

During February 1947, former President Hoover carried out an economic mission to Germany and Austria at the request of President Truman. For the text of Hoover’s report to President Truman on German agricultural and food requirements, submitted to the President on February 26, 1947, see Herbert Hoover, An American Epic: The Guns Cease Killing and the Saving of Life from Famine Begins 1939–1963, vol. iv (Chicago, Henry Regnery Company, 1964), pp. 230–243.
supply in this country, and which can be exported without creating inflationary tendencies by raising food prices.

This latest crisis due to the winter and internal conditions in Germany has come at a time when the world is short of food, when the United States is exporting each month greater amounts of relief foods than ever before in its history, and when port facilities, railroad cars and ocean shipping are all taxed to the limit to meet the needs of many countries, more than one of which are threatened with a break in delivery of their rations such as has already occurred in parts of Germany. This is the first time that I know of in history in which conquerors have made an effort on any such scale to feed their defeated enemy, and the fact that there is not actual starvation in Germany is due only to the tremendous productivity of the United States and the willingness and efforts of our government and the British to help.

The Secretary of State to the Secretary of Agriculture (Anderson)

[WASHINGTON,] May 15, 1947.

My Dear Mr. Secretary: In spite of the very excellent job which the Department of Agriculture has accomplished in procuring grain for export during this crop year, several areas of Europe are now facing grave food shortages. In the case of France and the U.S.-U.K. Zones of Germany the shortage of bread grains is so critical that political and economic chaos may soon develop unless the shortages are immediately relieved.

In the case of Germany the shortage of grain is so acute that the officials have not been able to meet even the very low ration of 1550 calories per day, and in France the bread ration has already been lowered from 300 grams to 250 grams per day although actual starvation conditions are not immediately threatening as is the case in Germany. It is equally important to this Government, however, that the food crises be alleviated in both areas, otherwise all of our recent efforts at Moscow might be lost in the political and economic upheavals that would undoubtedly develop.

Because of this situation I recommend that immediate action be taken to procure the additional quantities of grain in this country which will be necessary for shipment between now and June 30 to relieve the crises which are now threatening these two areas.

It is my understanding that an additional 150,000 tons of corn and 150,000 tons of wheat can be transported if the grain is procured in
the areas where transportation is not over-burdened. The French officials assure us that they will be willing to accept corn in place of wheat, whereas the two zones of Germany must have wheat.

I recognize the seriousness of additional procurement in the face of the present high prices in the grain market, but the situation outlined above is so urgent that even if direct purchases are required to secure the grain, I recommend that such purchases be made immediately.

Sincerely yours,

G. C. MARSHALL

Memorandum by the Deputy Coordinator of Emergency Export Programs (Stillwell) to the Assistant Secretary of State for Occupied Areas (Hilldring)

WASHINGTON, May 28, 1947.

(1) We made the request through the Bizonal Supplies Committee* that the U.K. divert 5 cargoes of wheat or flour at high seas for immediate delivery to Germany.

(2) I also cabled Douglas on May 20** requesting that he approach the British Foreign Office with the same proposal. I pointed out in that cable that at least part of the delayed shipments to Germany is directly attributable to British failure to pick up 3 cargoes of grain from the U.S. for delivery to Germany in May. There was also the diversion of one cargo of grain from Germany to Egypt and one from Germany to Rhodesia at the request of the British. In addition, the Bizonal Supplies Committee approved an exchange of wheat destined for Germany for flour from the U.K. In this exchange the Zone lost 6,000 tons, flour equivalent.

(3) Although everything possible has been done to increase shipping schedules, April shipments from this country were still short of the amount required. As a result, the Zone is now down to 3 and one-half weeks’ supply.

(4) Since the U.K. is equally responsible for the administration of the two zones she should be willing to assume more direct responsibility in alleviating the crisis.

(5) In view of the fact that the War Department will guarantee replacement of the 5 cargoes required out of the present June schedule, we are of the firm opinion that the U.K. stocks will not be jeopardized by diversion of the 5 cargoes at this time. If she has any worry concerning keeping her mills in operation then, certainly, she should be willing to divert 5 cargoes of flour.

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*An American-British committee located in Washington.

**Telegram 2182, May 20, to London, not printed (862.61311/5-2047).
(6) The situation in Germany at present is so critical that only diversion of cargoes now at high seas will help to avoid a complete breakdown in the distribution system.

(7) Although Douglas went to see Roger Makins of the British Foreign Office on May 23 and received a flat refusal on the proposed diversion, I am sending another cable to him requesting that he see Lord Pakenham immediately, and Bevin as soon as he returns, to insist that this diversion be made.

JAMES A. STILLWELL

862.6362/6-1347

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

SECRET

WASHINGTON, June 13, 1947.

DEAR MR. SECRETARY: There are two problems in Army occupation in Germany which are of the most urgent importance. One has to do with preventing famine. The other has to do with the British program of socializing the coal mines in the Ruhr. We will need the guidance and assistance of the State Department if we are to avoid disaster.

Famine

We are in the most critical condition in preventing wholesale famine in the U.S.–U.K. zones.

The official ration is 1550 calories. How meagre this official ration is may be seen by the fact that the British ration is 2900 calories a day, while the average American consumes 3300 calories a day.

The official ration of 1550 calories, however, is not being made available. The average ration for the combined zones for the past six weeks has been 1200 calories, and in many places it is as low as 900 calories. This is slow famine. Stocks of food are so low that even if planned shipments from this country are fulfilled, the likelihood of getting back to the 1550 level is poor.

We have this further fact, that we and the British are committed to raise the ration to 1800 calories by October 1st. Our chance of fulfilling this commitment is very dim, unless we can supply one million more tons to the two zones in the next crop year than are being supplied in the current crop year.

53 Telegram 2327, May 29, to London, not printed (862.61311/5-2347).
54 Ambassador Douglas conferred with Foreign Secretary Bevin on June 2, 3, 4, 6, and 9 regarding the diversion of cargoes of grain to Germany. In the course of these conversations, during which Bevin emphasized the serious nature of Britain's own food shortage, agreement was reached to make the proposed diversions of grain to Germany. Documentation on this subject is included in Department of State file 862.61311.
No other European country, except Austria, is faced with conditions anything like as critical. Experienced observers, including Herbert Hoover, who have surveyed the situation in the other countries of Western Europe have reported that in none of them are there signs of serious undernourishment. Nowhere are food stocks so low or rations so slim as in Germany.

Occupation has no chance of success if these conditions continue. This state of affairs has been foreseen, and I have urged repeatedly that priority be recognized for food shipments to Germany. The basis for the priority is that the prevention of famine in the U.S.-U.K. zones of Germany is our particular responsibility, jointly with the British, together with the fact that food conditions prevalent in the two zones are the worst of anywhere in Europe.

We will not get the priority unless we have your help. As I see it, the priority will be needed in allocation of food supplies for export, in loading at the ports, and in shipping.

Socialization of Coal Mines

The greatest need in Germany, next to food, is coal. The daily production, 215,000 tons, is far below the level programmed for this time last year. The situation is discouraging because the daily rate has been declining in the last few months, instead of rising.

The British, who are in direct charge of production of coal in the Ruhr, have the purpose of carrying out a socializing of the mines. Lord Pakenham, the Foreign Office man on Germany saw Petersen a few days ago in Berlin and told him candidly that it was the firm purpose of his government to bring about a nationalization of the coal mines.

Our people in Germany have the view, and I share it, that the need is for maximum production of coal at this critical time, not for experiments in socialization. As I see it, such experiments are certain to interfere with current production. If my house is on fire, I do everything I can to put the fire out, I do not engage in arguments on the state of title to the house.

Our people in Germany have been unable to take a firm position with the British. At present we have no policy on the matter, although we have been trying for some time to induce the State Department to take a position. Unless one is taken, the matter will go by default.

I submit that strong representations should be made to the British government, to the effect that it must at least postpone its socialization program until the present emergency in production of coal has been overcome. We have every right to insist on this, since the load of carrying the two zones in Germany, particularly in the vital matter of food, is falling more and more on our shoulders.
I should like to discuss these two problems at the next meeting of the Committee of Three. I am sending a copy of this letter to the Secretary of the Navy.

Sincerely yours,

ROBERT P. PATTERSON

Editorial Note

In early July 1947, Edward Campion Acheson was designated Special Representative of the President with the rank of Minister to head an American mission whose object was to negotiate with various northern European countries for the utilization of surplus foods for use in the United States and British zones of occupation of Germany. This mission, which was recommended by the Secretary of State and Secretary of War Patterson, was in furtherance of the recommendations made by former President Hoover, following his survey of economic conditions in Germany, that the exportable surplus of fish currently available in Norway, Sweden, Denmark, Belgium, the Netherlands, and Iceland, be made available to western Germany. During the summer and early autumn of 1947, the Acheson mission visited Berlin, London, Oslo, Stockholm, Copenhagen, Brussels, The Hague, and Reykjavik. Although the tangible results of the mission were not as great as hoped for at the outset, agreement was reached between the United States, the United Kingdom, and Iceland in December 1947 for the purchase of up to 70,000 tons of fish from Iceland for delivery in western Germany in 1948. Documentation on the Acheson mission is included in file 862.5018.

46 Beginning in 1945, the Secretaries of State, War and Navy or their alternates, together with a few members of their staffs, met periodically, sometimes as often as each week, to discuss problems shared by their Departments. When meeting as a group, the three secretaries were sometimes referred to as the Committee of Three. At their meeting on June 19, 1947, the Secretaries of State, War and Navy considered Secretary Patterson’s letter and agreed to refer the question of the priority of food shipments to Germany to the State-War-Navy Coordinating Committee for consideration and report as a matter of urgency. Subsequently, in a memorandum of October 27, 1947, not printed, to the Secretary of the State-War-Navy-Air Force Coordinating Committee (the successor to the State-War-Navy Coordinating Committee), Assistant Secretary of State Saltzman asked that the matter of the priority of food shipments to Germany be withdrawn from consideration by the Committee because the matter had been discussed at high levels of the State and Army Departments and a letter on the subject had been sent to Secretary of Agriculture Anderson on September 12, 1947 (see p. 1162). (862.5018/10-2747).
CONFIDENTIAL

[WASHINGTON,] July 18, 1947.

DEAR MR. PRESIDENT: Knowing as I do your intense and continuing interest in world food problems, particularly those of the occupied areas where the United States has a direct responsibility, I hope you will find items of interest in the following report of the survey I have just made in Germany with members of my staff at the request of the Secretary of War, and which, since my return, I have discussed with him.

By dividing my staff into small working parties to obtain essential data and information while in Germany and by studying earlier reports by former President Hoover, Dr. D. A. Fitzgerald, Secretary-General of the International Emergency Food Council, and others, and also as a result of the excellent cooperation by General Clay and his staff, I was able to assemble a more complete informational and statistical picture than would ordinarily be possible in the rather limited time available.

Following are the impressions I received that I consider to be of primary significance to you:

The mission of the United States Forces in Germany is one of extreme importance and complexity. The necessity for making it a success is obvious.

If the purposes of our occupation of Germany are to be achieved, and Western Europe's economy restored, the rehabilitation of Germany's industry and agriculture must be accomplished. While the subject of industrial recovery will be reported separately to you by the Secretary of Commerce, nevertheless I feel you should know that a more adequate scale of feeding, coupled with assurances that such a scale can be maintained on a continuous basis, is a prerequisite to the economic rebuilding of Germany, and that the two problems cannot be considered independently of each other.

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56 Secretary Marshall transmitted the source text to Under Secretary Lovett under cover of the following memorandum dated July 18, 1947:

"Attached is a report to the President from the Secretary of Agriculture on his trip abroad. I have only had time to read the first two pages. Mr. Anderson wished to know whether the State Department thought it was advisable to give public release to all or any particular part of this report. He asked me to advise the President in the matter.

"Please get me the opinion of the Department as quickly as possible and if I am absent communicate it to Steelman at the White House."

57 Excerpts from Dr. Fitzgerald's report to the Secretary of War, dated June 16, 1947, on the food situation in Germany are included in file 862.5018/6-1647.
The appalling condition of the German population nutritionally indicates that no time should be lost in establishing a more adequate feeding program. It will require, temporarily at least, increased food imports from the United States. This need not become a permanent liability if vigorous action is taken to stimulate further German food and fertilizer production, establish more effective controls over food collections and distribution, develop sources for foodstuffs in Europe and other areas outside the United States, and above all on the industrial side increase German exports until they are able to pay for food and raw material imports.

The return at the earliest possible date of German prisoners of war to Germany is imperative to relieve the manpower shortage and supply the skill and know-how necessary for both industrial and agricultural recovery.

[Here follows a portion of the Secretary of Agriculture’s letter, comprising nearly six typewritten pages in the source text, which dealt with the following topics: 1) the reasons for Germany’s food problem, 2) health and nutritional status of Germany, 3) production of food and fertilizers, 4) collections, rationing, consumption and utilization, 5) food import requirements and cost. Several statistical appendices also are not printed here.]

The situation in Germany requires courageous action. The longer we delay taking the steps essential to German recovery, the greater is the risk of failure in accomplishing the objectives of occupation of Germany and the greater will be the expense in the long run.

One of the first essentials in getting the German economy off dead center is more food and particularly advance assurance of the amount which this country will supply. This assurance will ease the task of the U.S. occupation authorities and will provide necessary encouragement for German workers, particularly coal miners. For these reasons, I gave General Clay assurance that this government would supply 300,000 tons of grain per month. Someone had to take a first step. I took this one.

Another essential now is to establish firm policies for the guidance of our occupation authorities in Germany and to place full responsibility upon these officials for operation within the policies outlined.

To this end I would suggest a Cabinet Committee composed of the Secretary of State, the Secretary of War, the Secretary of Commerce, and the Secretary of Agriculture to determine policies for the occupied areas.

As I pointed out previously in this report, the problems of industrial recovery and of agricultural recovery are so inextricably woven to-
gether that they cannot be considered or dealt with separately. For this reason I believe a Cabinet Committee providing a means of considering food problems in relation to industrial problems and industrial problems in relation to military or diplomatic problems would offer a distinct advantage.

Respectfully,

CLINTON P. ANDERSON

740.00119 Control (Germany)/7-2247

Memorandum by the Secretary of State to the Secretary of Agriculture (Anderson) 58

PERSONAL AND TOP SECRET [WASHINGTON,] July 22, 1947.

DEAR ANDERSON: I gave hasty consideration to your report to the President of July 18 on Friday and then passed it on to my staff for a more careful scrutiny. Since then there have been developments in relation to the French reaction to the level of industry proposals for Germany that have produced a very delicate situation, particularly with regard to the development of the meetings of the sixteen nations in Paris. 59

Under the circumstances, I think it would be unwise to publish the report in its present form for the reason that it stresses the economic reconstruction of Germany virtually to the exclusion of any mention of our interest in the reconstruction of the liberated areas—which is the basis of the Paris conference. I fear that its publication would add fuel to the flames now raging by reason of the agreement negotiated between General Clay and General Robertson. The Communist propagandists would probably almost certainly seize upon extracts from your report to press their charge that we are concentrating on the rehabilitation of Germany to the disadvantage of the liberated nations.

Possibly, it might be arranged to publish extracts from the report, but I am of the opinion that at the present delicate moment in our dealings with the French and the continued effort of the Communists to exploit every opportunity to our disadvantage I would really prefer

58 Filed with the source text is an undated memorandum from C. Tyler Wood to Under Secretary Lovett recommending against publication of the letter from Secretary Anderson to President Truman, supra. The memorandum also urged opposition to Secretary Anderson’s proposal for a cabinet committee on Germany on the grounds that “Experience with the Informal Policy Committee on Germany revealed the impracticality of attempts to make foreign policy by cabinet committees.”

59 For documentation regarding the revised level of industry plan for the Western zones of occupation in Germany, see pp. 977 ff. For documentation regarding the interest of the United States in the Conference of European Economic Cooperation in Paris, July 12–September 22, 1947, see volume III.
that no publicity be given. I am sorry to say this because I was tremendously impressed by your statement at the Cabinet meeting last Friday.\textsuperscript{a}

I am sending this to you and telephoning my view to Steelman at the White House.

[GEORGE C. MARSHALL]

862.5018/7-2047

Memorandum by the Assistant Secretary of State for Occupied Areas (Hilldring) to the Secretary of State

[WASHINGTON,] July 22, 1947.

Subject: Principles of Food Supply Program for Germany

The Secretary of War by a recent letter\textsuperscript{a} has proposed the bizonal area in Germany be given priority for food shipments from the United States. We cannot accord Germany an unlimited priority on food shipments. We should, however, give the bizonal area a prior claim on enough food to meet the ration scale based on 1550 calories per day for normal consumers. Such a priority would assure a food intake level which would still be considered below that in Western and Northwestern European countries. It cannot validly be considered as in conflict with our desire to see such countries maintain a feeding level higher than Germany. The establishment of a priority to maintain such a level would, as a matter of fact, be only an expressed statement of what has been and is a firm U.S. policy to assure this minimum ration for Germany. The advantage of formalizing the policy would be that the Government can make definite advance plans for shipments to maintain the 1550 ration level. This should help to avoid the re-occurrence of the numerous crises in delivery of food to Germany which we have had to meet in the past.

The granting of even this limited priority should be contingent on adequate administration and distribution of the food program in Germany. In the past, German crops have been officially underestimated, and delivery quotas based on such underestimated crops have not been met; and excessive quantities of indigenous foodstuffs have been fed to livestock. The United States cannot therefore undertake to make good shortfalls in supply resulting from deficiencies in administration and management of food resources in Germany.

To the present money has not been available to do much more than to provide emergency food deliveries to Germany, though the Army

\textsuperscript{a} July 18.

\textsuperscript{a} The reference here is presumably to the Secretary of War's letter of June 18, 1947, to the Secretary of State, p. 1151.
has made substantial progress in stepping up production and shipment of fertilizers. It has been impossible to accomplish much in the way of providing the machinery necessary to enable the Germans to increase indigenous food production. Rather than keep Europe and Germany dependent on enormous exports of foodstuffs from the United States we should assist Europe and Germany in raising its own food output by providing the essential means of production. It is, therefore, recommended that you approve the following policies and obtain the agreement of the Secretaries of War and Navy to them:

1. Allied authorities on the bizonal area should do everything in their power to ensure that the Germans maximize the production of food in terms of calories, secure accurate estimates of food output, fix farm delivery quotas in such a way as to permit farmers to retain no more than is absolutely necessary for self-supply, enforce such delivery quotas and bring about an equitable distribution of the indigenous and imported supply.

2. The United States should make every effort (a) to maximize its exports of fertilizer, farm machinery and other supplies that would increase agricultural output in countries now heavily dependent on imports of U.S. foodstuffs, and (b) to ensure the occupied countries, such as Germany, an equitable share of such exportable supplies. Steps should be taken to obtain the funds necessary for this program, either by a request for an appropriation or by other means.

3. The United States should assure the bizonal area in Germany as a matter of priority imports of foodstuffs sufficient to supplement the indigenous supplies resulting from the application of the measures outlined in paragraph 1 to the extent necessary to provide non-self-suppliers with rations on a scale based on 1550 calories per day for the normal consumer.

J. H. HILLDRING

862.5018/7-2847

Memorandum by the Director of the Office of European Affairs (Matthews) to the Secretary of State


Subject: Principle of Food Supply Program for Germany

Discussion:

In an accompanying memorandum, General Hilldring recommends that a priority be given for food shipments from the United States to Germany, in accordance with a proposal of the Secretary of War. I agree fully that it is of great importance to maintain the basic German ration at a level of 1550 calories per day, and to raise it if

*Supra.*
possible, but I believe, for the following reasons, that it would be unwise to establish a formal priority on behalf of the bizonal area.

a. Such a priority would give Germany a preferred status in respect to a vital commodity. This would provide good material for propaganda and charges that the United States cares more to rebuild Germany than to help the rest of Europe, and the same apprehension would probably be aroused in France that was caused last week by the proposal to raise the level of German industry.

b. The European nations are sensitive on the subject of grain, and I believe they would resent a firm guarantee of even minimum quantities for Germany especially in the absence of guarantees to them. Such a reaction on their part would surely react adversely after preparation of a concerted plan for economic reconstruction in reply to your Harvard speech.

c. To maintain a basic ration of 1550 calories would require approximately 3,500,000 tons of the 14,500,000 which are expected to be available for export from the United States during the crop year beginning July 1, 1947. A firm priority for Germany would mean that the 3,500,000 tons would not be available for disposition elsewhere in case of an emergency. There is danger in thus making our export program too rigid. For example, if the entire burden of the unexpected deficiencies in German collections this spring had fallen on countries other than Germany, there would probably have been disastrous political and economic consequences, especially in France and Italy.

For these reasons I am convinced that, while special efforts should be made to increase German production of grain and also to supply large quantities from the United States, no formal priority should be given to such shipments.

Recommendations:

a. That policies 1 and 2 in General Hilldring's memorandum be approved.

b. That the following policy, if approved by you, be substituted in place of policy 3 in General Hilldring's memorandum:

The United States should make a particular effort to provide the bizonal area with imports of foodstuffs sufficient to supplement the indigenous supplies resulting from the applications of the measures outlined above, to the extent necessary to provide non-self suppliers with rations on a scale based on 1550 calories per day for the normal consumer.

Concurrence:

This memorandum has been read by Mr. Wood of A–T, who agreed with the point that no over-riding priority should be given to food shipments for Germany, and that no guarantee should be made in this respect.
The Secretary of State to the Chairman of the Senate Committee on Armed Services (Gurney)

[WASHINGTON,] August 13, 1947.

MY DEAR SENATOR GURNEY: You requested in your letter of July 7, 1947 the views of the State Department on S. 1566, a bill “To provide for greater efficiency of the military forces of the United States in occupied countries, and for other purposes”, which is pending before the Senate Committee on Armed Services. This bill proposes that exports of food supplies from the United States support “a minimum basic rationing of not less than two thousand calories daily food rationing per person in Germany and Austria” and a minimum basic rationing in other occupied areas of the amount (not in excess of 2,000 calories per person) as deemed necessary by the Secretary of War.

The Secretary General of the International Emergency Food Council has announced that world import needs for cereal grain for the crop year July 1, 1947 to June 30, 1948 exceed prospective exports by 18 million tons. Total world export availability covers less than two-thirds of stated import requirements. Cereal requirements submitted by Army authorities for the German Bi-Zone are placed at 5,300,000 tons and those of the Pacific Occupied areas (Japan, Korea and the Ryukyus) at 3,600,000 tons. The total of stated requirements for these occupied areas is therefore 8,900,000. In this statement of requirements, German consumption is placed for the normal consumer at 1800 calories rationed food from October 1 onward and that of Japan at 1246 calories rationed food and 1550 calories total intake. The United Kingdom Zone in Germany is here included, since the Bi-Zonal Agreement necessitates maintaining consumption in the two zones at the same level. For these areas the United States is to all practical purposes the sole supplier. Its export program to them in the crop year 1946–1947 totalled 4,590,000. Of this 1,377,000 went to the United States Zone in Germany, 1,696,000 to the United Kingdom Zone in Germany and 1,516,000 to the Pacific Area. These shipments constitute over 30 percent of the total United States export program for 1946–47 of 14,880,000 tons.

The Secretary of Agriculture has declared that no increase in the United States total export program for the crop year 1947–48 can be expected over that of 1946–47. The volume of last year’s shipments may therefore be considered the upper limit of what can be shipped this year. The above mentioned stated requirements of the Army for 1947–48 would therefore constitute about 60 percent of the total which can be shipped by the United States. If the normal consumer ration,

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63 Not printed.
which represents the lowest ration scale for adult consumers in Germany, were raised to 2,000 calories as apparently required by S. 1566, the total import requirements for Germany would be at least 1,000,000 tons higher. Total requirements for areas occupied by U.S. forces would then represent 65.5 percent of our total export program as measured by last year’s exports, and the proportion would be further raised if ration allowances in occupied areas other than Germany were increased in accordance with the provisions of the bill.

The ration targets set by the War Department are already so high that they will be extremely difficult to achieve. To reach these targets would necessitate a reduction in shipments to all areas other than Germany and the Pacific from the 10,800,000 tons programmed in 1946–47 to about 6,000,000 tons in 1947–48. The brunt of this reduction would fall on such countries as France, Italy, Greece, and the countries of northwestern Europe (Belgium, Netherlands, Norway, etc.) and upon India. It is probable that the attainment of the still higher goals set in S. 1566 would probably reduce the food intake in a number of Western European and Southern European countries below the German level, thus precipitating most serious political and economic repercussions.

It is generally acknowledged that the food intake in occupied areas has been insufficient for economic recovery. It has been impossible at times to meet the established ration scales which are based on 1,550 calories per day for the normal consumer in Germany and corresponding allowances in other occupied areas. The Department of State has shared with the War Department a desire to improve the food supply to occupied areas. The first step in that direction would be to insure sufficient supplies to meet the present ration scales in these countries. The possibility of raising this ration level in the light of the supply situation will also have to be kept under constant review. As long as the present tight supply situation prevails, however, it would be exceedingly unwise to stipulate arbitrary and excessive food standards for occupied areas which must be maintained at all costs, irrespective of the consequences on other countries in the economic welfare and political stability of which the United States has a very important stake.

The Department of State accordingly believes that the adoption of this bill would be extremely prejudicial to the achievement of the objectives of this country’s foreign policy.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

For the Secretary of State:

Carl Marcy

Acting Legislative Counsel
The Under Secretary of State (Lovett) and the Under Secretary of War (Draper) to the Secretary of Agriculture (Anderson)

WASHINGTON, September 12, 1947.

My Dear Mr. Secretary: With reference to the public statement made by you while in Germany last July that shipments of cereals in total amount of 3,600,000 tons would be made from the United States to Bizonal Germany between July 1, 1947 and June 30, 1948, the State and War Departments join in supporting this position and in requesting that allocations be made by you in such minimum amount.

Our understanding is that such proposed allocations refer to total product weight, not to tonnage stated merely in wheat equivalent in view of the high extraction rate used in Bizonal Germany.

This amount of grain will be required to maintain the present inadequate 1550 calorie ration.

Recent provisional estimates of United States grain exports for the present crop year under present procurement policy have been reduced to figures below the 14,500,000 tons announced as a possibility in July.

The State and War Departments are gravely concerned over this situation. Continued crop deterioration in several European countries, as well as in the United States, has made it apparent that the shortage is now seriously threatening the success of the United States Foreign Policy.

We have a direct responsibility in Germany, but at the same time our interest in other countries, particularly those now participating in the Paris Conference, is no less real or urgent. On the basis of the growing need in these areas we are convinced that total exports of cereals from the United States must be no less than 14,500,000 tons.

Sincerely yours,

ROBERT A. LOVETT
WILLIAM H. DRAPER, JR.

Memorandum by the Director of the Office of European Affairs (Hickerson) to the Under Secretary of State (Lovett)  

SECRET  


Subject: Wheat Allocations to Germany

With regard to the proposed letter  to be sent jointly by the War and State Departments to the Secretary of Agriculture regarding

64 A marginal handwritten notation on the source text by Philander P. Claxton, Jr., reads as follows:

"This was shown to Mr. Lovett by me Sept 12. He did not read it but asked what it said. I said it objected to [sending?] the WD letter and explained why. He said the decision was already made."

65 Supra.
wheat allocations to Germany, I would like to make the following comments.

I understand the letter to mean that the State Department supports the necessity of making an allocation to Germany for the current crop year of 3,600,000 tons of product weight from the United States, that the recommendation that this allocation be made is not conditioned upon the attainment of any specific total of shipments from the United States and that, if the War Department is able to procure corn in the Argentine, such corn would be in addition to the 3,600,000 tons.

As I understand the significance of the product weight aspect, it means that to the extent that flour is shipped, more than 3,600,000 tons of wheat would be devoted to the German requirement. I understand the War Department would prefer to have wheat but that some flour may be shipped. The absence of any link between the figure of 3,600,000 and the total United States exports appears to mean that we support this amount even though the total amount of American exports turns out to be less than what was estimated at the time when this figure has previously been discussed. This appears to give the German claim a priority over the claims of other areas. General Draper in his telegram to General Clay (CM OUT 85824.66) of September 8 states “in effect this (decision) gives reasonable priority to Germany.”

It is my understanding that it has been the standard practice in grain allocations in the past to count any procurement of Argentine corn against other grain allocations if such procurement had not been anticipated at the time the allocations were made. The change in this particular instance would constitute a preferential treatment for the bizonal area as against all other claimants for grain.

Present prospects for grain from the United States to France indicate that French imports may be insufficient to maintain the present French bread ration of 200 grams a day which Ambassador Caffery considers below the “minimum required to prevent greatly increased social and political unrest.” Mr. Clayton’s and Ambassador Caffery’s cable of September 9 states “To prevent a runaway situation this winter we recommend thorough exploration all possible means increasing availabilities bread grains in amount required for 250 gram ration.” Ambassador Caffery had also cabled on September 8 “I see no possibility however of continuing it (present ration level) through the winter without the likelihood of serious social disturbances”.67

Ambassador Dunn from Rome has urged that we provide monthly shipments of 220,000 tons per month to Italy. Present allocations are about 115,000 tons. The present allocations presuppose continuation

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66 Not printed.
67 Neither of the documents cited in this paragraph are printed. For documentation on the concern of the United States over the political, economic, and financial situation in France, see volume III.
of Italian rations at their present level. The Italian Government, however, feels that it must raise the ration during the winter.65

I am advised that it is the considered opinion of the experts in this Department and in the Department of Agriculture that the assurance of 3,600,000 tons of wheat equivalent to the bizonal area from the United States entails a serious risk that, during the winter, the calorie level in the bizonal area will exceed that in Austria, Italy and perhaps France. This risk will be increased if product weight instead of wheat equivalent is used to measure the tonnage. It is even more greatly increased if the War Department is authorized to buy additional corn from the Argentine without having any such purchase affect wheat shipments from the United States. The political situation in France is so critical that the emergence of either a Communist-controlled government or a virtual dictatorship under de Gaulle is a distinct possibility. The tendency towards both these alternatives will be strengthened by inadequate food in France particularly if the United States is giving preference to Germany. French reactions to United States policies in Germany are already a matter for very serious concern and are being played up by the extremists of both the Right and Left. The political situation in Italy is no less precarious and an inadequate ration level coupled with preference to Germany will greatly strengthen the hands of the Communists.

On the basis of the foregoing I feel I must urge that the Department not approve the proposed letter to the Department of Agriculture and that we insist that it be so phrased as to preserve freedom of action to ensure that no undue preference is given to the bizonal area and that there remain sufficient flexibility to meet emergency situations which can be anticipated.

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Editorial Note

During the American-British conversations on Ruhr coal production held in Washington, August 12–September 10, 1947, the German food problem was given intensive consideration. For a review of the food crisis and the recommendations for the maintenance of the current ration scale and the earliest possible increase in the German calorie ration, see the Report on the Anglo-American Talks on Ruhr Coal Production, Department of State Bulletin, September 21, 1947, pages 576–584. Regarding the discussion of the food supply problem during these talks, see also the letter of September 10 from Assistant Secre-

65 For documentation on United States relief and economic assistance for Italy, see volume III.
tary Thorp and British Political Adviser for Germany Strang to their respective governments and the memorandum by Kenyon Bolton, September 22, 1947, pages 959 and 962. The recommendations on food supply agreed upon at the Washington talks were subsequently carried into effect by the American-British bizonal economic agencies.

C. POLICIES AND PROBLEMS IN THE UNITED STATES ZONE OF OCCUPATION IN GERMANY

Editorial Note

No documentation concerned specifically and solely with occupation policy in the United States zone in Germany is being included in this volume. The basic principles and objectives of occupation policy were set forth in a new Directive to the Commander in Chief of United States Forces of Occupation of Germany (J.C.S. 1779) which was sent to General Clay on July 11, 1947, by the Joint Chiefs of Staff after approval by the State, War, and Navy Departments. For the text of the new Directive and the statement made to the press on the occasion of its publication, see Germany 1947–1949, pages 33–41, Department of State Bulletin, July 27, 1947, pages 186–193, or A Decade of American Foreign Policy: Basic Documents, 1941–49, prepared at the request of the Senate Committee on Foreign Relations by the Staff of the Committee and the Department of State, Senate Document No. 123, 81st Cong., 1st sess., page 552. Documents concerned with political structure, law, administration, economic policies, and educational, informational, cultural, and religious developments in the United States zone of occupation in Germany in 1947 are included in Germany 1947–1949 and in James K. Pollock, James H. Meisel, and Henry L. Bretton (eds.), Germany Under Occupation: Illustrative Materials and Documents (Ann Arbor, Michigan, George Wahr Publishing Company, 1949). An authoritative account of United States occupational policies and activities is contained in Lucius D. Clay, Decision in Germany (Garden City, New York, Doubleday & Company, Inc., 1950). Guy A. Lee, Guide to Studies of the Historical Division, Office of the U.S. High Commissioner for Germany (Office of the U.S. High Commissioner for Germany, December 1953), lists more than thirty historical monographs covering most aspects of occupation policy in the United States zone. Of particular note in connection with activities in 1947 are J.F.J. Gillen, Deconcentration and Decartelization in West Germany 1945–1953. John G. Kormann, U.S. Denazification Policy in Germany 1944–1950 and J.F.J. Gillen, State and Local Government in West Germany, 1945–1953. The planning in 1947 for the transfer of responsibility for the occupation in Germany from the War Depart-
VI. AUSTRIA

A. PROBLEMS OF QUADRIPARTITE CONTROL IN AUSTRIA; EFFORTS BY THE UNITED STATES TO ASSURE THE REESTABLISHMENT OF AUSTRIAN SOVEREIGNTY AND DEMOCRACY

Memorandum by the Chairman of the State-War-Navy Coordinating Committee (Hilldring) for the Secretary of State

WASHINGTON, 31 January 1947.

SECRET

swn-5104

Subject: Relief and Rehabilitation in Austria After UNRRA Program.

At its 52nd Meeting on 22 January 1947 the State-War-Navy Coordinating Committee after further amending approved SWNCC 324/2, as amended by SWNCC 324/3. A copy of the revised approved paper is forwarded herewith.

In approving this paper the State-War-Navy Coordinating Committee agreed that:

a. The Joint Chiefs of Staff should dispatch the draft cable in Appendix "A" to the Commanding General, U.S. Forces, Austria.

b. The Department of State should approach the interested Allied Governments on diplomatic level to ascertain their views with respect to concerted action with regard to the general post-UNRRA situation in Austria, the Soviet position on German assets, and related programs.

c. The Department of State should support and pursue approval of an Export-Import Bank credit for Austria. (Such credit would not be used for relief purposes.)

1 Materials on these topics are also included in the documentation on the meetings of the Deputies for Austria in London, January 10–February 25, 1947 (Chapter I, B, ante, pp. 112 ff), the Fourth Session of the Council of Foreign Ministers in Moscow, March 10–April 24, 1947 (Chapter II, ante, pp. 139 ff), the meetings of the Austrian Treaty Commission in Vienna, May 12–October 11, 1947 (Chapter III, ante, pp. 577 ff), and the Fifth Session of the Council of Foreign Ministers in London, November 25–December 15, 1947 (Chapter IV, ante, pp. 676 ff).

2 The State-War-Navy Coordinating Committee paper under reference, not printed, consisted of a report by the State-War-Navy Coordinating Subcommittee for Europe regarding the problem of relief and rehabilitation in Austria after the UNRRA program had ended together with certain ancillary papers. The recommendations set forth in the revised SWNOC paper are those repeated in this memorandum.

3 The draft cable under reference was a restatement of the recommendations set forth in paragraphs b through k of this memorandum.