

EUROPE

THE COUNCIL OF FOREIGN MINISTERS

[For documentation regarding the Council of Foreign Ministers in 1947, see volume II.]

THE POLITICAL AND ECONOMIC CRISIS IN EUROPE AND THE UNITED STATES RESPONSE (THE MAR- SHALL PLAN)

I. UNITED STATES CONCERN WITH FOREIGN NEEDS FOR SUB- STANTIAL ECONOMIC AID: THE EUROPEAN CRISIS AND SECRE- TARY OF STATE MARSHALL'S SPEECH AT HARVARD (MARCH- JUNE)

SWNCC¹ Files

*The Acting Secretary of State to the Secretary of War (Patterson)*²

SECRET

[WASHINGTON,] 5 March 1947.

MY DEAR MR. SECRETARY: Subsequent to our meeting Wednesday morning, February 25 [26], 1947, President Truman approved in principle the measures which you endorsed for immediate aid to Greece and Turkey as set forth in the memorandum entitled 'Position and Recommendations of the Department of State Regarding Immediate Aid to Greece and Turkey'.³ Congressional leaders have been informed of the nature of the problem and the urgency of the need for our assistance to these countries. They also approve in principle the general program for aid.

In the course of our discussions on the Greek and Turkish problem, frequent reference was made to the fact that this is only part of a much larger problem growing out of the change in Great Britain's strength and other circumstances not directly related to this development. I believe it important and urgent that study be given by our most competent officers to situations elsewhere in the world which may require analogous financial, technical and military aid on our part.

I have asked Assistant Secretary Hildring as Chairman of the State-War-Navy Coordinating Committee to direct the attention of that committee to this important problem and, in consultation with the

¹ State-War-Navy Coordinating Committee.

² Attached as Enclosure "B" to SWNCC document SWN-5231, March 18, 1947.

³ For documentation regarding this subject, see vol. v, pp. 1 ff.

Treasury Department, undertake a thorough study to be submitted to me or Secretary Marshall as soon as possible.⁴

Sincerely yours,

[DEAN ACHESON]

⁴The State-War-Navy Coordinating Committee, at its 55th Meeting on March 11, 1947, agreed to appoint an *ad hoc* Committee to study and report on the problems incident to possible requests which might be made to the United States by foreign governments for substantial economic, financial or technical assistance, or for military equipment. Mr. W. A. Eddy, Department of State, Brig. Gen. George A. Lincoln, War Department, and Rear Adm. E. T. Wooldridge, Navy Department, were designated by their respective departments to serve on this committee. Document SWN-5231 was circulated by the SWNCC Secretariat to the *ad hoc* Committee.

SWNCC Files

*Memorandum by the State Department Member, State-War-Navy Coordinating Committee (Hilldring)*¹

SECRET

[WASHINGTON,] 17 March 1947.

1. The Secretaries of the State, War, and Navy Departments desire that the SWNCC give immediate attention to the problems incident to possible requests which may be made to the United States by foreign governments for substantial economic, financial, or technical assistance, or for military equipment. This study and report should take into account decisions already made and action already taken or under way with respect to Greece and Turkey. In preparing its report upon the problems enumerated below, it is desired that the Committee include recommendations, within the scope of the President's message to Congress, concerning further policies and procedures necessary to the accomplishment of the United States program in Greece and Turkey.²

2. The study and report should be undertaken by a Special SWNCC Subcommittee consisting of competent officers from each of the three Departments, and in consultation with the Treasury Department. The more specific questions which should be considered and concerning which a report is desired are the following:

a. What are the countries to which, within the next few months, we may find it necessary to give analogous financial, technical and military aid?

¹ Attached as Enclosure "A" to SWNCC document SWN-5231, March 18, 1947, and entitled "Report by the State-War-Navy Coordinating Committee Regarding the Policies, Procedures and Costs of Assistance by the United States to Foreign Countries."

² For text of President Truman's message, see *Public Papers of the Presidents of the United States: Harry S. Truman, January 1 to December 31, 1947* (Washington, Government Printing Office, 1963), p. 176, or Department of State Bulletin, March 23, 1947, p. 534.

b. What are the relevant considerations of United States national security and interest which should govern the decision in the case of each country?

c. In the light of such considerations, what, in the case of each country, should be the character of such assistance? What would such assistance involve in the reasonably foreseeable future in terms of financial, economic, supply and technical demands upon our resources?

d. What arrangements should be made with foreign Governments in connection with the grant of assistance to assure to the maximum practicable extent the accomplishment of our objectives in granting such assistance?

e. What would be the effect upon each country concerned and upon our general foreign policy and security interests in the event that we refuse assistance or in the event of failure of any program undertaken?

3. The Department of State has designated Mr. William Eddy as the State member of the Special SWNCC Subcommittee. The Report of the Subcommittee should be made to SWNCC as a matter of urgency.³

³ Within the Department of State, a Committee on Extension of U.S. Aid to Foreign Governments, with Mr. Eddy as chairman, was set up at the direction of Acting Secretary Acheson as a mechanism for formulating the Department's position with respect to the work of the *ad hoc* committee which had been established on March 11, 1947. The minutes of the committee are in Lot 122.

800.51/4-1047

*Memorandum by Mr. Sherman S. Sheppard of the Bureau of the Budget to the Director of the Bureau (Webb)*¹

SECRET

[WASHINGTON,] April 7, 1947.

Subject: U. S. Program for Foreign Assistance

CURRENT AND PROPOSED PROGRAMS

1. At the present time there are pending before the Congress programs totalling \$1.85 billion for foreign relief, rehabilitation and reconstruction: post-UNRRA relief (\$350,000,000), proposed aid to Greece and Turkey (\$400,000,000), a 1947 supplemental and 1948 appropriation for government and relief in occupied areas (\$1,025,000,000), and the International Refugee Organization (\$75,000,000).

2. In addition, we have received informally a copy of a proposed three-year grant-in-aid program for Korea of \$540 million. We have been informed that State is preparing a justification for a \$40 million

¹ Transmitted under cover of a letter from Mr. Webb to Under Secretary of State Acheson, April 10, not printed.

contribution to the International Children's Fund. The Bureau has received for clearance a Navy program for additional aid to China in the form of ships and maritime services. There have been suggestions that additional aid to Austria in 1948, financial aid in connection with Palestine, and perhaps an additional loan to France are also contemplated.

BUDGETARY AND ADMINISTRATIVE IMPLICATIONS

3. There are increasing indications of Congressional desires to "see the whole picture at once". Certainly from the standpoint of the President's overall budgetary and international programs each succeeding proposal cannot be considered adequately unless total proposed commitments can be estimated. The implications for the Federal budget are obvious; in addition, these proposals will require either modifications in the administrative structure of existing departments, or the creation of new organizational units both here and abroad.

NEEDED INFORMATION

4. We need to obtain some idea of the overall pattern of U. S. foreign assistance, as well as the State Department's best prediction of whether it does or does not anticipate that it will propose (a) U. S. participation in the Children's Fund, (b) the use for China of funds earmarked for Export-Import Bank loans to it, (c) further aid for Austria in 1948, (d) financial requirements in connection with Palestine, and (e) further loans to France or other countries. It would likewise be helpful to know whether the Department contemplates any further extensions of existing aid programs beyond those thus far announced.

PRIORITIES

5. The number and size of the foreign assistance proposals now before the Congress, plus those in contemplation, make it desirable to ascertain the Department's judgment as to the legislative priority to be assigned to each item in the overall pattern; otherwise, legislative and budgetary "credit" may be exhausted by the President before highest priority needs are met.

6. There is attached a tabulation of the Government's present and thus far proposed program of foreign assistance arranged according to the apparent foreign policy objectives to be attained.

[Attachment]
PRESENT AND PROPOSED U.S. PROGRAMS FOR FOREIGN ASSISTANCE

Objective	Program	Authorized by Existing Legislation or Pending Before Congress	Probable Future Programs
1. To provide relief to sustain life and prevent economic and physical retrogression (appears to apply world-wide)	Post-UNRRA	X	?
	Occupied Areas	X	X
	Other	—	?
2. To rehabilitate national economies to the level of self-sufficiency for minimum needs. (Appears to be limited to countries U.S. has direct and major political interest)	Occupied Areas	X	X
	Greek Civilian Aid	X	?
	Korean Grant-in-Aid	—	?
	Additional Austrian Aid, 1948	—	?
	Other	—	?
3. To assist in rehabilitation and further development of national economies above the level of self-sufficiency for minimum needs (appears to apply world-wide)	British Loan	X	?
	Export-Import Bank Loans	X	?
	International Bank Participation	X	—
	Surplus Property Transfers	X	—
	Maritime Ship Transfers	X	—
	Philippine Aid	X	?
	Other	—	?
4. To achieve stable economic conditions (applies world-wide)	International Monetary Fund Participation	X	—
	Other	—	?
5. To provide military assistance to enable governments to resist aggression	Greek-Turkish military aid	X	?
	Military surplus property transfers	X	—
	Other	—	?
6. To provide aid to special categories of people without regard to nationality	Children's Fund Participation	—	?
	International Refugee Organization Participation	X	?
	Financial requirements in connection with Palestine	—	?
	Other	—	?

800.51/4-1047

Memorandum by Mr. C. Tyler Wood, Special Assistant to the Assistant Secretary of State for Economic Affairs (Thorp), to the Under Secretary of State (Acheson)

TOP SECRET

WASHINGTON, April 17, 1947.

A. A reply to the questions raised in the third paragraph of the memorandum attached to Mr. Webb's letter of April 10, 1947 (attached hereto) may be made along the lines indicated below.¹

1. *United States Participation in the International Children's Fund*

The Department's justification for a \$40 million contribution to the International Children's Fund will be sent to the Bureau of the Budget by April 18.

2. *The Use for China of Funds Earmarked in Export-Import Bank*

It is anticipated that, if developments in China are regarded as satisfactory in accordance with the President's statements of December 15, 1945 and December 18, 1946, the Department will support consideration of Chinese credit applications for well defined projects which show possibilities of assisting in an early improvement of China's foreign exchange position. It is unlikely that credits for such projects during fiscal 1948 would represent more than a small fraction of the \$500 million earmarked by the Export-Import Bank for possible credits to China.

3. *Further Aid for Austria in fiscal 1948*

The pending post-UNRRA relief appropriation together with the deficiency appropriation for occupied areas and a possible Export-Import Bank loan would probably be adequate to cover Austria's anticipated balance of payments deficit in calendar 1947. During the last half of fiscal 1948, it may be necessary to obtain a further appropriation; whether this will be required depends on (a) whether funds for this period can be made available from the post-UNRRA appropriation, and (b) whether a substantial Eximbank credit on suitable terms can be obtained for Austria.

For fiscal 1949 it is anticipated that a further appropriation will be needed.

4. *Financial Requirements in Connection with Palestine*

No program of financial assistance to Palestine is at present under consideration in the Department. It is anticipated that the Special Session of the General Assembly of the United Nations to be held be-

¹ Reference is to lettered items in numbered paragraph 4 in the memorandum of April 7, *supra*. Letter of April 10 not printed.

ginning April 28, 1947 to consider the Palestine problem will set up a committee to report to the next regular General Assembly of the United Nations in September 1947. Whether any United Nations decisions in this respect will result in any financial requirements for Palestine which the United States would be expected to meet can not be determined at present.

5. *Further Loans to France or Other Countries*

I do not assume that you will choose to disclose to Mr. Webb that a Special *Ad Hoc* Committee of SWNCC is now considering whether there are other countries for which aid programs analogous to the Greek-Turkish program may have to be initiated during the next few months. This Committee is now drafting an interim report.² While I do not want to anticipate its findings or the outcome of their consideration by SWNCC, I understand the possibility of a new aid program for Italy and possibly Hungary and Austria is being seriously considered at the working level. Iran, also in this category, will not require special assistance beyond present programs (surplus credit and World Bank loan).

As far as France specifically is concerned, it is at present anticipated that existing financial institutions, particularly the International Bank, will be able to take care of France's financial needs through fiscal 1948. This assumes that the Bank will grant France the full \$500 million which she has requested before the end of calendar 1947 or early 1948. It also assumes that adequate coal supplies will be available to France and that control of inflation in France can be maintained. If adverse conditions turn out to belie this latter assumption France may need further financial assistance in fiscal 1948 which would not be likely to be forthcoming from the International Bank or the Export-Import Bank. (Further, there are military and political considerations which have led the SWNCC working group on France to classify it as a critical area which may need assistance in the next several months.)

The financial needs of other countries through fiscal 1948 can probably be met from existing commitments, programs or lending institutions, to the extent that it is now considered in the United States interest to meet such needs.

While it would probably not be desirable at this stage to mention the work now going on in SWNCC, I should think the general outlines of the above could be indicated to Mr. Webb.

I have not attempted to indicate what I think is implicit in Mr. Webb's query regarding priorities, namely how would we reallocate any cut in an "overall program" among the several programs now pending.

² *Infra.*

B. The fourth [*fifth*] paragraph of the memorandum attached to Mr. Webb's letter, requests the Department's judgment as to the legislative priority to be assigned to each item in the overall pattern. The Department has, of course, indicated that urgent action is required on the Greek-Turkish Aid Bill. Almost equally pressing for economic and political reasons is the post-UNRRA Bill. Other legislation now pending has less priority but action is needed before the beginning of fiscal 1948.

SWNCC Files : Series 360

*Report of the Special "Ad Hoc" Committee of the State-War-Navy
Coordinating Committee*

TOP SECRET

[WASHINGTON,] April 21, 1947.

References: a. SWN-5231, March 20, 1947
b. SWN-5255, March 21, 1947
c. SWNCC 358/d, March 31, 1947¹

1. Attached hereto is the report of the Special *Ad Hoc* Committee of SWNCC in response to the reference memoranda, on policies, procedures and costs of assistance by the U.S. to foreign countries.

2. The Special *Ad Hoc* Committee states that this interim report, which is highly tentative in nature, has been prepared from information presently at hand and a hasty analysis of such information. It is intended to provide, in a single document, a survey of the present world-wide situation, and to indicate countries to which the U.S., for its own security and national interests may find it desirable to extend aid in the next few months. The preparation of a fuller report, containing more thorough analysis and refinements lacking in this interim report, has been initiated, with completion date estimated as mid-July, 1947.

3. This paper contains, in the first ten pages, (1) the conclusions reached by the committee, (2) a brief of assistance measures which may prove desirable, and (3) a statement of principles and policies pertaining to aid to foreign countries. The State-War-Navy Coordinating Committee is asked to *approve in principle* the contents of these ten pages as a basis for planning. The remainder of the paper consists of briefs based on the reports which were prepared by working sub-

¹ Enclosures "A" and "B" to SWN 5231 are printed on pages 197 and 198; the other reference memoranda are not printed.

committees for use of the Special *Ad Hoc* Committee.² The SWNCC is asked to *note* these briefs which are included in this paper, since it is considered they will be of help in guiding planning agencies in the three departments.

4. The Special *Ad Hoc* Committee does not believe that it has been able to adequately fulfill the requirements of SWN-5231 of March 20, 1947 as it relates to China. It has been unable to reach an agreement on a program for this country.

The *Ad Hoc* Committee recommends that SWNCC direct the Far Eastern Subcommittee to submit a more conclusive report on China as a matter of priority when the JCS study now being formulated is made available to the State-War-Navy Coordinating Committee for its consideration.

5. Attention is invited to the necessity for extraordinary security measures in view of the nature of the material contained in this report.

Enclosure

POLICIES, PROCEDURES AND COSTS OF ASSISTANCE BY THE UNITED STATES TO FOREIGN COUNTRIES³

THE PROBLEM

1. To prepare a broad determination of the measures which might be undertaken, in implementation of U.S. foreign policy, for the extension of aid, including money, food, military equipment and other forms of assistance, to foreign nations by the U.S., and to make recommendations as to the allocation and employment of the means likely to be available.

FACTS BEARING ON THE PROBLEM

2. See Appendix "A".

DISCUSSION

3. See Appendix "B".

CONCLUSIONS

4. It is concluded that:

a. A planned program of assistance to foreign countries should enable the U.S. to take positive, forehanded, and preventative action in

² The minutes of the Committee on the Extension of U.S. Aid to Foreign Governments describe the liaison effected by the Department of State and by working groups of other Departments and of SWNCC in the preparation of the report. Department of State action was completed on April 15, when the committee reached final agreement as to a priority listing of countries to be considered for U.S. assistance. This list was substantially the same as that incorporated into the "Main Report", *infra*, except that in the latter Korea was included among the highest priority group.

³ This enclosure has been described as the "Main Report".

the matter of promotion of U.S. national interests by extending assistance under a system of priorities where it will do the most good from the standpoint of promoting U.S. security and other national interests.

b. Needs for such assistance will considerably exceed currently estimated availabilities. In order that aid as extended may be of maximum usefulness, it is necessary that the provision of U.S. aid to foreign countries should be carried out in accordance with a well-considered comprehensive world-wide program, developed in the maximum reasonable amount of detail.

c. The nations of the world which the United States may find it necessary and desirable to aid in the next few months are, in presently estimated order of the urgency of their need in the light of U.S. interest:

- (1) Greece
- (2) Turkey
- (3) Iran-Italy
- (4) Korea
- (5) France (for political and not economic reasons)
- (6) Austria (assuming conclusion of the treaty)
- (7) Hungary

d. In these countries, concentrated U.S. programs of aid may be required. As appropriate (see Appendix "A"), these should include financial aid, economic aid, military aid, political support, and vigorous programs of information.

e. In the near future, China will need an undetermined amount of post UNRRA aid, credits for purchase of ships from the Maritime Commission, and a carefully conceived information program. As to additional aid, there is a divergence of view between the State Department on the one hand and the War and Navy Departments on the other, which is indicated in Appendix "A", Annex "E", Attachment II. A supplementary report with appropriate corrigendums to this paper will be submitted as a matter of priority when the conclusions of the JCS on the problem are made available to SWNCC for integration with the other factors involved.

f. In the following countries no urgent requirement for extension of U.S. aid or support over and above that now contemplated exists, although substantial requirements may develop at a later date:

- | | |
|----------------------------|--------------------|
| (1) Great Britain | (5) Portugal |
| (2) Belgium and Luxembourg | (6) Czechoslovakia |
| (3) Netherlands-NEI | (7) Poland |
| (4) The Philippines | |

g. The situation of other countries is not so urgent as to warrant examination in this report.

h. In addition to the provision of military equipment and supplies to countries where urgent need exists, a well considered program of military collaboration, including one or more of (a) the provision of U.S. military equipment supplies, (b) the maintenance of military missions, and (c) the training of key foreign military personnel, should be continued or initiated for selected countries indicated at the end

of this paragraph. Authorizing legislation now lacking should be submitted and supported. Convincing deliveries under all approved programs should be made thereafter without delay. Plans for the effective sustaining of the program from new manufacture should be developed. General priorities on a long-term basis are :

- (1) Western Hemisphere ((a) Canada, (b) Latin America and the Philippines)
- (2) Near and Middle East-Europe
- (3) Far East (less Philippines)

Priorities for piece-meal acts of assistance, perhaps with a psychological objective, will vary from the foregoing. Programs now exist in one form or another not necessarily in order of priority for

- (1) Canada
- (2) The Philippines
- (3) Latin American Republics
- (4) Iran
- (5) Italy
- (6) China
- (7) Greece and Turkey

i. In 1947 the U.S. will probably export to the rest of the world \$7.5 billion more goods and services than it imports. The outflow of dollars to finance this deficit will probably include \$4.8 billion financed by the U.S. Government in loans, grants, and expenditures in the occupied areas. The current volume of U.S. financing, and particularly its distribution between countries, is not adequate to the full accomplishment of world economic stability, the type of world trading system the U.S. seeks, or U.S. political objectives in several countries.

j. World-wide shortages and maldistribution will exist in the year ending 30 June 1948 in basic commodities, including grains, coal, nitrogenous fertilizer, steel, capital equipment. Legislation relating to materials priorities, domestic transportation, export controls, and shipping will be required in order to achieve a successful program for those exports which are available. Concurrently, economic policy must aim at the reintegration of the economies of critical countries into regional and world trading and production systems.

RECOMMENDATIONS

5. It is recommended that :

a. The above conclusions and interim program, relating to U.S. assistance to foreign nations, contained in Sections I and II of Appendix "A" be approved in principle for planning purposes as tentative, interim guidance for actions by the State, War and Navy Departments, subject to comment on this report from the military point of view by the Joint Chiefs of Staff and with the understanding that determination to implement each of the programs proposed for planning purposes is a matter for separate decision.

b. Annexes "A" to "E", inclusive, of Appendix "A" and Appendix "B" be noted as being the detailed exposition supporting the conclusions and Sections I and II of the Appendix.

c. This report be forwarded to the JCS with a request for comment from the military point of view, as a matter of urgency.

Appendix "A"

[Here follows Section I of Appendix A, a tabular summary of assistance measures to be undertaken in an interim program.]

SECTION II

POLICIES AND PRINCIPLES FOR EXTENSION OF U.S. AID TO FOREIGN NATIONS

PREAMBLE

It is taken to be the policy of the United States:

a. To support economic stability and orderly political processes throughout the world and oppose the spread of chaos and extremism.

b. To reduce or to prevent the growth or advancement of national or international power which constitutes a substantial threat to U.S. security and well-being and to oppose programs of coercion and infiltration, especially when effected by the use of armed minorities.

c. To orient foreign nations toward the U.S., toward support of the U.N. and toward procedures in international relations which are consistent with the purpose of the U.N.

A. Objectives of the Aid Program

1. To take positive, forehanded and preventative action in the matter of promotion of U.S. interests through assistance to foreign nations. By timely provision of moderate amounts of assistance to avoid the development of crises which will demand urgent, much larger expenditures.

2. To apply assistance, under a system of priorities, where it will do the most good from the standpoint of promoting U.S. security and national interest. Specifically, to give highest priority to the nations or areas which are vital to our national security and national interest.

B. Consideration of the National Security and Interests of the U.S.

1. It is essential in the national interest that the U.S. use its best efforts to insure that other nations, as well as ourselves, be able to work out a national life free from all forms of coercion.

2. The security of the U.S., and the foundations of international peace, are undermined whenever a totalitarian regime is imposed upon a free people by direct or indirect aggression.

3. For reasons of our national security and of vital national interests, our country should support free peoples who are resisting attempted subjugation, whether by armed minorities or by outside pressures.

4. The security of the United States is concerned not only with the dangers which threaten a free country, but also with the effect which those dangers may have on other countries. If the U.S. supports a freedom-loving people whose independence is threatened, other nations may be stiffened in their determination to remain free; conversely, if the U.S. neglects to support such a free people, other nations may be profoundly dismayed and may lose faith in the leadership of the U.S.

5. In helping free and independent nations to retain their freedom the U.S. will be giving support to the principles of the charter of the United Nations.

6. It is important to maintain in friendly hands areas which contain or protect sources of metals, oil and other national resources, which contain strategic objectives, or areas strategically located, which contain a substantial industrial potential, which possess manpower and organized military forces in important quantities, or which for political or psychological reasons enable the U.S. to exert a greater influence for world stability, security and peace.

7. It is desirable that military collaboration between the U.S. and foreign nations important to U.S. security be continued and extended.

[Here follows discussion of conditions to be attached for extension of aid, particularly that there be "a reasonable chance" for success, and that arrangements be made to maintain "adequate measures of supervision and control of the expenditures of U.S. funds, and of the distribution of U.S. goods and equipment, to insure that they are devoted to the purpose for which they have been approved". There is also a brief consideration of "public information aspects".]

Annex "A" to Appendix "A"

GENERAL ECONOMIC PROGRAM

Reference: Memorandum of Request to Working Group on Economic Aid (Food and Finance) dated March 21, 1947.

1. The war and the political changes consequent thereto destroyed in substantial part the former capacity of the countries of Europe to meet their manufacturing and agricultural needs through the normal operations of closely integrated economies. As a result the United States became for practical purposes the only country in the world capable of tiding Europe and other deficit areas over the period of reconstruction.

U. S. RESOURCES AVAILABLE FOR FOREIGN FINANCING

2. In 1947, the United States will export to the rest of the world approximately \$16.2 billion of goods and services, taking into considera-

tion existing and probable foreign financial commitments. The United States will import in 1947 only about \$8.7 billion of goods and services. In 1947 the economy of the United States will thus be supplying to the world \$7.5 billion of goods and services more than it receives.

3. Only about \$450 million of this \$7.5 billion will be financed by private long-term loans and by private and government short-term credits. Most of the balance will be financed by the United States Government (\$4.8 billion of which approximately \$500 million is the cost of U.S. Army financing of occupied areas) and out of cash and gold holdings of foreign buyers (\$1.2 billion). Disbursements by the International Bank during 1947 will provide about \$300 million, and private remittances about \$750 million.

4. The volume of United States Government foreign financing will, under present programs and policies,⁴ taper off rapidly during the latter part of 1948 and 1949. Similarly, the ability of foreign purchasers to finance U.S. exports out of gold and dollar holdings will diminish as these reserves are drawn down. The volume of private remittances may also be expected to decline.

5. These factors will be offset only in small part by an increase in International Bank financing and possibly by some net increase in private long and short term loans and credits, and by an increase in United States imports.

6. The conclusion is inescapable that, under present programs and policies, the world will not be able to continue to buy United States exports at the 1946-47 rate beyond another 12-18 months.

7. The great weight of evidence indicates that even the current volume of United States foreign financing, and particularly its distribution between countries, is not adequate to the accomplishment either of world economic stability and the type of world trading system which is the object of our trade policy, or of our political objectives in several critical countries. Our political interests abroad, particularly in Italy, Austria and Hungary have suffered and will continue to suffer because existing financial institutions and policies tend to restrict present U.S. financial aid very largely to countries which are regarded as good credit risks.

8. Other than the United States, there are now no major sources of credits or supplies to which the needy countries can turn to meet the bulk of their balance of trade deficits and reconstruction and development needs over the next few years.

9. The President's Council of Economic Advisers has indicated that a slight business recession may be anticipated sometime within the next twelve months. A substantial decline in the United States export

⁴For documentation regarding U.S. foreign loan policy in the immediate post-war period, see *Foreign Relations*, 1946, volume I.

surplus would have a depressing effect on business activity and employment in the United States. The net effect would depend on the direction and strength of other economic forces, but, if the export decline happened to coincide with weakness in the domestic economy, the effect on production, prices and employment might be most serious.

10. The implications of these preliminary conclusions are most serious both for world recovery and stability and possibly for employment and business activity in the United States.

U.S. EXPORT PROGRAMS FOR CRITICAL COMMODITIES

11. As important to the democracies of the world as the problem of financing essential exports from the U.S. is the problem of insuring that maximum supplies of critical commodities are made available for export and properly distributed. War-time disruption of the world economy was so vast that severe shortages of a number of vital commodities persist. Recovery of production is frequently slow and tight situations will continue. The burden of meeting these shortages falls primarily on the strongest economy in the world—the U.S.

12. If U.S. financing is to achieve its purpose of strengthening the economies of friendly countries, this Government must maintain such controls as are necessary to insure that a limited number of essential commodities can be procured and shipped abroad to appropriate destinations.

These vital commodities fall into three main groups:

Food

13. In the year ending June 30, 1948, the world will continue to face shortages of bread grains, fats and oils, proteins and sugar.⁵ In the case of bread grains, the most important single item, import requirements are estimated at 37 million metric tons wheat equivalent and exportable supplies at 28 million tons, including 11.2 million tons from the U.S., leaving a deficit of 9,000,000 tons. This means that the importing countries face another year in which their requirements, which are based in most cases on substandard feeding levels, cannot be met by a substantial margin. The U.S. export figure is based on the assumption of normal and non-controlled grain exports.

14. The importance of the U.S. in the world food picture is apparent from the fact that it is expected to supply almost half of the total exportable supplies of bread grains during the next crop year.

15. U.S. food exports, particularly of bread grains, must be increased to the maximum if the program of economic assistance abroad is to be successfully fulfilled. The maximum tonnage of grain which

⁵ For documentation on U.S. policy regarding the world food crisis in 1946, see *Foreign Relations*, 1946, vol. I, pp. 1439 ff.

can be moved in 1947-48 over our internal transportation system to ports is approximately 15 million tons. According to present forecasts, the 1947 grain crop should be large enough to permit this volume of exports without any curtailment of domestic consumption.

16. In order to insure that U.S. exports in 1947-48 reach the 15 million ton maximum it will be necessary (a) to commit ourselves firmly to this export goal at an early date; and (b) to direct this amount of grain into export channels by continuing throughout the crop year the domestic controls outlined below. For this purpose continuation of some government procurement and efficient use of transportation will, of course, be essential.

17. Maximum U.S. efforts would reduce the 1947-48 deficit of bread grains from 9 million tons to between 5 and 6 million tons. This additional 4-5 million tons of grain would greatly increase the chances for success of our program for aid to foreign countries. This is particularly true in the critical countries of Western Europe. Unless we can assure maximum U.S. exports, we may face a situation next spring similar to the one which confronts us now, in which the problem is to determine which critical country will have to bear the brunt of inadequate supplies and ration cuts.

18. At the present time we are programming our grain exports in close collaboration with the International Emergency Food Council. This collaboration should continue since the major influences in the IEFEC, in addition to our own, are exerted by areas for which we have great concern. The IEFEC consequently provides a convenient forum for consulting countries with whom we would collaborate in any case and obtaining multilateral agreement, rather than unilateral decision, on our allocations.

Coal

19. Europe is the critical coal deficiency area of the world. The gap between 1947 requirements and availabilities for Europe will be at least 36 million metric tons. The major European coal importing countries are France, Italy, Belgium, Denmark, the Netherlands, Sweden and Norway—all countries of special interest to the U.S. These countries will obtain in 1947 about 40% of their probable imports from other European countries and the remainder from the United States.

20. It is essential to the progress of European recovery that United States coal exports to Europe should continue at a maximum rate throughout 1947 and for a considerable period thereafter.

21. Under present conditions, exports of U.S. coal entail a heavy drain upon European dollar resources. Ocean freight represents over half the cost of each ton of United States coal delivered at European

ports. A coordinated program to increase European coal production should, therefore, receive the highest priority.

22. We should continue to support the principle of international allocation in accordance with need in the distribution of available coal supply. The European Coal Organization has performed a useful function in this respect which should be continued by the Economic Commission for Europe.

Other Critical Commodities

Nitrogenous Fertilizer

23. The world faces an acute shortage of this essential commodity in the coming crop year. U.S. demand has reached unprecedented levels as a result of high farm income and production. Europe and the Far East have heavy requirements due to war-time soil depletion and the shortage of livestock. In order to secure exports from the U.S. controls will be required.

Steel

24. No adequate data are available to give an accurate picture of the world steel position. It seems clear, however, that for several years to come a number of countries, including several in Europe formerly dependent on Germany, will require substantial imports. The European steel shortage which restricts the progress of reconstruction is in part caused by the coal shortage.

25. The American mills simply cannot supply both the huge domestic demand and any substantial share of the export demands. They prefer Latin American and other markets where the long-range prospects are better than in European markets. An effort to meet all foreign requirements would entail restrictions on the domestic use of steel. Unless such restrictions can be imposed, the rate of European reconstruction will be substantially retarded.

Capital Equipment

26. A number of items of capital equipment, such as tractors, construction equipment, freight wagons, and mining machinery are tight. The import requirements of the critical countries are large and the U.S. is the only current source of exports. If domestic demand continues strong, some form of priorities to meet the critical export programs will be essential.

LEGISLATIVE ACTION REQUIRED

27. Successful export programs for food, coal, steel and capital equipment cannot be achieved without the following legislative action:

a. The first step is to insure equitable distribution of supplies as between the domestic economy and foreign economies. This requires

extension of allocation powers with respect to a limited list of commodities certified by the Secretaries of State and Commerce as critical to the foreign economic policy of the U.S. Powers to assign priorities directly to producing firms will be necessary for a still more restricted group of items. Both of these powers now expire on June 30, 1947. Recommended legislative action along these lines is now being prepared in the White House.

b. Continuation of export controls is required in order to channel exportable supplies to proper countries and to cut down undesired foreign demand in the domestic market. These controls now expire on June 30, 1947. The President has recommended this legislation to the Congress in his message of March 18, 1947.

c. Finally extension of powers to assign priorities on transportation, which also expire on June 30, 1947, are needed. These powers are essential to insure efficient use of transportation facilities, particularly freight cars. Without them it would be difficult to move bulky export commodities such as coal and grain in the required quantities. The necessary legislation is being prepared in the White House.

d. Legislative action on shipping is also required, as indicated in the following section.

Ocean Shipping

28. To assure the success of our export programs which include tremendous quantities of bulky items such as coal and grain, the following legislative action is required to enable the Maritime Commission to insure maximum availability and efficient use of shipping:

a. Extension of authority of Maritime Commission to operate government-owned vessels. This authority now expires on June 30, 1947.

b. Extension of Maritime Commission authority to apply revenues from operation of ships for government account to meet expenses of operation, including expenses of withdrawing ships from the reserve fleet. This authority also expires June 30, 1947.

c. Extension of Maritime Commission authority to sell or charter war-built vessels under the Merchant Ship Sales Act of 1946. This authority expires December 31, 1947.

29. Recommended legislation along the above lines is now being prepared by the Maritime Commission. Failure to obtain this legislative action would result in a disastrous curtailment of available supplies of U.S. shipping and inability to fulfill essential export goals. For example, it would be necessary to decrease the size of the U.S. tanker fleet by about 230 tankers which would dry up a major portion of the world's present flow of oil.

ECONOMIC INTERDEPENDENCE OF CRITICAL COUNTRIES

30. The cost and duration of United States economic assistance are directly dependent upon the successful integration and coordination of the economic programs in the critical countries both with each other

and with similar programs in countries not receiving special United States aid.

31. Furthermore, the reintegration of these countries into healthy regional and world trading and production systems will accelerate their recovery and attainment of the ability to eventually enable them to finance their import needs, thus permitting the strain on the United States to be lifted.

32. Special attention must be given to the coordination of economic policy in occupied areas, particularly Germany and Japan, with general economic objectives in Europe and the Far East.

33. The interdependence of the various national economies is so great, particularly in Europe, that economic recovery of western-oriented areas will require a substantial increase in trade with Soviet-dominated areas, provided such trade can be arranged on terms compatible with the economic and political independence of western-oriented areas.

NEEDS OF THE OCCUPIED AREAS

34. The occupied areas of bi-zonal Germany, Japan and Korea deserve special consideration for the fiscal year 1948. They will require an estimated \$1.4 billion of imports for that period, including foodstuffs, petroleum products and raw materials, principally for textile manufacturing. Not all of this sum will be a drain on American financial resources; however, the requirements for materials will be competitive with those of the countries to be given economic aid. The requirements of the occupied areas, to the extent that they are necessary to prevent disease and unrest, represent an urgent demand on world supplies.

35. The following estimated requirements in metric tons and dollar value, and covering the fiscal year 1948 are noteworthy:

	<i>Metric tons</i>	<i>Dollars</i>
Minimum food imports, US and British Zones of Germany-----	4, 030, 000	\$510, 000, 000
Minimum food imports, Japan----	1, 685, 000	255, 000, 000
Minimum total imports, US and British Zones of Germany-----		666, 000, 000
Minimum total imports, Japan----		576, 000, 000
US appropriated funds required, Germany -----		283, 000, 000
US appropriated funds required, Japan -----		226, 500, 000

36. It should be noted in the case of bi-zonal Germany that the data are for the combined US and UK occupation zones; financing of these requirements is a joint and equal US-UK responsibility.

[Here follow Annexes "B" through "E" of Appendix "A"; Annex "B—General Military Aid Program"—is scheduled for inclusion in volume I. Detailed examinations of aid needs on a country and area basis in Europe, the Near East, and the Middle East are included in Annexes "C", "D", and "E", respectively, none printed.]

Appendix "B"

DISCUSSION

1. The determination of tangible means of assistance to be provided by the U.S. in implementation of its foreign policy requires that U.S. interests, in terms of its present and future security and well-being, be carefully established and considered. These interests were recently crystallized in the statement of general U.S. foreign policy enunciated by the President in connection with the situation in Greece and Turkey. The purpose of this study is to report on problems incident to foreign needs or demands for substantial U.S. assistance, and to make certain that commitments undertaken are consistent with U.S. interests and capabilities.

2. In considering this problem it is first in order to define the aid involved. This report is concerned with goods and services, available to the countries in question, and with the actions of the U.S. government relating thereto. The role of the U.S. government regarding these goods and services extends to positive measures of support, or to restrictions, beyond those normal in free international trade and exchange. This aid falls into the following main categories:

a. Material resources—divided broadly into (1) military equipment and (2) non-military items such as food, machinery, clothing, etc.

b. Money, in the form of grants, loans, or expenditures.

c. Services, including advice and technical and administrative assistance.

d. Political support, in the form of backing, encouragement and good offices in international affairs and organizations. (This category of aid is not considered further in this interim report.)

e. Dissemination of information of [by] appropriate means.

3. U.S. security is the fundamental interest to be served by U.S. aid to foreign nations. National security can be maintained most effectively through the rebuilding of a stable peaceful world, in which each nation respects the sovereignty, integrity and way of life of the others in a friendly manner. This situation can best be attained through effective implementation of the charter of the United Nations, coupled with early satisfactory settlement of certain major world problems, which may be settled partially or wholly outside of the structure of the UN,

such as peace treaties with Germany and Japan. However, the UN charter has yet to be implemented with full effectiveness. A realistic appraisal of the world situation shows that there exist many problems which adversely affect the security interests of the U.S. and which may, particularly at their inception, be outside the purview of the UN.

4. Such problems form the basis from which U.S. aid programs should be determined. In certain countries economic weaknesses exist which may give rise to instability and subsequently to political shifts which adversely affect the security of the U.S. They include subversive and "boring from within" tactics or the threat of overwhelming force, all of which are difficult and sometimes impossible to combat under the United Nations Charter, particularly at its present stage of implementation. The United States has need of friends in the world today and particularly needs to take care that other nations do not pass under the influence of any potentially hostile nation. There are some countries which are at present in very close balance and it is to our advantage to strengthen their resolution to remain independent. As to the countries hostile to the U.S. every opportunity for assisting any of them to regain an independent national life should be reviewed to determine whether the probabilities of success and cost of undertaking the effort warrant any expenditure of resources by the U.S.

5. It should be noted that the results to be achieved by our program of aid may extend well beyond the countries being aided. There is a "bandwagon" quality attaching to the Communist movement, and efforts at infiltration and minority domination, which is vulnerable to positive measures of aid and encouragement undertaken by U.S. If such measures are taken early, they may be carried out with relatively small actual expenditures.

6. The broad purpose of U.S. aid and assistance is to extend in terms of the U.S. national interest the objective recently enunciated by the President for Greece and Turkey, by supporting economic stability and orderly political processes, opposing the spread of chaos and extremism, preventing advancement of Communist influence and use of armed minorities, and orienting other foreign nations toward the U.S. and the UN. In addition, the U.S. will probably continue to undertake to alleviate starvation and suffering as such where this action is consistent with U.S. interests.

7. The provision by the U.S. of carefully regulated quantities and types of military aid and assistance in the form of military equipment, advice, and training, is a powerful influence in orienting the recipient nations toward U.S. policy. Foreign armed forces which are supplied with U.S. equipment will look to the U.S. for replacement and maintenance. In addition to contributing to the internal order and integrity of the countries concerned, moderate security forces maintained by

those nations offer several benefits to the U.S. against the contingency of war. Foreign powers with aggressive designs would be faced with the necessity of committing openly overt acts. The reduction by an enemy of even the small countries may consume significant, though small, amounts of time and resources, thus affording a cushion of time and distance to the U.S.

8. It is believed that the following considerations are basis to decisions as to aid to be provided:

a. Taking the action will probably have consequences favorable for us, possibly carrying far beyond the limits of the nation concerned. Alternatively, if we do not take action the resulting situation might operate very decidedly to our disadvantage.

b. The problem at hand in the nation concerned is one within our economic, technical, and financial capabilities.

9. In order to be certain that aid is applied to the specific purpose for which provided in implementation of the policy enunciated by the President, controls and safeguards must be maintained which will ensure:

a. That misuse, diversion and waste are minimized.

b. That the U.S. have full knowledge of the manner in which the means provided are distributed and used.

c. That the government of the country being aided proceed with the development and support of free and democratic institutions as opposed to minority domination.

10. The necessity for an organized and comprehensive program of aid is apparent from the magnitude of the existing problem. The present and prospective needs and demands of foreign nations for U.S. aid will, in all probability, exceed availabilities. Hence a system of priorities must be installed if the provision of aid is to be closely related to the contribution thereby made to U.S. national interests and to attainment of the objectives of U.S. foreign policy. Further, it is probable that positive, forehanded and preventative actions will result in commitments considerably below those which would be required if situations were allowed to develop to the point of crisis. The interim comprehensive program set forth in Appendix "A" and the Annexes thereto has been prepared to provide such a system of priorities and such a basis for positive, forehanded, preventative action.

11. In order to establish the requirements which it may be desirable to fulfill within the next few months, it is considered necessary to develop an interim report, tentative in nature, which indicates:

a. Present urgent requirements for assistance which it is within the U.S. interest to provide.

b. Additional measures of assistance, derived from consideration of long-term U.S. programs and international assistance objectives, which it is in the U.S. interest to initiate without further delay.

The interim report is of necessity based upon fragmentary data and will be revised as better data is assembled. It must be followed by a more comprehensive and thorough report which will set forth a program and policy for U.S. aid over the next few years.⁶

⁶The final report was completed and circulated to the State-War-Navy Coordinating Committee as SWNCC document 360/3, dated October 3, 1947. In an accompanying memorandum the *Ad Hoc* Committee stated "that the recent rapid progress of events has made obsolete much of the data on which the report is based. It cannot therefore be considered current. . . . Attention is invited to the fact that the Marshall Plan was inaugurated *after* this report was in process of formulation under the Committee's original terms of reference . . . consequently this report relates only indirectly to the Plan." Elsewhere in the memorandum, the *Ad Hoc* Committee stated that the report "is intended to provide in a single document a survey of the present world situation and to indicate countries to which the United States for its own security and national interests may find it desirable to extend aid *during the next three to five years*. . . . The attached report recommends that U.S. capabilities be reviewed once the Marshall Plan becomes firm insofar as the application of U.S. support to other areas of the world is concerned."

Editorial Note

Secretary of State Marshall discussed problems of postwar reconstruction in a radio address of April 28 on the occasion of his return from the meeting of the Council of Foreign Ministers at Moscow. Concentrating upon the problem of effecting a peace settlement in "the vital center of Europe—Germany and Austria—an area of large and skilled population, of great resources and industrial plants", Mr. Marshall urged that "the complex character of the problems should be understood, together with their immediate effect on the people of Europe in the coming months . . . we cannot ignore the factor of time involved here. The recovery of Europe has been far slower than had been expected. Disintegrating forces are becoming evident. The patient is sinking while the doctors deliberate. . . . Whatever action is possible to meet these pressing problems must be taken without delay." (Department of State *Bulletin*, May 11, 1947, page 919.)

Under Secretary of State Acheson, speaking on May 8 before the Delta Council at Cleveland, Mississippi, on "The Requirements of Reconstruction", described in broad context Europe's acute dollar deficit, its desperate need for food, clothing, coal, steel, and machinery for relief and reconstruction purposes, the probable inability of the American economy operating at near-capacity to sustain any further substantial increase in the total volume of exports of these commodities, and what "these facts of international life mean for the United States and for United States foreign policy." (*Ibid.*, May 18, 1947, page 991.)

The drafting history of Mr. Acheson's speech is shown in the papers of Joseph M. Jones, special assistant to the Assistant Secretary of State

for Public Affairs (Benton), who assisted Mr. Acheson on this occasion. Notes prepared for a conference of Acheson and Jones on April 9 indicate that the latter submitted a proposal "to elaborate our Greco-Turkish program into a more comprehensive statement of foreign policy" to be based on the concept of "further extension of aid to foreign countries". This statement was to draw on the conclusions of the SWNCC report, *supra*. The Jones Papers are at the Harry S. Truman Library, Independence, Missouri.

Policy Planning Staff Files

*Memorandum by the Director of the Policy Planning Staff (Kennan)*¹

SECRET

[WASHINGTON,] May 16, 1947.

The Planning Staff is undertaking its work along the following lines of thought:

1. The most important and urgent element in foreign policy planning is the question of restoration of hope and confidence in Western Europe and the early rehabilitation of the economies of that area. The character and outcome of the action we may take with relation to western Europe will have overwhelming implications for our policy elsewhere. Therefore, the problems of this area must be considered first.²

¹ The Policy Planning Staff was established on May 5, 1947, in the office of the Under Secretary of State to assure the development of long-range policy. Minutes of the Staff are in Lot 64 D 563, files of the Policy Planning Staff, Department of State, 1947-1953.

On May 19 Mr. Kennan used the present memorandum as the basis for a discussion with Under Secretary Acheson about the activities of the Staff to that time.

² On April 24, before the Staff actually began functioning, Mr. Kennan had set this priority for its work. In a memorandum of that date he had called for the assembling of documents on current economic trends in the United Kingdom, France, Italy, and the Western zones of Germany and Austria in order to make an overall assessment of what these areas would need "(a) by way of relief, in order to keep human life going in case no programs of rehabilitation are undertaken beyond those already in existence, and (b) to effect complete rehabilitation [of the] economy and to render it self-supporting." (64 D 563, Box 2042, 1947 Chron File).

In the Staff's meeting on May 15, it was "agreed generally that the main problem in United States security today is to bring into acceptable relationship the economic distress abroad with the capacity and willingness of the United States to meet it effectively and speedily; that with Greece and Turkey taken care of and the Korean problem now being posed, the greatest and most crucial problem is in Western Europe; that the areas most urgently concerned are France, Italy, the occupied zones of Germany and Austria, and Great Britain; that the problem is both political and economic, and not military (except insofar as maintenance of US military effectiveness is concerned); that the approach to the political problem for the moment must be economic; that it will not be possible to evolve in a short space of time any program to meet the long-term problem, but that some sort of immediate action is necessary for psychological reasons; and that since coal is so vitally important to Western Europe, we should examine the problem to see what the United States can do immediately to bolster production in Europe." (64 D 563, Box 20036, 1947 Minutes of meetings.)

2. A special *ad hoc* committee of SWNCC is already at work on the study of "policies, procedures, and costs of assistance by the United States to foreign countries." This committee is completing an interim report and is beginning work on a final report scheduled for completion in mid-July. Its work relates to possible American assistance in all areas, and thus embraces the problems of western Europe.

3. The Policy Planning Staff recognizes the high quality and value of the work being performed by this SWNCC committee, and feels that the working out of detailed plans for American aid to Western Europe must continue to be the responsibility of that committee. There will be, however, a number of points on which the Planning Staff will have suggestions to make which will affect the assumptions and points of departure on which the committee is proceeding. The Planning Staff hopes to submit those to you at an early date in the form of a set of principles which it feels should be observed in framing a master plan for US assistance to western Europe. It believes that these principles may be useful not only to the SWNCC committee but also to other units in the Department and elsewhere in the Government which are occupying themselves with this problem.

The following is a tentative list of such principles:

(a) The program for American aid should be, if possible, supplementary to a program of intramural economic collaboration among the western European countries which should, if possible, be initiated by one of those countries and cleared through the Economic Commission for Europe. A clear distinction must be observed between these two programs.

(b) The schedule of American aid should be embodied in a master-program, which, like the European collaboration scheme which it is designed to support, would look ahead for a period of four to five years to a point where western Europe would no longer need to be the object of charity from outside.

(c) The scheme of American aid for western Europe must be tied in with some workable plan for the solution of England's difficulties and must be agreed in advance with the British.

(d) The over-all plan of American aid must rest on guarantees from the European countries which will preclude communist sabotage or misuse. It must be made possible for us to terminate the flow of assistance at once if we are not satisfied on this point.

(e) We should be careful not to talk in terms of loans when there is no plausible prospect of repayment and should make it clear to everyone that assistance in these cases will have to be by means of outright grants.

(f) The program should be designed to encourage and contribute to some form of regional political association of western European states. Our occupational policies in Germany and Austria must be shaped toward enabling the western zones of those countries to make the maximum contribution to economic restoration in western Europe in general.

(g) We should use our influence to see that the program to be agreed on for western Europe leaves the road open for Czechoslovakia and other states within the Russian orbit to come, as soon as they can give guarantee that their participation will be constructed [*constructive*].

4. The above refers to an over-all program of American aid which we would hope could be put before the American public and Congress by mid-summer. The Planning Staff feels, however, that there is great need, for psychological reasons, of some energetic and incisive American action to be undertaken at once in order to create in Europe the impression that the United States has stopped talking and has begun to act and that the problem is being taken in hand swiftly and forcefully.

The Planning Staff is searching for a suitable field in which such action could be taken without prejudice to the execution of the eventual over-all program. It feels that the most likely field would be that of the rapid restoration of the coal-producing capacity of the Rhine valley; and it is examining the feasibility of a scheme that could be put in hand at once of the enlistment of American energy and resources to this end.

It envisages here the launching of an undertaking

which might be called "Coal for Europe" or something of that sort;

which would aim at a specified increase in the coal production of that area during a specific period (say from July 1 to December 31, 1947);

which would include every possible way in which the United States could help to boost production;

which would be accomplished by maximum publicity and public dramatization; and

which would be given as far as possible the character of an action not so much by the US Government to the French Government and other Governments of that area but by the US *public* to the peoples of those areas.

We conceive that this action might include, for example:

measures to increase production and procurement of coal-mining machinery of every sort and rush it to the coal-producing areas;

campaigns to make available food by popular sacrifice here (breadless days, etc.) to be sent specifically to coal-producing areas of ex-Allied states (such shipments to be accompanied direct to those areas by representatives of American organizations, such as Veterans' organizations or labor unions);

special American government-grants to help the British overcome production difficulties in the Ruhr;

maximum cooperation of our occupational authorities in Germany in providing labor, materials, etc. for the coal-producing areas; and possibly,

assistance to various European countries in developing other sources of energy in order to ease coal allocations.

The purpose of the above action would be primarily to achieve the following psychological effect: (a) to instill into the minds of people associated with coal production in Europe the feeling that the United States was behind them and was determined to see that conditions would be provided which would help them to achieve maximum output; (b) to convince European peoples in general that this country is in earnest and is determined to do all in its power to see economic problems of that area taken energetically into hand; and (c) to capture the interest and imagination of the American public and channel it into the problem of reviving European productive facilities.

5. The Planning Staff hopes to be able to make formal suggestions along these lines very soon.

840.50 Recovery/5-2347

The Director of the Policy Planning Staff (Kennan) to the Under Secretary of State (Acheson)

SECRET

[WASHINGTON,] May 23, 1947.

MR. ACHESON: Attached is the first recommendation of the Planning Staff. It deals with the question of aid to western Europe.

If approved it should serve as a general orientation, both for operations and for planning in the immediate future.

It is only a few days since the Planning Staff, with an incomplete and provisional complement of personnel, was able to begin to give attention to the substance of its work. Normally, I would consider this far too short a time in which to consider and make recommendations on matters of such importance. But I recognize that the need for a program of action on this problem is urgent and the best answer we can give today is perhaps more useful than a more thoroughly considered study one or two months hence.

If the views set forth here meet with the approval of the Secretary and yourself, we will make this paper the basis of further planning.¹

GEORGE F. KENNAN

[Enclosure]

[WASHINGTON,] May 23, 1947.

SUMMARY

1. The Policy Planning Staff has selected as the first object of study the question of American aid to western Europe.

¹ On May 26, at a staff meeting in the office of the Under Secretary, it was decided to circulate this proposal for discussion at the meeting of May 28.

2. It sees here a long-term problem, namely of European rehabilitation in general, and a short-term problem, namely the immediate shoring up of confidence at home and abroad in the possibility of a constructive solution.

3. As to the short-term problem the Policy Planning Staff proposes that the United States, with a view to seizing the offensive and inspiring confidence, select some suitable bottleneck or bottlenecks in western European economy and institute immediate action which would bring to bear the full weight of this Government on the breaking of these bottlenecks. The Planning Staff attaches great importance to this suggestion, believing that only by means of some such action can we gain time to deal with the long-term problem in an orderly manner.

4. With respect to the long-term problem, the Policy Planning Staff feels that the formal initiative in drawing up a program for its solution and the general responsibility for such a program must come jointly from European nations and that the formal role of this Government should be to support that program at joint European request. It proposes that we aim at inducing the European governments to undertake soon the task of evolving such a program, and give them every assistance therein, in order that their request to us may reach us by the end of the year.

5. The Policy Planning Staff proposes the despatch of instructions to certain European missions designed to obtain a uniform digest of the views of the respective chiefs. It is also proposed that secret discussions with the British be undertaken at once with respect to the general approach to this problem.

6. It recommends that immediate measures be taken to straighten out public opinion on some implications of the President's message on Greece and Turkey.

POLICY WITH RESPECT TO AMERICAN AID TO WESTERN EUROPE VIEWS OF THE POLICY PLANNING STAFF

I. GENERAL

1. The Policy Planning Staff has selected the question of American aid to western Europe as the first subject of its attention. This does not mean that the Staff is unmindful of the importance or urgency of problems in other areas or of its mission to coordinate long-term policy on a global basis. It means simply that western Europe appears to be the area for which long-term planning might most advantageously begin.

2. The Policy Planning Staff does not see communist activities as the root of the difficulties of western Europe. It believes that the pres-

ent crisis results in large part from the disruptive effect of the war on the economic, political, and social structure of Europe and from a profound exhaustion of physical plant and of spiritual vigor. This situation has been aggravated and rendered far more difficult of remedy by the division of the continent into east and west. The Planning Staff recognizes that the communists are exploiting the European crisis and that further communist successes would create serious danger to American security. It considers, however, that American effort in aid to Europe should be directed not to the combatting of communism as such but to the restoration of the economic health and vigor of European society. It should aim, in other words, to combat not communism, but the economic maladjustment which makes European society vulnerable to exploitation by any and all totalitarian movements and which Russian communism is now exploiting. The Planning Staff believes that American plans should be drawn to this purpose and that this should be frankly stated to the American public.

3. The Policy Planning Staff sees in this general question of American aid to western Europe two problems: a long-term one and a short-term one. The long-term problem is that of how the economic health of the area is to be restored and of the degree and form of American aid for such restoration. The short-term problem is to determine what effective and dramatic action should be taken in the immediate future to halt the economic disintegration of western Europe and to create confidence that the overall problem can be solved and that the United States can and will play its proper part in the solution.

4. The Policy Planning Staff feels that there is some misconception in the mind of the American people as to the objectives of the Truman Doctrine and of our aid to foreign countries and recommends that immediate action be taken to correct this misunderstanding.

II. THE SHORT-TERM PROBLEM

5. With respect to the short-term problem, the Planning Staff feels that we should select some particular bottleneck or bottlenecks in the economic pattern of western Europe and institute immediate action which would bring to bear the full weight of this Government on the breaking of those bottlenecks. The purpose of this action would be on the one hand psychological—to put us on the offensive instead of the defensive, to convince the European peoples that we mean business, to serve as a catalyst for their hope and confidence, and to dramatize for our people the nature of Europe's problems and the importance of American assistance. On the other hand, this action would be designed to make a real contribution to the solution of Europe's economic difficulties.

The Planning Staff attaches great importance to this project and considers it almost essential to the success of the general scheme. It fears that unless something of this sort is done at once the result may be a further deterioration of morale in Europe which will seriously jeopardize the long-term program. For this reason it recommends that most careful and intensive consideration be given at once to this project.

The production of coal in the Rhine Valley and its movement to the places of consumption in Europe has suggested itself as the most suitable object of such an action. The Planning Staff has this question under consideration and expects to come up with more detailed suggestions in the near future.

It may be necessary as a matter of short time urgency to take certain other measures with respect to Italy supplementary to such aid as may be given to that country out of the \$350,000,000 appropriation.² Since this question is already under advisement in operational sections of the Department the Planning Staff is not including it in this survey.

III. THE LONG-TERM PROBLEM

6. The Policy Planning Staff recognizes that the long-term problem is one of enormous complexity and difficulty. It should be the subject of a careful study which must of necessity extend over a period of at least several weeks. The Staff proposes to occupy itself with that study at once. In the belief, however, that this Government cannot afford to delay the adoption of some overall approach to the solution of the problem, the following tentative views are set forth:

a. It is necessary to distinguish clearly between a program for the economic revitalization of Europe on the one hand, and a program of American support of such revitalization on the other. It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally and to promulgate formally on its own initiative a program designed to place western Europe on its feet economically. This is the business of the Europeans. The formal initiative must come from Europe; the program must be evolved in Europe; and the Europeans must bear the basic responsibility for it. The role of this country should consist of friendly aid in the drafting of a European program and of the later support of such a program, by financial and other means, at European request.

b. The program which this country is asked to support must be a joint one, agreed to by several European nations. While it may be linked to individual national programs, such as the Monnet plan in France, it must, for psychological and political as well as economic

² This refers to the Joint Resolution, providing relief assistance to the people of countries devastated by war, which was approved by President Truman on May 31, 1947; 61 Stat. 125.

reasons, be an internationally agreed program. The request for our support must come as a joint request from a group of friendly nations, not as a series of isolated and individual appeals.

c. This European program must envisage bringing western Europe to a point where it will be able to maintain a tolerable standard of living on a financially self-supporting basis. It must give promise of doing the whole job. The program must contain reasonable assurance that if we support it, this will be the last such program we shall be asked to support in the foreseeable future.

d. The overall European program must embrace, or be linked to, some sort of plan for dealing with the economic plight of Britain. The plan must be formally a British one, worked out on British initiative and British responsibility, and the role of the United States, again, must be to give friendly support.

e. This does not mean that the United States need stand aside or remain aloof from the elaboration of the overall European program. As a member of the United Nations and particularly of the Economic Commission for Europe, and as a power occupying certain European territories, it is entitled and obliged to participate in working out the program. Our position as an occupying power also makes it incumbent upon us to cooperate whole-heartedly in the execution of any program that may be evolved. For this reason, and because we must know as soon as possible to what extent such a program is technically feasible, we must undertake an independent and realistic study of the entire problem of European rehabilitation. But we must insist, for the sake of clarity, for the sake of soundness of concept, and for the sake of the self-respect of European peoples, that the initiative be taken in Europe and that the main burden be borne by the governments of that area. With the best of will, the American people cannot really help those who are not willing to help themselves. And if the requested initiative and readiness to bear public responsibility are not forthcoming from the European governments, then that will mean that *rigor mortis* has already set in on the body politic of Europe as we have known it and that it may be already too late for us to change decisively the course of events.

f. While this program must necessarily center in the European area, it will admittedly have widespread ramifications in other areas. It will also have important connotations for the UN, and we should bear constantly in mind the need for maximum utilization of UN machinery.

g. American support for such a program need not be confined to financial assistance. It may involve considerable practical American cooperation in the solution of specific problems.

h. With respect to any program which this Government may eventually be asked to support, it will be necessary for it to insist on safeguards to assure

first, that everything possible be done to whittle down the cost of such support in dollars;

secondly, that the European Governments use the full force of their authority to see that our aid is employed in a purposeful and effective way; and

thirdly, that maximum reimbursement be made to this country in any forms found to be economically feasible and in United States interest.

i. The problem of where and in what form the initiative for the formulation of a European program should be taken is admittedly a tremendously difficult and delicate one. It cannot be definitely pre-determined by us. Presumably an effort would first be made to advance the project in the Economic Commission for Europe, and probably as a proposal for general European (not just western European) co-operation; but then it would be essential that this be done in such a form that the Russian satellite countries would either exclude themselves by unwillingness to accept the proposed conditions or agree to abandon the exclusive orientation of their economies. If the Russians prove able to block any such scheme in the Economic Commission for Europe, it may be necessary for the key countries of western Europe to find means of conferring together without the presence of the Russians and Russian satellites. In general, however, the question of where and how this initiative should be taken is primarily one for the European nations, and we should be careful not to seek unduly to influence their decision.

7. Based on the above considerations, the Policy Planning Staff suggests the following course of action with relation to the long-term problem:

a. That the SWNCC Special *Ad Hoc* Committee studying "policy, procedures and costs of assistance by the United States to foreign countries" continue its studies, but that the State representation on this Committee maintain close contact with the Policy Planning Staff for purposes of coordination.

b. That by way of supplement to the SWNCC study, telegraphic instructions be despatched at an early date to the Chiefs of Mission in a number of western and central European countries designed to elicit their frank views on

(1) The economic situation of their respective country and the measures required for its remedy;

(2) Whether there is any element in the situation which makes it likely that the United States may be faced with any urgent and desperate demand from that quarter for assistance within the next year;

(3) Whether and to what extent the respective economic difficulties could be relieved by better exchanges (commodities, financial, manpower, etc.) with other areas of western and central Europe;

(4) The nature of the main obstacles to be overcome if such improved exchanges are to be made possible;

(5) To what extent the respective country might contribute to general European rehabilitation if these obstacles were removed; and

(6) The general state of mind of responsible government leaders in the respective country with respect to a possible program of European rehabilitation, the degree to which they are inhibited by Russian or communist pressure in considering such a program and the prospects for their initiative or cooperation in working it out.

c. That certain of these Missions be requested, at the discretion of the operational divisions of the Department, to detail qualified officers to Washington for a period of several weeks to participate in discussion and planning on this general subject.

d. That the Planning Staff, assisted by the operational sections of the Department, proceed to work out a general formulation of this Government's views on the long-term problem of European rehabilitation for use in discussions with European governments and for the guidance of the American representative on the Economic Commission for Europe.

e. That it be accepted as our general objective to induce and assist the European governments to undertake before autumn the development of a program of European rehabilitation which would show clearly what was expected of this country in the way of support, and to submit the request for such support to this Government by the end of the year.

f. That this overall approach be informally and secretly discussed with British leaders at an early date and their assurances of support solicited.

IV. CLARIFYING IMPLICATIONS OF "TRUMAN DOCTRINE"

8. Steps should be taken to clarify what the press has unfortunately come to identify as the "Truman Doctrine", and to remove in particular two damaging impressions which are current in large sections of American public opinion. These are:

a. That the United States approach to world problems is a defensive reaction to communist pressure and that the effort to restore sound economic conditions in other countries is only a by-product of this reaction and not something we would be interested in doing if there were no communist menace;

b. That the Truman Doctrine is a blank check to give economic and military aid to any area in the world where the communists show signs of being successful. It must be made clear that the extension of American aid is essentially a question of political economy in the literal sense of that term and that such aid will be considered only in cases where the prospective results bear a satisfactory relationship to the expenditure of American resources and effort. It must be made clear that in the case of Greece and Turkey we are dealing with a critical area where the failure to take action would have had particularly serious consequences, where a successful action would promise particularly far-

reaching results, and where the overall cost was relatively small; and that in other areas we should have to apply similar criteria.

840.50 Recovery/5-2747

*Memorandum by the Under Secretary of State for Economic Affairs (Clayton)*¹

THE EUROPEAN CRISIS

1. It is now obvious that we grossly underestimated the destruction to the European economy by the war. We understood the physical destruction, but we failed to take fully into account the effects of economic dislocation on production—nationalization of industries, drastic land reform, severance of long-standing commercial ties, disappearance of private commercial firms through death or loss of capital, etc., etc.

2. Europe is steadily deteriorating. The political position reflects the economic. One political crisis after another merely denotes the existence of grave economic distress. Millions of people in the cities are slowly starving. More consumer's goods and restored confidence in the local currency are absolutely essential if the peasant is again to supply food in normal quantities to the cities. (French grain acreage running 20-25% under prewar, collection of production very unsatisfactory—much of the grain is fed to cattle. The modern system of division of labor has almost broken down in Europe.)

3. Europe's current annual balance of payments deficit:

UK	\$21 $\frac{1}{4}$ billions
France	13 $\frac{3}{4}$ "
Italy	1 $\frac{1}{2}$ "
US-UK Zone Germany.....	1 $\frac{1}{2}$ "
	<hr/>
	\$5 billions

not to mention the smaller countries.

The above represents an absolute minimum standard of living. If it should be lowered, there will be revolution.

Only until the end of this year can England and France meet the above deficits out of their fast dwindling reserves of gold and dollars. Italy can't go that long.

¹This memorandum was sent to Under Secretary Acheson on May 27, with a chit reading, "If you approve the attached, I would like to discuss it with the Secretary."

Mr. Clayton had temporarily returned to Washington from Europe, where he was attending, as head of the U.S. Delegation, the Second Session of the United Nations Preparatory Committee for an International Conference on Trade and Employment at Geneva. In Europe since early April, the Under Secretary of State for Economic Affairs had been in frequent consultation with leaders of many governments of Western Europe regarding the deterioration of their economies.

4. Some of the principal items in these deficits:

From the U.S.:	Coal, 30 million tons.....	\$ 600 million
" " "	: Bread grains, 12 million tons..	1,400 "
" " "	: Shipping services at very high rates on imports and ex- ports	xxxxx "

Before the war, Europe was self-sufficient in coal and imported very little bread grains from the United States.

Europe must again become self-sufficient in coal (the U.S. must take over management of Ruhr coal production) and her agricultural production must be restored to normal levels. (Note: No inefficient or forced production through exorbitant tariffs, subsidies, etc., is here contemplated).

Europe must again be equipped to perform her own shipping services. The United States should sell surplus ships to France, Italy and other maritime nations to restore their merchant marine to at least prewar levels. (To do it, we will have to lick the shipping lobby, fattening as it is off the U.S. Treasury).

5. Without further prompt and substantial aid from the United States, economic, social and political disintegration will overwhelm Europe.

Aside from the awful implications which this would have for the future peace and security of the world, the immediate effects on our domestic economy would be disastrous: markets for our surplus production gone, unemployment, depression, a heavily unbalanced budget on the background of a mountainous war debt.

These things must not happen.

How can they be avoided?

6. Mr. Baruch² asks for the appointment of a Commission to study and report on our national assets and liabilities in order to determine our ability to assist Europe.

This is wholly unnecessary.

The facts are well known.

Our resources and our productive capacity are ample to provide all the help necessary.

The problem is to organize our fiscal policy and our own consumption so that sufficient surpluses of the necessary goods are made available out of our enormous production, and so that these surpluses are paid for out of taxation and not by addition to debt.

This problem can be met only if the American people are taken into the complete confidence of the Administration and told all the facts and only if a sound and workable plan is presented.

² Bernard M. Baruch had served as Chairman of the War Industries Board in 1918, as an adviser to the Director of War Mobilization, 1943-1945, and as U.S. Representative on the U.N. Atomic Energy Commission in 1946.

7. It will be necessary for the President and the Secretary of State to make a strong spiritual appeal to the American people to sacrifice a little themselves, to draw in their own belts just a little in order to save Europe from starvation and chaos (*not* from the Russians) and, at the same time, to preserve for ourselves and our children the glorious heritage of a free America.

8. Europe must have from us, as a grant, 6 or 7 billion dollars worth of goods a year for three years. With this help, the operations of the International Bank and Fund should enable European reconstruction to get under way at a rapid pace. Our grant could take the form principally of coal, food, cotton, tobacco, shipping services and similar things—all now produced in the United States in surplus, except cotton. The probabilities are that cotton will be surplus in another one or two years. Food shipments should be stepped up despite the enormous total (15 million tons) of bread grains exported from the United States during the present crop year. We are wasting and over-consuming food in the United States to such an extent that a reasonable measure of conservation would make at least another million tons available for export with no harm whatsoever to the health and efficiency of the American people.

9. This three-year grant to Europe should be based on a European plan which the principal European nations, headed by the UK, France and Italy, should work out. Such a plan should be based on a European economic federation on the order of the Belgium-Netherlands-Luxembourg Customs Union. Europe cannot recover from this war and again become independent if her economy continues to be divided into many small watertight compartments as it is today.

10. Obviously, the above is only the broad outline of a problem which will require much study and preparation before any move can be made.

Canada, Argentina, Brazil, Australia, New Zealand, Union of South Africa could all help with their surplus food and raw materials, but we must avoid getting into another UNRRA. *The United States must run this show.*

[WASHINGTON,] May 27, 1947.

W. L. CLAYTON

840.50 Recovery/5-2847

*Memorandum by the Under Secretary of State (Acheson) to the Secretary of State*¹

SECRET

[WASHINGTON,] May 28, 1947.

In further reference to your question this morning as to how we should present the economic problems of Europe which we discussed

¹ Marginal notation: "GCM".

with you, an incident at luncheon in Les Biffle's² office indicates that we must begin to do so at once.

I lunched there with a dozen Senators, including Senator McMahon.³ During the course of the luncheon he said that he thought they should be all told about what the Administration had in mind or at least what the problem was from the Administration's point of view. It was suggested that I might be asked to talk to the Policy Committee of the Democratic Minority in the Senate. Senator McMahon stated that for his part, if confronted with a *fait accompli*, he would refuse to go along and would vote against any credits or grants.

I assured them all that we were, as they were, in the stage of wrestling with the problem and that in the very near future, or as soon as it became a little clearer to us, we would want to talk it over with them. This means that we ought to begin to talk with Vandenberg⁴ almost at once, not about solutions but about the growing seriousness of the problem.

My suggestion, therefore, is that you begin your talks with him as soon as possible and that within the next two or three weeks you make a speech which would not undertake to lay down any solution but would state the problem and that the great immediate problem is not an ideological one, but a material one.⁵ This could be followed up by speeches by Cohen,⁶ Clayton, and me, still dealing with the problem rather than the solution. A little later on, a new phase might be reached after full discussion within the Government and on the Hill, when the President, you, and other cabinet officers might begin to outline solutions.

DEAN ACHESON

² Leslie L. Biffle, staff director of the Minority Policy Committee, United States Senate.

³ Brien McMahon, Senator from Connecticut.

⁴ Arthur H. Vandenberg, Senator from Michigan.

⁵ By May 20 a speech had been drafted by Joseph M. Jones, for delivery by the Secretary of State at an appropriate time and place. The draft entitled "Design for Reconstruction" was forwarded to Mr. Acheson by Mr. Jones in a memorandum of May 20 in which he said in part: "The attached draft speech was begun at the direction of the Secretary. . . . I believe the message came through you that the Secretary would like to 'develop further' the line taken by you in your Mississippi speech on May 8. . . ."

"In writing this draft, I have again worked closely with the economic officers and I believe this represents the line which they think should be projected now. It is certainly the one which I think it is highly important to take. . . ."

"Except for the first four pages which sound warnings similar to those of your speech in Mississippi, this speech is written primarily with a view to its effect abroad. The indications of suspicion and skepticism with which foreign people are beginning to view American aid are alarming and it would seem to be of first importance to spell out our design for reconstruction and to give a positive concept about which peoples of Europe especially can rally and upon which they can pin their hopes. The political and economic policy of the Department has led up to an expression of this sort and now seems the psychological time to launch it. We have a great deal to gain by convincing the world that we have something positive and attractive to offer, and not just anti-Communism." (Jones Papers, Truman Library)

⁶ Benjamin V. Cohen, Counselor of the Department of State.

Lot 54 D 394, Box 538

*Summary of Discussion on Problems of Relief, Rehabilitation and Reconstruction of Europe*¹

[WASHINGTON,] May 29, 1947.

The following is a summary of Mr. Clayton's observations which opened the discussion. The nations of Europe are now running a \$5 billion deficit this year in their dollar exchange in seeking to maintain an absolute minimum standard of living. The prospects for 1948 are little better and the ability of the nations to meet this situation is fast running out. Three major items in the balance of payments problem are:

1. 30 million tons of U.S. coal at \$20 a delivered ton;
2. 12 million tons of bread grains at over \$100 a delivered ton;
3. Transportation costs which for all items average 22 to 23 percent of the total cost.

A basic element in the problem, in addition to nature-made shortages, is a breakdown in the modern system of division of labor in European economy between peasants and city workers. Furthermore, existing trade barriers (a) clog the flow of Europe's trade and (b) will set an uneconomic pattern for any reconstruction efforts. The constantly recurring political crises in Europe are only reflections of the economic distress.

The situation must be faced immediately. If it is not remedied, Europe will in early 1948 suffer increasingly severe economic, political, and social disintegration, the impact of which on the U.S. will be a falling-off of exports and a piling up of surpluses, leading to depression. The following action is necessary:

1. To help relieve the immediate coal crisis, the U.S. should consider taking over the Ruhr coal production, at which the U.K. has failed.

2. A \$6-7 billion annual expenditure by the U.S. should be made for the next three years for rehabilitation purposes to provide more consumer's goods, to restore confidence in European currencies, and thus to help remedy the breakdown of the division of labor.

3. A total of no more than \$2 or \$3 billion annually in loans from the Bank, the Fund, and other sources will be necessary in addition for reconstruction purposes.

4. Some system for closer European economic cooperation must be devised to break down existing economic barriers.

¹ The discussion took place in a meeting with Heads of Offices in the Department of State on May 28; the summary was prepared by Mr. Ward P. Allen of the Executive Secretariat.

The last point which parallels the recommendation in the Policy Planning Staff paper was elaborated in the ensuing discussion. Three major problems presented themselves:

1. The inclusion or exclusion of Soviet-dominated Eastern Europe.
2. U.S. vs. European responsibility and initiative.
3. The timing and machinery to be utilized in developing the plan.

As to point 1, Mr. Clayton expressed the strong view that, while Western Europe is essential to Eastern Europe, the reverse is not true. Coal and grains from Eastern Europe are important to Western Europe, but these products will be exported westward in any event because the necessity of obtaining vital foreign exchange for necessary products from the west creates a suction which the U.S.S.R. is incapable of counteracting, and there can only be absolute and final Soviet domination of Eastern Europe by force of arms. It was concluded, therefore, that a European economic federation is feasible even without the participation of Eastern European countries. There was general agreement, however, that the plan should be drawn with such conditions that Eastern Europe could participate, provided the countries would abandon near-exclusive Soviet orientation of their economies.

Regarding the problem of European vs. U.S. initiative in the plan, Mr. Kennan pointed out the necessity of European acknowledgment of responsibility and parentage in the plan to prevent the certain attempts of powerful elements to place the entire burden on the U.S. and to discredit it and us by blaming the U.S. for all failures.

Messrs. Cohen and Thorp emphasized the importance of substantial U.S. responsibility and initiative because (a) experience has demonstrated the lack of ability of European nations to agree on such matters, (b) if agreement is reached, the scheme may not be a sound one and (c) the problem is so complex that no one can plot a definite, final plan now. It should, therefore, be approached functionally rather than by country, concentrating on the essentials, and this is an approach which the U.S. is in a better position than Europe to take.

Balancing the dangers of appearing to force "the American way" on Europe and the danger of failure if the major responsibility is left to Europe, Mr. Bohlen suggested that the alternative is to place strong pressure on the European nations to plan by underscoring their situation and making clear that the only politically feasible basis on which the U.S. would be willing to make the aid available is substantial evidence of a developing overall plan for economic cooperation by the Europeans themselves, perhaps an economic federation to be worked out over 3 or 4 years.

The third major problem discussed was the timing and machinery for developing the program. Mr. Acheson pointed out the practical impossibility of developing a program and obtaining congressional action between now and July 1. He suggested that the ensuing 4 to 6 months be employed in (a) working out agreement within the U.S. Government, (b) carrying on discussions with other governments, and (c) educating the public so that Congressional action would be sought either at a special Fall session or on January 3, 1948. The problem of introducing new elements and a definite time limit in order to obtain Congressional and public support was recognized.

As to the international machinery, Mr. Clayton stated his conviction that the Economic Commission for Europe is completely unusable as a forum, even to make a beginning, since the paralyzing fear of the U.S.S.R. by the small countries would permit her to carry out her undoubted intention to block all constructive action. He suggested that preliminary talks be held with key leaders in the U.K., France, and Italy with the Netherlands, Belgium, and Luxembourg also included. Mr. Cohen put forward the possibility of a high-grade technical-study commission in Europe this Summer, headed by a person commanding strength and respect.

Mr. Rusk urged that we should not decide now not to use the ECE for, unless we can demonstrate conclusively that it cannot be used for this, the purpose of its creation, the ground swell of public opinion against again by-passing the U.N. might wreck and would certainly jeopardize any program. Mr. Acheson was quite responsive to this danger. Although it was suggested that we might begin in the ECE with the understanding that the matter would be withdrawn from it if progress were blocked, Mr. Bohlen pointed out difficulties of withdrawing once the organization has been given jurisdiction.

In response to Mr. Acheson's question, Messrs. Vincent and Henderson expressed the opinion that there would be no untoward repercussions in the Near or Far East if the plan were concentrated on Europe.

Policy Planning Staff Files

Memorandum from the Executive Secretary of the Policy Planning Staff (Savage) to the Director of the Policy Planning Staff (Kennan)

[WASHINGTON,] June 3, 1947.

General Carter¹ phoned me at noon today to say that Secretary Marshall approves the sending of the messages to US Missions as suggested in the Policy Planning Staff's memorandum of May 23.²

¹ Brig. Gen. Marshall S. Carter, Special Assistant to the Secretary of State.

² *Ante*, p. 223.

General Carter said that the Secretary is still considering the other parts of the memorandum of May 23.

C[ARLTON] S[AVAGE]

Lot 64 D 563, Box 1 (20027), 1947-50

Press Release Issued by the Department of State, June 4, 1947

Remarks by the Honorable George C. Marshall, Secretary of State, at Harvard University on June 5, 1947.

I need not tell you gentlemen that the world situation is very serious. That must be apparent to all intelligent people. I think one difficulty is that the problem is one of such enormous complexity that the very mass of facts presented to the public by press and radio make it exceedingly difficult for the man in the street to reach a clear appraisal of the situation. Furthermore, the people of this country are distant from the troubled areas of the earth and it is hard for them to comprehend the plight and consequent reactions of the long-suffering peoples, and the effect of those reactions on their governments in connection with our efforts to promote peace in the world.

In considering the requirements for the rehabilitation of Europe the physical loss of life, the visible destruction of cities, factories, mines and railroads was correctly estimated, but it has become obvious during recent months that this visible destruction was probably less serious than the dislocation of the entire fabric of European economy. For the past ten years conditions have been highly abnormal. The feverish preparation for war and the more feverish maintenance of the war effort engulfed all aspects of national economies. Machinery has fallen into disrepair or is entirely obsolete. Under the arbitrary and destructive Nazi rule, virtually every possible enterprise was geared into the German war machine. Long-standing commercial ties, private institutions, banks, insurance companies and shipping companies disappeared, through loss of capital, absorption through nationalization or by simple destruction. In many countries, confidence in the local currency has been severely shaken. The breakdown of the business structure of Europe during the war was complete. Recovery has been seriously retarded by the fact that two years after the close of hostilities a peace settlement with Germany and Austria has not been agreed upon. But even given a more prompt solution of these difficult problems, the rehabilitation of the economic structure of Europe quite evidently will require a much longer time and greater effort than had been foreseen.

There is a phase of this matter which is both interesting and serious. The farmer has always produced the foodstuffs to exchange with the city dweller for the other necessities of life. This division of labor is the basis of modern civilization. At the present time it is threatened with breakdown. The town and city industries are not producing adequate goods to exchange with the food-producing farmer. Raw materials and fuel are in short supply. Machinery is lacking or worn out. The farmer or the peasant cannot find the goods for sale which he desires to purchase. So the sale of his farm produce for money which he cannot use seems to him an unprofitable transaction. He, therefore, has withdrawn many fields from crop cultivation and is using them for grazing. He feeds more grain to stock and finds for himself and his family an ample supply of food, however short he may be on clothing and the other ordinary gadgets of civilization. Meanwhile people in the cities are short of food and fuel. So the governments are forced to use their foreign money and credits to procure these necessities abroad. This process exhausts funds which are urgently needed for reconstruction. Thus a very serious situation is rapidly developing which bodes no good for the world. The modern system of the division of labor upon which the exchange of products is based is in danger of breaking down.

The truth of the matter is that Europe's requirements for the next three or four years of foreign food and other essential products—principally from America—are so much greater than her present ability to pay that she must have substantial additional help, or face economic, social and political deterioration of a very grave character.

The remedy lies in breaking the vicious circle and restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole. The manufacturer and the farmer throughout wide areas must be able and willing to exchange their products for currencies the continuing value of which is not open to question.

Aside from the demoralizing effect on the world at large and the possibilities of disturbances arising as a result of the desperation of the people concerned, the consequences to the economy of the United States should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace. Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist. Such assistance, I am convinced, must not be on a piece-meal basis as various crises develop. Any assistance

that this Government may render in the future should provide a cure rather than a mere palliative. Any government that is willing to assist in the task of recovery will find full cooperation, I am sure, on the part of the United States Government. Any government which maneuvers to block the recovery of other countries cannot expect help from us. Furthermore, governments, political parties or groups which seek to perpetuate human misery in order to profit therefrom politically or otherwise will encounter the opposition of the United States.

It is already evident that, before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all European nations.

An essential part of any successful action on the part of the United States is an understanding on the part of the people of America of the character of the problem and the remedies to be applied. Political passion and prejudice should have no part. With foresight, and a willingness on the part of our people to face up to the vast responsibility which history has clearly placed upon our country, the difficulties I have outlined can and will be overcome.

Lot 122, Box 13113

*The Assistant Chief of the Division of Commercial Policy (Moore) to the Director of the Office of International Trade Policy (Wilcox) at Geneva*¹

CONFIDENTIAL

[WASHINGTON,] July 28, 1947.

DEAR CLAIR: The "Marshall Plan" has been compared to a flying saucer—nobody knows what it looks like, how big it is, in what direction it is moving, or whether it really exists. Nevertheless, all of us here who must cope with this mysterious phenomenon—Paul, Bob,

¹ Clair Wilcox was vice-chairman of the U.S. Delegation to the trade negotiations then in progress at Geneva.

Joe, Bill Phillips²—feel that you should have a detailed account of the situation insofar as we have been able to follow it.

It gradually became increasingly clear last spring that a new approach would be needed. The balance-of-payments situation was obviously deteriorating. Paul kept pushing for adequate information and analysis of this problem (he sent you a copy of his memorandum). The first comprehensive study in the Department was a report prepared for a special SWNCC subcommittee (copy enclosed)³ which Van Cleveland⁴ and I pulled together on the basis of such information as we could collect at that time. This report led directly to Acheson's Mississippi speech (written by Joe Jones) which put the problem clearly before the people and Congress.⁵

In the meantime, Congressional reaction to the Greek-Turkish program indicated strongly that such a piece-meal approach to the problem of foreign aid could not be continued much longer. The next request would undoubtedly have raised an insistent demand for the total bill. For this reason the Korean legislation, although badly needed, was withdrawn.

The third element was a growing recognition of the serious character of the crisis in Western Europe. When Kennan was first appointed to the Policy Planning job he decided to concentrate on this area. He felt that the failure to reach agreement on Germany at Moscow was due primarily to Soviet anticipation of continued deterioration in France, Italy and Western Germany plus hope for a U.S. depression. It was essential to improve the Western European situation in order to prevent further weakening in our bargaining power.

This was the Departmental frame of mind when Mr. Clayton came back from Geneva. He prepared a memorandum shortly after his return outlining the basic elements of a new approach to the European problem. These were incorporated in a paper which the Planning Staff sent to the Secretary proposing this approach as a basis for further study. Kennan heard nothing further from it until he read the newspapers shortly thereafter, and realized that the basic elements had been presented at Harvard. The Secretary has tremendous power of decision and his batting average is phenomenally high. He made up his mind on most of the major decisions of the war in just as short a time.

² Probably Paul Nitze, Deputy Director; J. Robert Schaetzel, Special Assistant to the Director; Joseph Coppock, Adviser; all of the Office of International Trade Policy, and William T. Phillips, Special Assistant to the Chief of the International Resources Division.

³ For text of report, see p. 204.

⁴ Harold Van Buren Cleveland, Assistant Chief, Division of Investment and Economic Development.

⁵ For text, see Department of State *Bulletin*, May 18, 1947, pp. 991-994.

[Here follow several pages detailing the progress of events and the thinking in the Department of State regarding the Marshall Plan from June 5 to July 28.]

Sincerely,

Ben [T. Moore]

840.50 Recovery/7-2248

*Memorandum by Mr. Charles P. Kindleberger*¹

[WASHINGTON,] July 22, 1948.

MEMORANDUM FOR THE FILES

ORIGINS OF THE MARSHALL PLAN

The collection of gossip and rumors presented below is not vouched for in any way. It is set forth only because time is fleeting, memories fade, and the stuff of history is fragile. Even at this date, thirteen months later, I am unable to sort out what I know of my direct knowledge and what I have been told.

It is well known that the topic of European reconstruction was widely discussed during the winter of 1946-47. The Council on Foreign Relations had its entire winter program devoted to this topic. I talked twice on it: once in January on coal; and a second time in May on Germany.

Walter Lippmann,² without claiming credit for the origin of the Marshall plan, has told me that he wrote a series of columns (not the one on the cold war) setting forth the necessity for a plan for European reconstruction. This I do not recall and didn't when he told me.

In early 1946, Walt Rostow³ had a revelation that the unity of Germany could not be achieved without the unity of Europe, and that the unity of Europe could best be approached crabwise through technical cooperation in economic matters, rather than bluntly in diplomatic negotiation. This suggestion was given to Secretary Byrnes for free examination through the kindly offices of Mr. Acheson. Joe and Stewart Alsop⁴ wrote a column on the subject in April 1946, referring to what was in the Secretary's briefcase. In any event, the Secretary didn't buy. That summer, however, the US representation on the Devastated Areas Subcommittee of the Commission on Employment of the Economic and Social Council of the United Nations bought the idea from Rostow and Kindleberger (who was by that time a member of the firm) and

¹ Mr. Kindleberger, Chief of the Division of German and Austrian Economic Affairs, Department of State, participated in the work of various departmental and interdepartmental committees on the Marshall Plan.

² Walter Lippmann, newspaper columnist.

³ Walt W. Rostow, Assistant Chief, Division of German and Austrian Economic Affairs.

⁴ Joseph and Stewart Alsop, newspaper columnists.

peddled it first to Mr. Lubin on the Commission on Employment, to the Poles and to others. This was the origin of ECE, of which *causa proxima* was Mr. Molotov's⁵ decision, made in the corridors of the Waldorf after a midnight debate between the Poles (winners) and the Jugs (losers).

The ECE thought was inextricably wound up in a European recovery plan. ECOSOC in February 1947 wrote terms of reference for ECE (it thought it did; actually Miriam Camp⁶ wrote the terms of reference and ECOSOC initialled them). These contained reference to planned recovery programs.

I have had a hard time seeing how the Acheson speech at Delta, Mississippi, was the midwife to the Marshall plan. Acheson made five points—including primarily the usual ones about multilateralism which the Department has stated so frequently that it is inclined to believe them. One point, however, referred to using United States assistance in future where it would do the most good in recovery in some planned way. This was hardly revolutionary, since there was no specific suggestion of a recovery program, and since there was no suggestion as to who should draw one up. And the point was only one of five.

In my book, Scotty Reston⁷ gets a great deal of the credit for initiating the Marshall plan. As I reconstruct the plot, Reston would have lunch with Acheson. Mr. Acheson, as many of his warmest admirers are prepared to concede, converses with a broad brush. Reston would get him started on European recovery, and Mr. Acheson would allude to plans under consideration. The following day invariably Reston would have a first-page story in the *New York Times* referring to big planning going on in the State Department. This would give Mr. Kennan, who had just been appointed to the newly created planning staff in February, the jim-jams. If there was public talk of all this planning in the Department, and the planning staff had received so much publicity, maybe this was where the effort should be applied. As I say, I have no way of knowing what was going on in Mr. Kennan's mind. I do recall, however, learning that Kennan had been having lunch with Reston (this may have been later though). Perhaps Reston was acting as liaison man within the Department.

The Secretary got back from Moscow in April—about the 25th I recall. The Truman doctrine was making heavy weather of it, both on Capitol Hill and in the country as a whole. Its negative, retaliatory, counter-punching features were disliked. Its implications for economic and ultimately military warfare were regretted. I had the strong

⁵ Vyacheslav M. Molotov, Minister of Foreign Affairs of the Soviet Union.

⁶ Miriam Camp, a Foreign Service Staff Officer in London in 1946, returned to the Department of State in January 1947 as a divisional assistant.

⁷ James Reston, a Washington correspondent of the *New York Times*.

impression from a chance conversation with Willard Thorp before I left for Moscow on February 20th (about), that the Department was in a panic as to what to do in Greece. Slapping together an anti-Russian policy to take over the British policing role there, was too much for the country to swallow. It gagged. The Secretary, whose attention to the Truman message of March 11⁸ must have been cursory at best, was obviously going to try something else. The Truman doctrine was no great shakes. Negotiation in the CFM was no way to get peace fast. He was receptive to new ideas.

Then Mr. Clayton came home from Geneva. I do not remember when he did return, but it was either April or May. It was common knowledge in the Department that Mr. Clayton was deeply exercised by what he had seen in Europe. He had the impression that Europe was collapsing rapidly. His interest lay in production—and he was deeply impressed by the prospective failure of the French wheat crop—and in organized markets. He was depressed by what he had seen and heard of black markets, hoarding, etc. He was worked up about the state of the economy of Europe and felt strongly that something should be done.

About this time, partly I guess in response to the Reston articles, Van Cleveland and Ben Moore started to write a long memo on a European recovery program. I was asked to contribute a couple of chapters on Germany, which I did. Cleveland and I had some difficulty getting together on the German passages. He felt that what I had written did not fit into his broader scheme, and I would not accept what he rewrote of my material as bearing any resemblance to the economic problems of Germany or their solution. This memo was finished sometime before the end of May, as I recall. It took a long time to duplicate in mimeograph. This was finally done and it appeared after the Harvard speech with a date of June 12, 1947.⁹

During April or May, Ty Wood¹⁰ organized the Thursday luncheons in the Assistant Secretary's office for office directors. The purpose of these was to discuss wider problems of a sort a little too vague to warrant holding meetings for. Ed Martin¹¹ tells me that the Thursday meeting began to discuss the European recovery problem during May. It had, of course, heard from Mr. Clayton. It was, moreover, aware that Cleveland and Moore were writing the piece on a recovery pro-

⁸ Presumably the President's Special Message to the Congress on Greece and Turkey, delivered in person before a joint session, March 12; for text, see *Public Papers of the Presidents of the United States: Harry S. Truman, January 1 to December 31, 1947* (Washington, Government Printing Office, 1963), p. 176, or Department of State *Bulletin*, March 23, 1947, p. 534.

⁹ Not printed.

¹⁰ Clinton Tyler Wood, Deputy to the Assistant Secretary of State for Economic Affairs.

¹¹ Edwin M. Martin, Acting Director, Office of Economic Security Policy.

gram. Some of the May discussion turned on how to organize the shop to deal with the problem of European recovery.

Bill Malenbaum ¹² tells me that on June 3 or 4th, but in any event just before the Harvard speech, Mr. Wm. A. Eddy, Special Assistant to the Secretary for Intelligence, told him that the Secretary had called a meeting at the assistant-secretary level to discuss the proposed speech and that there had been a fundamental difference of opinion between Clayton and Kennan as to how to go about the European recovery program. This difference, of course, turned narrowly on how to write the speech. But it may be useful to turn first to the drafting of the speech.

On no good authority, and I have forgotten what, I have understood for some time that the speech is a merger of paragraphs from separate memos on the problem of European recovery written by Mr. Clayton and Mr. Kennan. The part laying out the analysis of what is wrong in Europe seems to be very much the product of Mr. Clayton's mind. The emphasis on trade and exchange is striking. The rest, and particularly the final paragraphs, are supposed to be the product of Mr. Kennan's pen.

The question which apparently divided Messrs. Clayton and Kennan was that of whether the initiative should be left to Europe. Mr. Clayton, as I later learned from him, was strongly opposed to a program of the UNRRA type, where the United States put up most of the funds and had only one vote in 17 on its distribution. He was accordingly opposed to reducing the role of the United States to that of supplying the assistance. It seems to me probable that his opposition to a European plan for US assistance sprang from this background of view. Mr. Kennan, on the other hand, presumably had in mind the political desirability of leaving the initiative to Europe. The clash between these views, of course, was ultimately resolved through the device of the multilateral *and* bilateral agreements, with Europe operating the program under a series of mutual pledges, but each country being responsible for its performance under the program to the US if it received assistance.

Bill Malenbaum also reports that Walter Salant [*sic*],¹³ who had the task for the Council of Economic Advisers of estimating the net foreign balance of the United States for a period ahead, asked him just before the speech what his views were on whether there would be a foreign aid program. Salant said that he had canvassed the Department of State and that there was no unanimity of view as to what was

¹² Wilfred Malenbaum, Chief, Division of International and Functional Intelligence.

¹³ William A. Salant, Assistant Chief, Division of German and Austrian Economic Affairs.

about to transpire, but that on balance he thought the majority view was that there would be no program of assistance.

A newspaper man—I forget which one—gave me a long story on how the speech happened to be delivered at Harvard which may be worth setting down, despite the fact that I cannot vouch for one word of it. First, however, I cannot help recalling a bit of dialogue which took place in the central corridor, fifth floor, New State Department Building, in about the second week of July between Philander P. Claxton¹⁴ and me.

CLAXTON: Where have you been? I haven't seen you around lately.

KINDLEBERGER: I am not working on German matters any more. I have moved over and now work on the European recovery program.

CLAXTON: Oh, that's the program which developed out of the Secretary's speech at Princeton.

KINDLEBERGER: Phil, where did you go to college?

CLAXTON: Princeton, why?

KINDLEBERGER: That's what I thought.

According to the newsman's unsubstantiated story, the Secretary agreed with Messrs. Kennan and Clayton that there should be a speech and that it should read about as it eventually did. He then wondered where it might be given. Pat Carter¹⁵ looked up and found that the Secretary had no speaking engagements until June 17, 1947, which all agreed was too far distant in the future in the nature of the existing European crisis.

At that point, the Secretary is said to have remembered that Harvard University had awarded him a degree during the war. He had refused it. Normally, he wrote letters to universities which offered him degrees during the war, saying that he was unable to accept because he felt that the soldiers overseas might misunderstand his position if he were to accept an honorary degree, leaving his desk for the purpose, when they couldn't get away. This type of letter could not be written to Harvard, however, since Admiral King and General Arnold had both been awarded degrees and had accepted. Accordingly, the Secretary merely wrote and refused it.

It had rarely if ever occurred before that Harvard had been refused an offer of an honorary degree, and the University was both surprised and puzzled. Suspecting, however, that the Secretary had some hidden motive for refusing, it wrote back to him saying that it would award the degree, which the Secretary could claim at any time when it suited his convenience.

¹⁴ Philander P. Claxton, assistant to the Assistant Secretary of State for Occupied Areas.

¹⁵ Brig. Gen. Marshall S. Carter, special assistant to Secretary Marshall.

All this the Secretary recalled. Accordingly, he got in touch with Harvard and said he wanted his degree. This again is reported to have surprised Harvard, which already had a speaker and whose commencement, only a few days away, was practically complete as to arrangements. But Harvard gracefully acquiesced. And the historic speech was given at Harvard. Ed Mason¹⁶ says that he doesn't believe this story because, as he puts it, Harvard does not alter its arrangements even for the Secretary of State.

Joe Harsch of CBS and the *Christian Science Monitor* has printed this story as to why the Marshall plan should be called the Miall plan.¹⁷ Leonard Miall is the BBC correspondent in Washington and incidentally a neighbor, car-pool mate and friend of mine. I recall very well that the evening of June 4, as we were driving home, he complained that he had just finished writing out a script for the next day's noon broadcast on plans for United States economic aid to Europe, when on his way home he had stopped by the newsroom of the Department and picked up a copy of the Harvard speech. This required him to tear up his script and start again. (It seems to me noteworthy in retrospect that aid to Europe was such a widespread thought in Washington that Miall would have written several scripts on the subject, starting out with the Acheson Delta speech. He was fairly close to Acheson, with whom, along with a group of British journalists, he had lunched once or twice.)

Miall handed me the text of the Marshall speech in the back of the car. I hastily read it as the car moved along and suggested that this was big news and that he would most certainly have to do a new script. I recall that Miall was irritated as well by the fact that there was no firm release date on the Marshall speech, release being the indeterminate hour the speech would begin at Harvard. This was a usual annoyance for him, however, in booking circuits to London.

Harsch's story runs to the effect that Philip Jordan, the information officer of the British Embassy asked Mr. Balfour, then the Chargé, whether he should cable the Foreign Office the text of the Secretary's speech. Balfour is reported to have said no—just another commencement speech.

The rest of the British and foreign press were all off running down some other story which they featured in their cables—United States note to some country like Hungary—if I recall correctly. Only Malcolm Muggèridge of the *Daily Telegraph* and Leonard Miall of BBC

¹⁶ Edward S. Mason, professor of economics at Harvard University, and a consultant to the Department of State.

¹⁷ Mr. Miall, BBC correspondent in Washington, 1945–53, wrote his own account in *The Listener*, London, May 4, 1961, in an article entitled "How the Marshall Plan Started."

gave it a big play (Harsch omits mention of Muggeridge, but Miall insists he should share the credit). And so the Marshall plan was communicated to Mr. Bevin¹⁸ by the BBC (and possibly the *Daily Telegraph*) since the Foreign Office-Embassy, London *Times* and other avenues of communication were uninterested in it.

I have many times been asked whether the Department did not advise US missions abroad and/or foreign missions here of the importance which it attached to the speech. As far as I have gathered, without putting any effort into it, the answer is no. Asked why not, I have had no answer.

These random jottings are perhaps not worth recording. I record them just the same to help light the lamp of memory for my old age, waiting for me around the corner.

C. P. KINDLEBERGER

¹⁸ Ernest Bevin, British Secretary of State for Foreign Affairs.

Lot 64 D 563, Box 20027

*Memorandum Prepared for the Use of the Under Secretary of State
for Economic Affairs (Clayton)*¹

SECRET

[WASHINGTON, June 1947.]

We Americans are deeply concerned over the production and exchange difficulties which you people in Europe are experiencing.

We had hoped that the outside aid which your countries have already received would have sufficed, together with the facilities of the agencies which have now been established for international financial assistance, to bring you to a point where your import requirements could be

¹ An early draft of this memorandum was prepared in Mr. Acheson's morning meeting of June 5, 1947. A revision of the above dated June 9, 1947, bears the following notation: "Mr. Secretary: The attached memorandum contains suggestions as to the line it would be advisable for Mr. Clayton to take in discussing with representatives of European Governments the question of further American aid to Europe.

"This memorandum has been concurred in by Mr. Acheson and Mr. Lovett.—George F. Kennan." Secretary Marshall in a chit made the following comments: "Dear Lovett: It seems to me that this statement indicates too much of American cash and too little of European organization, however elementary, to facilitate the European states in helping themselves and in making it possible for American aid to be more effective.—GCM." Mr. Lovett, then a Special Assistant to the Secretary, redrafted the memo and said: "Mr. Secretary, I have taken a crack at rewriting this memo which is designed for use by Mr. Clayton as a reminder of the points to be covered in any conversations he has on this subject. Do the changes meet your views? The first draft is attached for comparison.—L." (Lot 64 D 563, Box 20042, 1947 Chron File)

The Lovett draft was revised by Secretary Marshall and this revision is printed here. It bears the notation "O.K. as amended G.C.M."

Under Secretary Clayton arrived in London for talks with British officials which began on June 24, 1947.

handled on a normal commercial basis. We recognize that many of the factors which have caused these hopes to be disappointed are ones which were beyond anyone's control, and that for some of the others we share a measure of responsibility.

We are most anxious to find out from you the causes why the various measures undertaken by the European Governments themselves and the assistance furnished from the United States and other non-European countries have not further advanced the restoration of economic health in Europe. Only if we and you have a clear understanding of the real causes of the present serious economic situation of Europe can remedies to correct the situation be intelligently sought.

We regard the question of the restoration of economic health in Europe as a matter requiring joint consideration. Before the U.S. Government can take any effective action to be of help it must know from the European Governments directly concerned what measures these Governments either jointly or separately have in mind in order to remove the causes of the present troubles. This is particularly important because it affects the whole problem of future American aid for Europe.

It is generally recognized in the United States that a stable and self-supporting Europe is a matter of immediate interest to the American people. Our people have already demonstrated their willingness to aid Europe. But they are naturally concerned that any future aid shall be productive of more effective results than the aid they have extended in the past. And unless the American Congress can receive some convincing reassurance on this point, we doubt that its members would feel justified in making further appropriations of American money for this purpose.

You Europeans know your own continent and your own problems better than we ever can. Furthermore, it is you who are administering the economies of Europe. For these reasons we would like to have your ideas and plans as to the future course of European recovery and for joint or cooperative efforts among you. It would be much easier for us to consider the whole question of further American assistance to Europe if you could provide us with facts and figures showing just how you envisage the restoration of your economy.

What we are interested in here is in learning the size and character of the specific problems. What are the bottlenecks impeding recovery? What form of outside help added to your internal efforts would prove most effective, and what are the prospects of prompt cooperative efforts?

Our people would wish to have the assurance that in facing these problems maximum advantage has been taken of the possibilities for better exchange among European nations. We know that this is more a

question of creating export surpluses than of reducing barriers. We also recognize as one of the powers occupying Germany, the importance of making surpluses from that country available to the other peoples in Europe. We will continue to do our best to make the US-UK zones in Germany useful and productive units in any European pattern.

In this connection, it would be a great help to us if any or all of you could get together and give us your common views on these matters. We have no desire to force on you any measures which you would not feel would be timely and useful. But Americans would feel greater confidence about the effectiveness of their support if there were some degree of agreement on the course of and the measures required for your recovery.

Many things have been said in Europe about the aims which underlie American assistance to other countries and the conditions which might be attached to this assistance. Most of these statements were foolish or unjust, or both. But there is one condition which Americans will attach to any future aid and with good reason: namely, that it should really do its work of putting the economies of European countries on their feet.

II. THE GENESIS OF A EUROPEAN RECOVERY PROGRAM (JUNE-SEPTEMBER): CONVERSATIONS AT LONDON; THE CONFERENCE OF EUROPEAN ECONOMIC COOPERATION, AT PARIS, AND ITS REPORT

840.00/6-1247: Telegram

The Secretary of State to the Embassy in France

SECRET

WASHINGTON, June 12, 1947—7 p. m.

2143. Personal for the Ambassador. 1. As stated in my Harvard speech, before US Gov can proceed much further in efforts to alleviate European economic situation there must be some agreement among European countries as to requirements of situation and part those countries themselves will take in order to give proper effect to whatever action might be undertaken by US Gov.

2. It has become increasingly clear that US financial and economic aid to individual European countries on a piecemeal basis cannot alone solve the situation. There is definite limit to amount of such aid. American people and Congress will not support continued loans or grants or other tangible economic aid if no end in sight and if various steps taken by us are unrelated. Moreover, it would seem that economic health and public morale of the needy countries would be greatly improved if they sought to evolve a definite European program in lieu of continued individual shots in arm.

3. Role of US Gov is to give friendly aid in drafting European program and later to support program so far as may be practical. However, extent of any US assistance likely to be dependent on sincerity and effectiveness of effort and courageousness of approach displayed by European countries in attempting to help themselves. If initiative and readiness to bear public responsibility are not forthcoming from European Govts (whether through ineptness, fear of Soviet obstruction, or otherwise) it may be impossible for us to aid in changing decisively the course of events.

4. Because of our vital interest in European rehabilitation and our position as occupying power, it is important that we know as soon as possible to what extent a European program is politically and technically feasible. We have therefore undertaken independent and realistic study of entire problem European rehabilitation. In order further this study, I am seeking frank views Chiefs of certain European Missions on following among other points:

a. The economic situation of their respective countries and the measures required for its remedy;

b. Whether there is any element in the situation which makes it likely that US may be faced with any urgent and desperate demand from that quarter for assistance within the next year;

c. Whether and to what extent the respective economic difficulties could be relieved by better exchanges (commodities, financial, manpower, etc.) with other areas of western and central Europe or other countries;

d. The nature of the main obstacles to be overcome if such improved exchanges are to be made possible;

e. To what extent their respective countries might contribute to general European rehabilitation if these obstacles were removed; and

f. The general state of mind of responsible Govt leaders in their respective countries with respect to a possible program of European rehabilitation, the degree to which they are inhibited by Russian or communist pressure in considering such a program and the prospects for their initiative or cooperation in working it out.

5. The geographic coverage of and forum for considering any program of European countries will depend on answers to the above questions as well as on other imponderables. For example, if it should develop that there was some real hope that all European countries would cooperate in formulating and carrying out a European-wide program, its coverage could be broad and it could be developed in the Economic Commission for Europe. On the other hand, if it should be agreed that Soviets would oppose or employ obstructionist tactics against a European-wide program, the Western European nations should be able to find means of evolving a regional program. In such event it might be desirable to advance proposals in the Economic

Commission for Europe in first instance. In any event it would seem desirable to avoid any implication of commitment to use any one exclusive channel either in developing information or implementing program. The primary responsibility for this must rest with European countries.

6. Scope and nature of program is not yet foreseeable. It might be possible for program to be somewhat along lines Monnet Plan¹ but on much larger scale involving several countries. On the other hand, it might develop that most feasible thing is to concentrate on few matters of vital importance to Europe such as food, coal and transport.

7. Your despatches and telegrams over the past months have been most helpful to Dept in its attempts to come to grips with this overall problem. Many of the questions raised have already been dealt with by you. However, it would be particularly helpful now if you could give us benefit of your personal views on this difficult subject, with particular reference to questions outlined in paragraph 4 above. If you consider some type of European program feasible, please also give your opinion as to possible individuals who might spearhead its preparation, whether they be French or other nationals.

MARSHALL

¹ A plan for reequipping and modernizing French industry.

840.50 Recovery/6-1347

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] June 13, 1947.

Participants: M. Henri Bonnet, French Ambassador
The Secretary
Mr. Matthews¹

The French Ambassador called at 11:30 this morning at his request and said that he had been instructed by his Government to have a preliminary conversation with me concerning the suggestions contained in my remarks at Harvard University. He said that his Government attached great importance to the Harvard speech which was why he had asked to see me urgently rather than wait until Monday. Since his time was short (he knew I had a 12 o'clock engagement) he had put what he wished to say in an *aide-mémoire* although his Government had suggested merely an oral discussion. He then outlined for twenty minutes the points made in the attached *aide-mémoire*.²

¹ H. Freeman Matthews, Director, Office of European Affairs.

² Not printed.

In his oral outline he emphasized the following points:

1. His Government was in full accord with the approach I suggested at Harvard and desired him to discuss with the American Government the best means of procedure.

2. France agreed with the importance of a determined European effort to bring about within the limits of possibility its own reconstruction.

3. European countries should first draw up an inventory of their total resources in the fields of agriculture, raw materials, industrial production, power and transportation.

4. This inventory would show the extent of the deficiency in equipment and materials which would remain in spite of all the individual efforts of countries of Europe and in spite of such plans for mutual aid to each other as they may be able to devise.

5. The resulting deficiency which must be supplied by outside aid, particularly American, to be of two sorts; that required for the rebuilding of Europe's productive apparatus and that needed for daily consumption during the next three or four years pending full reconstruction. These requirements unfortunately greatly exceed available dollar exchange.

6. In the opinion of the French Government the inventory and estimated balance of payments deficit should not be reached by calling a large conference which would be both long drawn out and dilatory. It should be done by forming a number of *ad hoc* committees composed of representatives of European producer states and of the United States.

7. The deficit in balance of payments resulting from lack of food and raw materials should be communicated in turn to distributive organizations such as ECO and IEFEC. "Thus the needs could be determined of essential foodstuffs and raw materials needed by Europe, the importation of which should not be a charge on the balance of payments." As an example, an *ad hoc* committee to study coal production composed of representatives of the United States and European producing countries should be set up, Germany being represented by "delegates of the occupying powers". This committee might study which European coal fields should be the object of the principal effort to obtain the quickest possible results for the greatest number of countries. "It would be apparent that mine equipment and certain steel tonnage would be necessary. Part of this could be furnished by European countries. The remainder should be sought by them from the United States. It was important that during the period of reconstruction European countries should have their balance of payments re-

lieved of the charge represented by imports of American coal. On this question the coal committee should deal with ECO."

M. Bonnet also said that he hoped that the plan suggested at Harvard would not interfere with France's efforts to obtain her further loan this autumn from the World Bank. He said that heavy payments (on previous credits) are already falling due and the dollar question is daily one of considerable worry to France.

I told M. Bonnet that what he had said interested me greatly. I could say no more at this time but I would study his memorandum with great attention. I was impressed with the need for European countries to work together on the problem and I was impressed with the urgency in point of time. M. Bonnet said that he hoped to have further talks with me after I had studied his memorandum.

840.00/6-1447

The British Ambassador (Inverchapel) to the Secretary of State

SECRET

WASHINGTON, June 14, 1947.

URGENT

MY DEAR SECRETARY OF STATE: I have this morning received a telegram from Mr. Bevin asking me to inform you that, in pursuit of the intention to cooperate with the French in studying the new American approach to Europe adumbrated in your recent speech at Harvard, he proposes to take the initiative by visiting Paris early next week to discuss the matter personally with the Prime Minister of France and M. Bidault. The French Government are being informed that, subject to their agreement, Mr. Bevin would hope to arrive in Paris on Tuesday afternoon and return to London on Wednesday evening. He hopes that it may be possible to arrange for M. Monnet,¹ who is at present in Basle, to be available during the discussions.

In a speech which he delivered yesterday afternoon, Mr. Bevin indicated that His Majesty's Government in the United Kingdom are specially mindful of the part that France can play in the economic reconstruction of Europe and he stated that it had been decided to consult her and other European nations to see how best advantage could be taken of the great American proposal.

Mr. Bevin hopes that you will understand that in view of the postponement of Mr. Clayton's visit to London² and the urgency of making progress with the questions raised in your Harvard speech, he has

¹ Jean Monnet, head of the French Cabinet Planning Commission.

² Under Secretary Clayton's visit had been planned to permit an exchange of views between the United States and British Governments regarding the dollar shortage in international transactions.

thought it desirable to open early discussions with the French. These discussions will be exploratory only and Mr. Bevin hopes that His Majesty's Government will be in a better position to talk effectively to Mr. Clayton after they have heard the French views. Mr. Bevin specially asks me to say that he very much hopes that Mr. Clayton will not find it necessary further to postpone his departure for London on account of Mr. Bevin's proposed visit to Paris.

Mr. Bevin states that if the United States Government have any views to express about his talks with the French, he would be glad to have them.

I am also informed that I shall shortly receive instructions to approach the United States Government on the substance of your recent proposal and on the general subject of the shortage of dollars.

Yours sincerely,

INVERCHAPEL

840.50 Recovery/6-1647

The Italian Ambassador (Tarchiani) to the Secretary of State

WASHINGTON, June 16, 1947.

MY DEAR SECRETARY OF STATE: The Italian Minister for Foreign Affairs Count Sforza, has directed me to convey to you Italy's whole-hearted solidarity in the aims you have expressed in your Harvard address with such outstanding statesmanship.

Count Sforza has asked me to communicate to you that the Italians are grateful, both as Italians and as Europeans, for this speech of yours which, as we all hope, will develop as the utmost contribution to peace throughout the world.

And he also has instructed me to assure you of Italy's readiness to warmly cooperate with the ideas you expressed.

Please accept [etc.]

TARCHIANI

840.00/6-1647: Telegram

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

SECRET

LONDON, June 16, 1947—5 p. m.

3279. I saw Bevin this morning. He told me that he would leave tomorrow morning for Paris for the discussions with Ramadier¹ and Bidault on the Secretary's offer to [of] aid to Europe. He would return

¹ Paul Ramadier, President of the French Council of Ministers.

to London Wednesday night. On Thursday, the nineteenth, he would have to speak in the Commons on the opposition motion to debate recent developments in eastern Europe. He said he regretted a debate on this subject had been called for this time. He would have preferred to have it come somewhat later.

Immediately following the Secretary's Harvard speech, Bevin said, he approached the French about an exchange of views on it. It was not, however, until Friday night after his speech before the Foreign Press Association here that he decided to visit Paris. He had not made up his mind on just what to say to the French. He was thinking along the lines of a British-French Monnet plan for Europe as a first step. As a result of soundings made in Brussels, he felt certain the Belgians would support such a plan. The Dutch, he believed, would also be interested.

In this matter, he continued, he did not want to work outside the United Nations. At some point the United Nations should be brought in. He hesitated though about the ECE being used. He would have to have more time to consider this.

On his return from Paris he said he would give Ambassador Douglas a full account of his talks.

The Secretary's Harvard speech, Bevin then said, was an announcement of the greatest historic significance. It rightly placed responsibility on Europe to make the next move and formulate a plan of reconstruction. The three immediate problems to be considered in any plan were food, coal and transport.

Bevin's concluding observations were that the US was in the position today where Britain was at the end of the Napoleonic wars. When those wars ended Britain held about 30 percent of the world's wealth. The US today holds about 50 percent. Britain for 18 years after Waterloo "practically gave away her exports" but this resulted in stability and a hundred years of peace.

Sent Dept 3279; repeated Paris as 327.

GALLMAN

840.00/6-1647: Telegram

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

SECRET

PARIS, June 16, 1947—6 p. m.

2378. Bidault tells me that he is not too happy about Bevin coming here at this juncture because his visit is being interpreted here as a desire on Bevin's part to steal the show. (The truth of the matter is that Bidault wanted to steal the show and Bevin beat him by a day or

two.) Also he does not want to give the impression to small nations in Europe that a Franco-British condominium is out to dominate western Europe. Nevertheless, he will work enthusiastically and wholeheartedly with Bevin and ardently hopes that they can come to an agreement as to the approach to be made to Washington. However, he would prefer that France and Great Britain make their approaches separately even if they say the same words.

Bidault showed me a telegram he sent to his Ambassador at Moscow instructing him to inform the Soviet Government that conversations would soon be under way between Paris and London in regard to the Secretary's Harvard speech and that conversations are now under way between Paris and Washington (Bonnet's conversation Saturday with the Secretary). He instructed his Ambassador to tell the Soviet Government also that he would be "disposed" to enter into conversations at Moscow on the same subject if Moscow so desired.

Sent Department 2378, repeated Moscow 373, and London 451.

Caffery

840.50 Recovery/6-1747

*The British Ambassador (Inverchapel) to the Secretary of State*¹

SECRET

WASHINGTON, June 17, 1947.

DEAR MR. SECRETARY: Mr. Bevin has asked me to let you know that the talks which he is having with the French Government today are exploratory in character but that he hopes they may be the first step in a speedy and concerted response to your inspiring lead.

As soon as the talks are over, Mr. Bevin will, of course, let you have a full account of them and of any tentative conclusions reached; and shortly thereafter Mr. Bevin hopes that the British Government will have an opportunity of going over the ground with Mr. Clayton, from whom they will be interested to hear how your own thoughts are developing.

You may further like to know for your own confidential information that, as soon as the exploratory talks with the French are over, Mr. Bevin intends to bring in the Belgium and Netherlands Governments.

Mr. Bevin has further asked me to give you the following paraphrase of a message which he has asked Sir M. Peterson² to deliver to M. Molotov:—

"As the Soviet Government is aware, His Majesty's Government are deeply concerned about the economic rehabilitation of Europe. The

¹ Marginal notation by the Director of the Office of Departmental Administration: "Secretary has seen and this has been passed along to Clayton-Thorp-Matthews etc. C[arlisle] H[umelsine]."

² Sir Maurice D. Peterson, Ambassador of the United Kingdom in the Soviet Union.

suggestion made by Mr. Marshall in recent statements that European countries should take the initiative by preparing a reconstruction plan seems to offer a new hope that the solution of Europe's economic difficulties may be facilitated. It is, therefore, in the view of His Majesty's Government a matter of the utmost urgency that some concrete plan should be proposed by the European countries so that it can be discussed with the United States Government as soon as possible. The issue is an economic not a political one. His Majesty's Government would be glad of any observations which the Soviet Government may care to offer as regards the United States Government proposal."

Mr. Bevin would like you to know confidentially that he is making this communication to the Soviet Government because he wishes to know as soon as possible whether or not they intend to take part in the preparation of a reconstruction plan for Europe.

Yours sincerely,

INVERCHAPEL

840.50 Recovery/6-1747

The Netherlands Ambassador (London) to the Secretary of State

WASHINGTON, June 17, 1947.

SIR: I have the honor to inform Your Excellency that the Netherlands Government with great interest and deep appreciation has taken cognizance of the speech which you made at Cambridge, Massachusetts, on the 5th of this month concerning the economic rehabilitation of Europe, which cannot come about without the helping hand of the United States and constitutes an indispensable requisite for a sound world economy and the consolidation of peaceful relations between the nations.

In this connection, it may not be amiss to call attention to the fact that the Netherlands, in conjunction with Belgium and Luxembourg, since a considerable time have been striving to create such economic relations in Europe as will meet the requirements of present economic conditions and circumstances, an aim which in some measure has taken shape and expression in the Customs Union between these countries. The Netherlands Government is, naturally, fully disposed to give serious consideration to any other suggestion for the rebuilding of Europe's economic structure.

I may further advise Your Excellency that for some time past Her Majesty's Government has made the economic collaboration between the European countries a subject of study and research, as *i.a.* may appear from its memorandum concerning Germany of January 14, 1947, submitted to the Department of State with my note of Janu-

ary 25, 1947, No. 352,¹ and it is expected that the result of this enquiry will be communicated to the Government of the United States and those of the countries of Europe after the elapse of two months from the present date. In case the Department of State has already some material on the subject-matter available, tending to assist in forming an opinion on some point or another, it would be very helpful if Your Excellency would be so kind as to place it at the disposal of the Netherlands Government, which courtesy on your part would be deeply appreciated.

Please accept [etc.]

A. LOUDON

¹ Ambassador Loudon's note of January 25 is not printed. The Netherlands Government's memorandum of January 14, 1947, on Allied policy with regard to Germany was circulated as document CFM (D) (47) (G) 9 to the Deputies for Germany, who met in London from January 14 to February 25, 1947. The salient aspects of the Netherlands Government's proposals for a German peace settlement are included in the Report of the Deputies for Germany to the Council of Foreign Ministers, February 25, 1947, vol. II, pp. 40, 50.

840.00/6-1847: Telegram

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

SECRET

PARIS, June 18, 1947—4 p. m.

URGENT

2412. The British tell me that the conversations between Bevin and Bidault are progressing satisfactorily. They and the French have agreed on the following points:

(1) The necessity for inviting the Soviets to join in these talks and of getting a reply from them before July 5 on which date the European Economic Committee is to meet. British feel that Russian participation would tend greatly to complicate things and that it might be best if Russians refused invitation. They tell me that French also offer [*appear?*] to share this feeling. In any event they intend to issue invitation to the Russians in such form as to receive a reply before July 5.

(2) The formation of *ad hoc* committees on coal, food, steel, etc. These committees would be drawn together by a steering committee the chairman of which might be the chairman of the European Economic Committee.

(3) Desirability once conversations take further shape of inviting Belgium, Netherlands and later Czechoslovakia and Yugoslavia to participate.

Bevin leaves for London tomorrow morning. Conversations will continue on technical level.

Sent Department as 2412; repeated to London as 456.

CAFFERY

840.00/6-1847: Telegram

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

SECRET

PARIS, June 18, 1947—11 p. m.

URGENT

2427. Bevin and Bidault separately this evening gave me copies of an *aide-mémoire* in English and in French¹ which they were to give to the Soviet Chargé d'Affaires here later this evening reading as follows:

"The British and French Governments have examined with interest the statement made by Mr. Marshall at Harvard University on 5 June last. The two governments welcome with the greatest satisfaction the suggestions made by the United States Secretary of State. Mr. Marshall has not made any official approach to the two governments but in his speech he clearly suggests the drawing up of economic programmes by the European nations themselves, and indicates that the United States will be ready to lend their aid to the fullest possible extent for the execution of these programmes.

The Foreign Ministers of Great Britain and France consider that this aid is necessary, but that it will only bear fruit to the extent that the countries of Europe make the maximum effort to develop once more the resources which in the main they produced for themselves before the war, and which they have to import today, along with indispensable industrial equipment largely from the American continent.

The two governments consider that the economic condition of Europe necessitates the rapid drawing up of comprehensive programmes. Such programmes should be drawn up by all the countries of Europe which are willing to participate in such action, in liaison with the appropriate organs of the United Nations.

The initiatives to be taken are of extreme urgency because of the economic and financial situation of a great number of European countries. In the view of the British and French Governments, these initiatives should be taken by the three principal European powers. In view of the above, before any examination of the practical measures which must be taken to implement the American proposals, Mr. Bevin and M. Bidault propose to Mr. Molotov that a meeting of the British, French and Soviet Foreign Ministers should be held during the week beginning 23 June at a place to be agreed, in order to discuss these problems as a whole.

The most convenient place for the meeting for Mr. Bevin and M. Bidault, would of course be Paris or London. If however, Mr. Molotov should consider that another European city mid-way be-

¹ The French text of this *aide-mémoire* is printed in Ministère des Affaires Étrangères, *Documents de la Conférence des Ministres des Affaires Étrangères de la France, du Royaume-Uni, de l'U.R.S.S. tenue à Paris du 27 Juin au 3 Juillet 1947* etc. (Paris: Imprimerie Nationale, 1947), p. 15. A translation which differs somewhat from the text of the telegram above is found in the *French Yellow Book: Documents of the Conference of Foreign Ministers of France, the United Kingdom, and the U.S.S.R., held in Paris from the 27th June to the 3rd July, 1947* etc. (London: Hutchinson and Co., 1947?), pp. 18-19. Some of the documents of the French official publication are reprinted in Margaret Carlyle, Ed., *Documents on International Affairs, 1947-1948*, issued under the auspices of the Royal Institute of International Affairs (London, Oxford University Press, 1952), pp. 26-58.

tween Moscow and London should be chosen, we are disposed to consider any suggestions he might make."

Bevin and Bidault also both told me separately that they hope the Soviets will refuse to cooperate and that in any event they will be prepared "to go ahead with full steam even if the Soviets refuse to do so."

They both expressed again their vast interest in and appreciation of what the Secretary's Harvard speech implied.

What they agreed to in their conversations here is along the lines reported in my 2412, June 18.

Repeated to London as 457; to Moscow as 375.

Caffery

840.50 Recovery/6-1847

Memorandum of Conversation, by the Counselor of the Department of State (Cohen)

Participants: The Polish Ambassador, Mr. Winiewicz
Mr. Cohen
Mr. Thompson¹

The Ambassador said he had read with great interest the Secretary's Harvard speech and public remarks made by myself and others with reference to the economic rehabilitation of Europe. He said that he was somewhat confused as to what we had in mind by the "Marshall Plan". From the Secretary's remarks it appeared that Eastern European countries would be included, but from press interpretations, particularly in Britain, it had been suggested that it envisaged only Western Europe. His first question, therefore, was: Did we have in mind that Eastern European countries might be included?

I replied by suggesting that he should be guided by the Secretary's remarks rather than by press interpretations. I said I could only say that my understanding was that we had in mind that the European countries should develop a program that would help Europe as a whole insofar as this was possible. I pointed out, however, that we had been disappointed over the trend of events which seemed to divide rather than unite Europe. I said that, speaking personally, I felt that it might be well to begin with steps or plans which would clearly be in the interest of Europe as a whole to the extent that this might be practicable.

¹ Llewellyn E. Thompson, Chief, Division of Eastern European Affairs.

The Ambassador then inquired what practical steps could be taken? Did we have in mind that this would be handled through the ECE or independent of that body?

I replied that I gathered that our position was that this was a question which the European countries should work out for themselves, and that we would neither insist upon nor reject the use of the ECE. I observed, however, that we had been disappointed by the lack of progress made up to date in that body.

The Ambassador said he did not know what his Government's official views were; he only knew of its great interest. He felt that all of the countries of Eastern Europe were at present considering the *Pravda* article,² which was the only expression of opinion so far from the Soviet Union. He personally did not interpret this article as excluding the possibility of Soviet cooperation or that the Soviet Government would oppose the program. He said he thought that the best thing for his country to do was to approach the Czechoslovak Government in the first instance since their positions were similar and their relations had greatly improved recently. He referred to the role that Poland could play in the economy of Europe and mentioned particularly the coal which they were now in a position to supply and their efforts to increase their production and their exports to Western Europe. He mentioned the fact that they had succeeded in obtaining the consent of the Soviet Government to reducing their coal exports to the Soviet Union from the figure earlier agreed upon. He also said that next year Poland would be in a position to help European countries with food. He pointed to the role that Poland had played in the creation of the ECE and the fact that Poland had decreased the proportion of her exports going to the Soviet Union as evidence of Poland's desire to integrate her economy with that of Western Europe.

In the course of the conversation I observed that assistance from the United States depended upon the attitude of the American people and said that, speaking quite frankly, some of the public declarations and things that were said about American assistance in the countries of Eastern Europe did not put the American people in the best mood to support measures of assistance. I reminded the Ambassador of his presence in Paris at a time when some unfortunate remarks on the part of certain Delegates at the Peace Conference had interfered with measures of assistance to Czechoslovakia. The Ambassador said he fully realized this.

The Ambassador expressed the hope that he would be able to discuss these matters more fully after he had received instructions from his Government.

BENJAMIN V. COHEN

² For an excerpt from *Pravda*, June 16, see W. P. and Zelda K. Coates, *A History of Anglo-Soviet Relations*, vol. II, 1943-1950 (London, Lawrence & Wishart, 1958), p. 257. See also telegram 2270 from Moscow, *post*, p. 294.

840.50 Recovery/6-1947: Telegram

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

SECRET

PARIS, June 19, 1947.

URGENT

2440. The British tell me that they have "a firm verbal commitment" from the French that they will go along with them even if the Soviets refuse the invitation to participate in the conversations. They showed me a tentative agenda listing the "form and nature of American aid" in order of importance:

- (a) Supply of raw materials, foodstuffs and animal feeds.
- (b) Supply of equipment and means of production.
- (c) Financial credits.

Duff Cooper¹ expects the Ministers to meet again next week.
Repeated to London as 459, sent Department 2440.

CAFFERY

¹ Alfred Duff Cooper, British Ambassador in France.

840.50 Recovery/6-1947

The British Ambassador (Inverchapel) to the Secretary of State

SECRET

WASHINGTON, June 19, 1947.

DEAR MR. SECRETARY: On instructions from Mr. Bevin I enclose a copy of a message from him setting out the results of his conversations in Paris with M. Bidault on the subject of your proposals for European reconstruction.¹ Mr. Bevin has instructed His Majesty's Ambassador at Moscow to communicate this message urgently to M. Molotov. I understand that copies of the message have also been given to the American Ambassador and to the Soviet Chargé d'Affaires at Paris and that a communiqué in similar terms has been issued to the press.

2. In instructing His Majesty's Ambassador at Moscow to transmit the enclosed communication to M. Molotov, Mr. Bevin stated that he thought it possible that M. Molotov might ask whether it was proposed (a) to make use of the Economic Commission for Europe to frame the reply to yourself, or (b) to set up new and separate bodies. Mr. Gunnar Myrdal, the Executive Secretary of the Economic Commission for Europe, who is now in Moscow, would presumably have told the Russians that in his view and in that of Mr. Trygve Lie,² the

¹ Substantially the same as the *aide-mémoire* quoted in telegram 2427 from Paris, p. 259.

² Secretary General of the United Nations.

Commission is the proper body to convoke such experts as are needed to provide the basis for framing the reply.

3. Mr. Bevin told Sir Maurice Peterson that the answer to such an enquiry is, that Great Britain and France are anxious, assuming that Russian cooperation is secured, to bring in the Economic Commission for Europe at a later stage in whatever ways are judged most appropriate. But the Commission has not yet a fully developed Secretariat and though Mr. Bevin and M. Bidault have full confidence in Mr. Myrdal, they are convinced that his staff could not successfully organise the initial steps needed to provide the basis for a reply to your proposal, more especially as the Secretariat has to deal with the second meeting of the Commission on the 5th July and will be taking over the essential functions of the European Central Inland Transport Organisation, the Emergency Economic Commission for Europe, and the European Coal Organisation. Mr. Bevin and M. Bidault are convinced, therefore, that the initial steps must be taken outside the Economic Commission for Europe, but it is their hope that the Commission, at its forthcoming session, will take note of and approve the steps taken, and it is the view of Mr. Bevin and M. Bidault that, assuming Russian cooperation, full use should be made of the Commission and its staff at a later stage.

Yours sincerely,

INVERCHIAPEL

840.00/6-2047 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, June 20, 1947.

2670. For Ambassador. I am repeating to you separately ¹ a cable sent 19 June ² from Secys War, Navy and myself to Clay ³ and Murphy which summarizes cables I have sent to Embs Paris, Brussels, Rome, Hague, ⁴ which outline principles enunciated in my Harvard speech and ask comments on certain general and specific matters relating to formulating a program of European rehabilitation. The cable to Clay and Murphy inquires re contribution western Germany can make to such a program. Mr. Clayton will discuss the whole matter

¹ Telegram 2671, to London, June 20, not printed.

² Telegram 1292 to the U.S. Political Adviser on German Affairs (Murphy), at Berlin, not printed.

³ Gen. Lucius D. Clay, U.S. Military Governor for Germany.

⁴ Telegram 2143, June 12, to Paris, p. 249; similar messages were sent to the other three Embassies on June 13.

Replies from the four diplomatic missions, not printed, are in files 840.00 and 840.50 Recovery. These replies were received in the Department over a period of several weeks. Situations described therein were frequently overtaken by events.

with you in detail. The valuable analysis and info you have sent us on UK position and prospects have been most helpful.

If, after reading cable mentioned above, you have further comments or recommendations to make which you believe would assist us, we should be glad to have them.

Of immediate concern is the question of what role, if any, the ECE can usefully play in developing a European program. While the use of a UN body whose terms of reference directly cover this type of problem would be desirable and in accord with our long-range objectives towards UN, we share the fear that effective and prompt action might be very difficult there, whether because of the inefficiency of a new and untried body or because of a continuance of the obstructive tactics pursued by the eastern countries at the first session. Further, consideration must be given to whether FAO should be used in connection with the food aspects of any program. We are inclined to let the European countries, particularly the UK and France, take the initiative in determining whether ECE has a role but will urge, if it is used, that guarantees of prompt and effective action be given by setting a definite timetable with interim progress reports and reserving the position of interested countries to proceed outside ECE if delay occurs there. The desirability of improving coal production before winter and fertilizer and agricultural equipment production by the autumn planting season gives us targets to aim at. We would also consider it important that non-members particularly Italy and Austria, should take full part.

We are inclined to feel that the most fruitful immediate action would be along the lines of specific subjects such as coal, food, clothing production and transport rather than more elaborate plans for general increased industrial activity which would take longer to plan and which must be based on reasonably adequate fuel, food, housing and transport.

Pls bring to attention Porter, MEA.⁵ Dept will comment on Embtel 3201 June 11 separately.⁶

MARSHALL

⁵ Paul R. Porter, Acting Chief, Mission for Economic Affairs at London.

⁶ Not printed.

STATEMENT BY THE PRESIDENT

The impact upon our domestic economy of the assistance we are now furnishing or may furnish to foreign countries is a matter of

grave concern to every American. I believe we are generally agreed that the recovery of production abroad is essential both to a vigorous democracy and to a peace founded on democracy and freedom. It is essential also to a world trade in which our businessmen, farmers and workers may benefit from substantial exports and in which their customers may be able to pay for these goods. On the other hand, the extent to which we should continue aiding such recovery is less easy to ascertain, and merits most careful study.

Much attention has already been given to these questions by various agencies of the Government, as well as by a number of well-informed and public-spirited citizens. The results of current study and discussion have not, however, been brought together and objectively evaluated in a form suitable for guidance in the formulation of national policy.

Accordingly, I am creating immediately three committees to study and report to me within the shortest possible time on the relationship between any further aid which may be extended to foreign countries and the interests of our domestic economy. Two of these studies will be conducted within the Government; the third will be conducted by a non-partisan committee of distinguished citizens headed by the Secretary of Commerce.¹

Of the two studies to be conducted within the Government, one will deal with the state of our national resources, and will be made by a committee of specialists under the direction of the Secretary of the Interior.² The other governmental study will deal with the impact on our national economy of aid to other countries, and will be conducted by the Council of Economic Advisers.³

The non-partisan committee will be requested to determine the facts with respect to the character and quantities of United States resources available for economic assistance to foreign countries, and to advise me, in the light of these facts, on the limits within which the United States may safely and wisely plan to extend such assistance and on the relation between this assistance and our domestic economy. This committee will be drawn from representatives of American business, finance, labor, agriculture and educational and research institutions. In carrying out its work this committee will have the benefit of the studies which are to be made within the Government, as well as the materials already prepared by various Government agencies.

¹ The proposal for such studies was originally made in a Policy Planning Staff Memorandum of June 19, 1947, entitled "Studies Relating to the Impact of Aid to Foreign Countries on U.S. Domestic Economy and Natural Resources", not printed. The committee headed by the Secretary of Commerce was referred to as the Harriman Committee.

² This committee was known as the Krug Committee.

³ This was commonly known as the Nourse Committee.

The names of those being asked to serve on the committee are as follows:

Hiland Batcheller, Pres.,
Allegheny-Ludlum Steel Corp.,
Pittsburgh, Pennsylvania.

Robert Earle Buchanan, Dean,
Graduate College,
Iowa State College,
Ames, Iowa.

W. Randolph Burgess,
Vice-Chairman,
National City Bank of N.Y.,
New York, N.Y.

Paul G. Hoffman, Pres.,
The Studebaker Corp.,
South Bend, Indiana.

Calvin B. Hoover, Dean,
Graduate School,
Duke University,
Durham, North Carolina.

Robert Koenig, Pres.,
Ayrshire Collieries Co.,
Big Four Building,
Indianapolis, Indiana.

840.00/6-2347: Telegram

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

SECRET

PARIS, June 23, 1947—11 a. m.

URGENT

2481. Chauvel¹ informs me that Molotov has accepted invitation of Bidault and Bevin to discuss the proposals set forth in Secretary's Harvard speech and that he will come to Paris next Friday, June 27, for discussions.

Sent to Department as 2481; repeated London 468, Moscow 379.

CAFFERY

¹ Jean Chauvel, Secretary General of the French Foreign Office.

840.50 Recovery/6-2347: Telegram

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

TOP SECRET

Moscow, June 23, 1947—5 p. m.

2246. Although apparent now that Molotov will participate in conversations in Paris regarding a European economic plan, I feel sure that this participation will be for destructive rather than constructive purposes. British and French Ambassadors here have privately expressed same view to me. Reason for my opinion is that intelligent and well implemented plan for economical recovery would militate against the present Soviet political objectives.¹

SMITH

¹ In telegram 2487, from Paris, not printed, Ambassador Caffery reported that French officials feared that Molotov's coming was designed to sabotage the Marshall plan. (840.00/6-2347)

Lot 122, Box 13113

*Memorandum by the Director of the Policy Planning Staff (Kennan)
to the Assistant Secretary of State for Economic Affairs (Thorp)*

SECRET

[WASHINGTON,] June 24, 1947.

The Policy Planning Staff will require, in connection with its examination of the problems of European reconstruction, a series of brief background studies relating to certain important items of European economy. These are the items which may constitute the basis of the functional approach to problems of European recovery, now under discussion in many quarters of Europe.

The fields of European economy which I have in mind in this connection are the following:

Coal
Electric power
Steel
Agriculture
Food
Inland transport
Shipping and shipbuilding

You may think of others which should be included. The principal criterion in my mind is that they should be fields of activity which might be supposed to have key significance in Europe's recovery and ones which would lend themselves to treatment on an overall European basis rather than a national basis.¹

Since it is impossible to draw up any common set of terms of reference for these studies, I enclose individual papers² on each of the items mentioned setting forth the points in which I am particularly interested. They will serve at least to reveal the nature of the inquiry. The persons preparing the study are welcome to add other items if they consider them pertinent to the general purpose of the inquiry.

These studies need not be exhaustive. We merely want the main outlines of the facts which bear on the situation. I am afraid that we will need the completed studies at a very early date if they are to be useful in the work which the Planning Staff now has in hand. They should, if possible, be completed by the Fourth of July week-end or, if that is simply not possible in certain instances, by July 15. But we would prefer to have brief skeleton surveys at an early date rather than long and detailed studies later. If questions of priority are involved, I am sure that Mr. Lovett will agree with me on the

¹ On the previous day, a Working Group on European Reconstruction, drawn from the offices responsible to the Assistant Secretary of State for Economic Affairs, met to consider "ways and means of implementing the European Reconstruction program". (Memorandum of June 23 Meeting, Lot 122, Box 13113.)

² Enclosures not printed.

overriding importance of getting into the Secretary's hands at a very early date a workable study of the main elements of the European reconstruction problem and will be prepared to support any requests we may have to make of other people for rapid action on these inquiries.

I am addressing this request to you with the feeling that you will know better than I do what can be done in the sections of the Department under your supervision and what should be farmed out elsewhere in the Department and the Government. (Presumably the food study, for example, can be farmed out at once to Agriculture.) In general, there is a virtue in spreading responsibility for this type of study as widely as possible.

Many of the questions may look so naively broad as to horrify the scholarly economist. If so, tell your people to disregard their consciences, take a deep breath, and let us have their best guess.

G[EORGE] F. K[ENNAN]

840.50 Recovery/7-147

Memorandum of Conversation, by the First Secretary of Embassy in the United Kingdom (Peterson)

TOP SECRET

[LONDON,] June 24, 1947.

SUMMARY OF FIRST MEETING OF UNDER SECRETARY CLAYTON AND
AMBASSADOR WITH BRITISH CABINET MEMBERS ¹

MR. BEVIN

The chronic troubles of Europe are interwoven with politics and our dollar problem really comes from Europe. Europe can contribute materially to the solution but Britain with an Empire is on a different basis.

I am looking for some temporary interim solution to enable the U.K. to play its part. The U.K. dollar problem is seen in Balkan countries as well as in the U.K. and all we try to do or say in Europe is conditioned by our own resources.

I went ahead on the Marshall Plan without asking questions and I feel that it is the quickest way to break down the iron curtain. My recent experience in France shows that Russia cannot hold its satellites against the attraction of fundamental help toward economic revival in Europe. If the U.K. in playing its part in this program should en-

¹ Meeting held at the Prime Minister's residence, 10 Downing Street, London. On July 1 Ambassador Douglas sent to the Secretary of State and other officials copies of this memorandum and the memoranda that follow summarizing the other four meetings.

counter snags we would desire and hope that the U.S. can put the U.K. in position to go ahead. We really ask to be in the position which we held in 1923-24 in economic reconstruction after the last war. I would impress upon everyone the importance of quick action if anything is to be done.

I am worried about the loan² and for practically all of my plans Mr. Dalton³ puts in a caveat as regards our resources. The rise in prices has thrown us a year out and the U.K. position compelled me at Moscow to draw in my horns. For that reason I could not support Secretary Marshall to the extent I desired and I think it would pay the U.S. and the world for the U.S. and the U.K. to establish a financial partnership.

The first European need is for food. We need a better pipeline and a security of rations. I need six or eight weeks stockpile of grain to guarantee a ration of 1800 calories to 1949 (presumably referring to Germany.)

MR. DALTON

Reviewed the financial position and found rapid worsening of their position in the last six months. The rate of drawings upon the loan has risen rapidly and this loan (which they had expected would carry Britain through the "difficult" period) would be exhausted at the end of the year.

In ascertaining why this had happened he mentioned wholesale prices up by 40 per cent. This had in effect reduced the value of the loan by \$1 billion. Secondly, Canada and Argentina had demanded dollars to a rapidly increasing extent in payment for Britain's imports from those countries and third, this action revealed a dollar shortage throughout the world which was fundamental to difficulties faced by Britain. The real reason for the difficulties was the slow rate of world recovery including recovery in the Far East and Indonesia which were important to the United Kingdom. The world problem had an impact requiring very urgent action.

In their own field they might take defensive action by cutting U.K. imports but this would start a circle of restrictionism which should be avoided. Sir Stafford Cripps⁴ interjected that the U.K. had encountered increasing difficulties in earning foreign exchange, mentioning import handicaps in Latin America and recent cancellations of U.S. contracts for example for linen and hosiery. These troubles arose from a dollar shortage all over the world.

Mr. Clayton said Mr. Bevin's speed in acting after the Secretary's speech created a highly favorable impression in the United States.

² For documentation on implementation of the loan agreement, see pp. 1 ff.

³ Hugh Dalton, Chancellor of the Exchequer.

⁴ President of the British Board of Trade.

In the U.S. viewpoint, no further piecemeal assistance was feasible for Europe. The problem must be dealt with as a whole. Italy might today be in the worst position of European countries but solution of Italian problems must await a program for the whole problem. Thus speed was essential.

Mr. Clayton referred to an opening remark by Mr. Bevin to the effect that the U.K. wanted to be a partner in the European Plan and if it could not be equipped financially to carry out such a partnership its relations with the U.S. would become somewhat similar to relationship between the U.S.S.R. and Yugoslavia. Mr. Clayton could not see how the U.K. could find itself in a "Yugoslav" position. He asked how the U.K. problem was different from other European countries.

Mr. Clayton referred to the paper delivered at Washington regarding the U.K. financial and trading position⁵ and understood the difficulties. As for Russia's Satellites in Eastern Europe he doubted with Mr. Bevin whether the U.S.S.R. could hold or improve its position there, because those countries would be compelled for a long time to trade actively with the rest.

Mr. Clayton reiterated that he was unable to visualize the Administration going to Congress regarding new proposals for any one country and he felt that a European plan must be worked out. In this, Mr. Bevin's continued leadership would be welcomed.

MR. BEVIN

Brief discussion indicated that Bevin is most anxious for some interim financial arrangement from the U.S. to stop a back-biting of his foreign affairs moves by people at home who were pinched by the British financial position. He considered the U.K. production and recovery record since the war as a good one. Mr. Clayton mentioned that not all of the financial difficulties were due to the U.S. price rise. Mr. Bevin said the "circle" must be broken. "Can't some temporary arrangement running to 1947 and '48 be worked out? Give me 5 million tons of grain and I will break the production problem in Germany".

Mr. Dalton interjected with reference to Mr. Clayton's question that one difference between the U.K. and other European countries was that the U.K. is helping in Germany. Mr. Bevin, reverting to food, said the U.S.S.R. was flush with cereals and he was trying to get grain from them. Poland was in balance. On the general European plan he had in mind dealing with food, coal, steel etc. in parallel columns to show requirements of individual countries. But he needed some assurance

⁵ *Ante*, p. 17.

of continuity of supply in 1947-48—perhaps 1949—which he called “two desperate years”.

Sir Stafford Cripps interjected that internal measures open to the U.K. could not make more than six weeks difference in the exhaustion of British resources and also expressed the opinion that there was a difference between the U.K. and other European countries because of U.K. trade with non-European countries.

Mr. Bevin said that if U.K. was considered just another European country this would fit in with Russian strategy, namely, that the U.S. would encounter a slump and would withdraw from Europe, the U.K. would be helpless and out of dollars and as merely another European country the Russians, in command of the Continent, could deal with Britain in due course. Speaking of food, the Prime Minister mentioned that Britain had to let Australian supplies go to India to avoid starvation and catastrophe for which Britain held political responsibility and similar considerations applied in parts of Africa.

MR. DOUGLAS

The Ambassador referred to figures received from the Treasury and asked whether the draw-down of the loan in the next six months would be as rapid as in the first six months of 1947. He mentioned that part of the recent drain was for the purpose of replenishing stocks which had been run down in the first spurt of U.K. economic revival and also that British purchase of ships was a non-recurring item. After momentary thought Mr. Dalton said he was not hopeful of improvement. He agreed that replenishment of stocks and ship purchase might not recur but replenishment would carry over a twelve-month period. Contra items were the cost of convertibility (see below) about which the British had argued at Washington, the dollar cost of which he could not estimate. Nondiscrimination in imports was also mentioned. Mr. Bevin interjected that convertibility and nondiscrimination obligations upon the U.K. had in his opinion been dated three years too soon. Sir Stafford Cripps mentioned that their export estimates might prove high and recent closing of markets raises the question that even though the British could make the goods they might not be able to sell them. In response to Mr. Clayton's question he said he thought Argentine marketing difficulties represented hit-or-miss measures by Miranda ⁶ of the Argentine Government.

Mr. Clayton then asked pointedly why Mr. Dalton had not come earlier with these troubles noting that Congress would adjourn July 26 and exceptional cases for relief from governmental commitments might be difficult to handle at this session. He would not prophesy inability to handle cases in this Congress but wondered why the British

⁶ Miguel Miranda, President of the Argentine Economic Council.

authorities had not taken up the problem when it first arose. The British response was that Canada and Argentina demands for dollars caused much of the trouble and this had arisen rapidly and somewhat surreptitiously.

Mr. Dalton, in referring to convertibility of sterling made it clear he was *not* asking for or suggesting any change in this commitment under the Financial Agreement. Moreover, he pointed out that regardless of the terms of the Financial Agreement a large part of the difficulties now facing the British would have arisen anyway.

MR. CLAYTON

Referring to Mr. Bevin's need of food, Mr. Clayton said that food up till now was a question of production and not money, noting that the 15 million ton export of U.S. cereals was a vast effort and reached about the maximum which transport and transit facilities would allow.⁷ He agreed the U.S. was well fed and possibly wasteful of food but this did not indicate unwillingness to share with others since the transit problem was the bottleneck. We did not have the boxcars, terminals, port facilities, etc. and could not create them over-night. Perhaps one million more tons of cereals could be gotten out but there was a limit. Mr. Bevin observed that in contrast to UNRRA operations the authorities could concentrate needs of food better at present and could avoid waste in Europe.

Mr. Bevin spoke of German affairs, mentioning recent conversations with General Robertson⁸ and difficulties in working out plans because of U.S. budgetary limitations. "In our plans, will we be held up by appropriations?" "Clay and Robertson seem forever tied by appropriation questions". Mr. Clayton said that of course appropriations were a limiting factor in our form of government but he would look into the difficulty.

Mr. Clayton reiterated that the U.K. as a partner in the Marshall program rather than a part of Europe, with special assistance to the U.K. partner would violate the principle that no piecemeal approach to the European problem would be undertaken. He said that in the U.S. even a non-piecemeal approach would be hard to sell to the U.S. public and Congress and he frankly saw no possibility of interim arrangements for the U.K. as part of the European approach. (At this point I thought Sir Stafford Cripps raised two points in the Financial Agreement, namely, convertibility and nondiscrimination in imports which might be looked into as some relief to the British dollar problem. Mr. Gunter⁹ is not quite sure if this was specifically raised by Cripps.)

⁷ For documentation regarding U.S. concern about the world food shortage, see *Foreign Relations*, 1946, vol. I, pp. 1439 ff.

⁸ Deputy Military Governor, British Zone of Occupation in Germany.

⁹ John W. Gunter, U.S. Treasury Representative in London.

At this point Mr. Clayton raised the first of his criticisms of the U.K., namely, their handling of the Ruhr coal problem. He also then raised the question of U.K. action regarding measures in Japan, both of which had been covered separately.

To summarize, Mr. Clayton described the idea presented by Secretary Marshall as involving a really big problem. The U.S. Administration wanted information from all of the interested European countries as to why recovery in Europe had been so slow, what Europe could do to help itself, and how long it might take, with a minimum of assistance from the United States for Europe to get back on its own feet.

Following views on reasons for slow recovery and remedial measures, we would need information regarding food requirements, fuel requirements and other emergency essentials.

Prime Minister, referring to Mr. Clayton's remark on socialization, said that new socialist structures were created as alternatives to structures created by the Nazis which syndicates could not be allowed to reemerge and if they did would cause fears in neighboring countries. Mr. Bevin thought the trouble in Germany stemmed from unsettled level-of-industry questions and mentioned controversy of whether German steel production was to be 11 million tons or some other figure. He also deprecated dismantling of German industry and asked that Clay settle this question so the Germans will know where they stand, expressing willingness to fight out with the French any US-UK agreements which were not palatable. Besides level-of-industry problems, he thought the Potsdam Agreement, forced on him in his first day of office, left much to be desired. Syndicates in Germany were a war potential and could not be put back. In general, Mr. Bevin thought U.S. and U.K. plans for Germany were not far apart. Mr. Clayton said he would look into the level-of-industry problem in Germany.

On the point of German management, the Ambassador expressed his personal view that part of the problem hinged on the question of clothing managers of the industrial operations with enough authority to get production going. He also believed that the lack of a currency in Germany which commanded public confidence was a root difficulty, decreasing incentives, diverting resources, creating black markets and chicanery. (There was general agreement that the lack of confidence in currency was a problem which applied over all Europe). Mr. Bevin agreed on the currency question and mentioned his thought that the currency for the non-Russian zones could be linked with the French franc, the Belgian franc and the Dutch guilder. He referred to confusion of authority in coal operations and said he was trying to get this straightened out. The proposal of Clay for a single trustee he thought would not work.

840.50 Recovery/7-147

*Memorandum of Conversation, by the First Secretary of Embassy
in the United Kingdom (Peterson)*

TOP SECRET

[LONDON,] June 24, 1947.

RECAPITULATION OF MAIN POINTS OF DISCUSSIONS OF UNDER SECRETARY
CLAYTON AND AMBASSADOR DOUGLAS WITH BRITISH OFFICIALS RE-
GARDING THE DOLLAR PROBLEM

This meeting, under the chairmanship of Sir Edward Bridges,¹ was held at 4:00 o'clock June 24 in the Treasury Chambers. There were present Sir John Henry Wood and James Helmore of the Board of Trade; Sir Percivale Liesching, Ministry of Food; Sir Edmund Hall-Patch, Foreign Office; A.T.K. Grant and R.W.B. Clarke of the Treasury; and a representative of the Ministry of Fuel and Power. Mr. Peterson and Mr. Gunter attended from the Embassy.

Sir Edward Bridges opened the discussion seeking elucidation of Mr. Clayton's plans for short-term assistance to Europe. Mr. Clayton contemplated the essential components of assistance as food, fuel and fiber but said that the present rate of Europe's imports, some \$3 billion annually, could not continue but must be reduced by rehabilitation and enlarged production.

Mr. Clayton said the long-term assistance in reconstruction and development should be via the International Bank. He felt that the Bank's view of Europe and its repayment prospects depended on an attack on the immediate problem of food, fuel and fiber. He felt that it was up to Europe to agree on a program and he hoped this would contemplate minimum and decreasing calls on the U.S.

Sir Edward Bridges summarized these points as an inventory of Europe's needs and a cooperative agreement in Europe regarding economic rehabilitation. He understood that the U.S. plan would require commitments on rehabilitation and asked questions regarding the speed of the program and the number of nations which would be involved. Mr. Clayton reiterated the program could not be piecemeal—no dabs of assistance here and there.

Sir John Henry Wood discussed various aspects of European trade, particularly as it related to the U.K. From what he understood about the nature of the possible short time assistance to Europe by the U.S. he was doubtful as to the advantage which would accrue to the U.K., particularly if no special consideration was given the U.K. position and if the plan involved submerging British national interests. In particular, he was worried about pooling of

¹ Permanent Secretary to the British Treasury.

European resources. He thought that if the plan put dollars into Europe this would automatically ease the U.K. position to some extent, but that the relief would not be of sufficient magnitude. The pooling of assistance would reduce the U.K. position to that of the "lowest" in Europe. If this was the case, in view of Britain's relative advance in production as compared to the rest of Europe, he thought the U.K. might be better outside of the plan since the British position could be maintained by bilateral deals.

Sir Percivale Liesching visualized the U.K. as a partner with the U.S. in world recovery and said the U.K. was examining the Marshall Plan to consider how far it would help the British position. He saw the plan as a partial solution.

Mr. Clayton indicated that he failed to understand the British argument that they would not benefit in the plan for Europe. In particular, he felt that U.K. would not gain from a restrictionist policy.

In answer to Sir Edward Bridges' question on timing Mr. Clayton said it would be impossible for the present Congress to consider assistance to Europe and as yet there was only talk of another session.

Mr. Helmore attempted to explain how some people in the British Government felt that the U.K. would be better off to follow at this time a policy based on bilateral trade deals. This discussion was rapid and not lucid to Peterson but seemed based on the thought that, given the relatively strong U.K. economic position as compared with Europe other than Belgium, the U.K. was in strong position to bargain and deal bilaterally with suppliers and thus induce a change in terms of trade in favor of Britain. Sir Edmund Hall-Patch felt that the Marshall Plan does not meet U.K. needs because Britain's lack of dollars made it impotent to act as a partner in the plan.

Mr. Clayton attempted to explain in more detail how he is visualized that short term assistance would be provided. In particular, he stated that he was not thinking in terms of limiting supplies that could be purchased in the U.S. For example, the plan might include purchases of food stuffs for the U.K. from Canada and Latin America.² The British representative indicated that they had not been clear on this point and that obviously if the plan took this form the British dollar position would be considerably relieved.

There was a flavor of critical examination of the Marshall idea in the comments of the British officials and at one stage Mr. Douglas pointed out to Sir Edward Bridges that we had been seeking the facts of the British financial position for three months, "but only last Friday were we able to get the figures". Sir Edward agreed and regretted

² Dollar credits authorized by the Export-Import Bank in 1946 to aid European recovery generally were in the form of "tied" loans, requiring the borrower to buy United States goods and services.

the delay, but said there was a most complex web of transactions to be analyzed in getting the present estimates and the Treasury had been loaded with work.

The discussion included brief resume of coal production, efficiency at the coal face, absenteeism and stock position. Stocks are expected to reach nine million tons by October 1. Sir John Henry Wood was optimistic regarding the coal and steel position. There was also a discussion of U.K. food imports totalling \$1,600,000,000, of which approximately \$220 million came from the U.S.; \$270 from Canada; \$190 from Argentina; \$200 from Australia and New Zealand and perhaps \$250 from the Colonial Areas. Mr. Gunter and Treasury officials analyzed the British financial tables and it was agreed that Mr. Gunter's method of analysis showing part of British difficulties as attributable to decreased sterling balances could be defended.

At the conclusion of the meeting Mr. Douglas referred to the need for budgetary rationalization among countries of Europe and thought the Marshall Plan would involve commitments regarding fiscal affairs. In the absence of commitments further assistance to European economy would be fruitless since the whole scheme would be undermined by inflationary pressures which would break through the existing mechanisms of control.

840.50 Recovery/7-147

Memorandum of Conversation, by the First Secretary of Embassy in the United Kingdom (Peterson)

TOP SECRET

[LONDON,] June 25, 1947.

SUBSTANCE OF SECOND MEETING OF UNDER SECRETARY CLAYTON AND
AMBASSADOR WITH BRITISH CABINET MEMBERS

[Here follows a discussion of international rubber questions.]

Mr. Bevin as the next point sought elucidation of Mr. Clayton's belief that the UK problem must be lumped into the problem of Europe, because if that were the case, in forthcoming meetings, Mr. Bevin's approach would have to be changed. Mr. Bevin had planned (1) a steering committee (2) groups to analyze needs in relation to European production (3) groups on finance (4) groups on railway problems, their needs and organization (5) groups on motor transport (difficult because of cutdown in Germany, the biggest producer) and (6) groups regarding credits, currency, etc.

When the plans of these working parties were completed and in operation Bevin thought the only effect on the UK would be that—in

time, a year or two—Europe would be in somewhat better position to pay for British imports but since in the interim period Europe would consume all she could produce there would be little effect on the UK position except perhaps for an increase in dollar receipts from German exports.

As to Germany, Mr. Dalton mentioned the cost of the Byrnes Agreement.¹ Originally for an eighteen-month period from January, 1947, total cost was contemplated as \$860 million of which the UK share was \$460 million which in terms of dollar drain on the UK was estimated as \$200 million. This last figure, revised because of price changes was now \$275 million. A further overall increase in costs for Germany to provide additional calories had added \$150 million to the total bill (\$75 million to the U.K.) which made the present rate of drain on the UK for Germany some \$350 million. "Pretty poor", according to Dalton.

Mr. Bevin noted that if Poland feeds Europe, Poland demands dollars in exchange because the Polish Prime Minister has a solid case as to his needs of U.S. equipment. Bevin was cultivating the Polish Prime Minister, having decided to center British policy around the new leader whom he had consulted on return from Moscow. He believed this plan would be fruitful. Similar approaches were being made in Yugoslavia where Bevin had talked. He was convinced that Yugoslavia would gradually come west. Yugoslav needs were agricultural implements, railway equipment, timber-cutting equipment, etc. which Russia could not supply. In connection with Yugoslavia mention was made of Trieste and the effect of the opening of that port on Yugoslavia's western connections. But when Bevin asked Cripps what he could give up for Yugoslavia, Cripps could offer little, primarily because of the steel shortage. This was the pattern wherein Britain got into a dollar tangle in order to "get going" on constructive political relationships. Mr. Bevin did not foresee early solution of these political difficulties. We must have patience but he was confident. Mr. Bevin said that if the U.S. took the line that the U.K. was the same as any other European country this would be unfortunate because the UK could contribute to economic revival. The UK held stocks of rubber and wool and "we, as the British Empire", could assist materially. The British did not want to go into the program and not do anything—this would sacrifice the "little bit of dignity we have left".

¹ Presumably the agreement of December 2, 1946, between the United States and the United Kingdom on the economic fusion of their respective zones of occupation in Germany. For text, see Department of State Treaties and Other International Acts Series (TIAS) No. 1575, or 61 Stat. (pt. 3), 2475, and for related documentation, see *Foreign Relations*, 1946, vol. v, pp. 635-648.

Mr. Clayton did not quite see how the UK position was different from that of other European countries. The whole trouble arose from a shortage of dollars but this in turn represented failure of Europe to produce. The production bottleneck should be eased in a few years—perhaps by 1951. The UK had a dollar shortage the same as other European countries and if the US could do something to ease this shortage he wondered where the difference in impact upon the UK arose. Sir Stafford Cripps responded that the UK was a natural market for European goods for which the US were not buyers. Mr. Clayton had some question on this point but Cripps mentioned timber, foodstuffs (especially perishables, dairy products and dried fruits) and said “if you want to rehabilitate Europe that market (the UK) must be rehabilitated. The dollar drain is coming through the UK”.

Mr. Clayton still could not see the difference. He thought if the UK received dollars from its trade with Europe their position would be satisfactory. Mr. Clayton thought the Marshall idea would put dollars into Europe by taking care of their essential imports, leaving more of the proceeds of their exports available for payment for goods imported from Britain.

Mr. Clayton said that in the US examination of the dollar problem it seemed to fall into two parts—(1) a short-range problem, mainly requirements of food and fuel—perhaps fiber—which might cost three and one-half to four billion dollars (2) reconstruction and development where responsibility fell on the International Bank. The Bank was getting well organized, had a good staff and US and UK controlled it. If there was a solution of the short-term European problem there would be a firm foundation for the Bank to go ahead with longer-term reconstruction and development. Mr. Clayton thought he may have given an incorrect impression that US aid would be set forth specifically in food and basic raw materials. If the UK needed food we did not mean that the US would necessarily supply it. There should be no “tied loan” principle. The US would simply look at the emergency European problem in bulk, mainly the three “f’s”—food, fuel and fiber. In these observations Mr. Clayton was merely thinking aloud but it was his idea that whatever the US would do would probably be untied, just as was the British loan.

Mr. Bevin asked if the US could not bring Canada and Argentina into such a Lend-Lease conception and thus save the UK on dollars. In mentioning Lend-Lease, Mr. Bevin did not contemplate strict repetition of such a device but thought something akin to Lend-Lease would be the end result.

Sir Edward Bridges recapitulated the last point that Mr. Clayton gave—(1) short-term assistance for Europe (2) assurances from

Europe as to what it would do to help itself and (3) a certain integration of "degree of closeness" of economic relations in Europe as an essential component. He said the UK did not contemplate going into a European Customs Union. Even the UK-French plans for integration were not complete and although Belgium, Netherlands, and Luxembourg were going ahead with the Customs Union they had encountered difficulties. A full blueprint for Europe would take too long for the present emergency.

Sir Edward asked how Britain would fit into the plan. If the US was thinking of help in kind from the US the effect would be only to prolong by a few months the date when the credit would be exhausted. He thought Mr. Clayton's remarks showed an understanding that as far as the UK was concerned their requirements could not be confined to goods from the US but would be needed from usual sources. He understood there was a further point, namely, that Europe should join together in giving assurances. The UK had a fear of the "European pool" idea in the Marshall Plan which he thought would bring the UK down to the level of the lowest in Europe. Sir Edward also understood the US contemplated a series of bilateral agreements with individual European countries which would take into account the differences in economic needs of the various countries and yet permit the program to be put to Congress as a unified scheme. Mr. Clayton said there was no "pooling" idea current in Washington; it was his idea that there would be bilateral agreements within the framework of a European program of rehabilitation.

Sir Wilfrid Eady sought reassurance that the US considered the International Bank an effective mechanism for the second stage. Mr. Clayton said the primary need was to create investors' confidence in prospects of repayments of loans. Mr. Dalton noted the Bank had been slow in organization, with many changes in management and this caused much discouragement among the British. He asked if Mr. McCloy² thought the Bank would go into Europe and Mr. Clayton replied affirmatively. Mr. Bevin asked how far political consideration[s] would come into lending by the Bank. He presumed bank loaning would be dependent upon the conclusion of treaties with former enemies and that as for Allies there would be assurances under their United Nations obligations. With Europe striving to produce there would be reasonable chance of repayment.

Mr. Clayton said that the Bank's constitution required that political considerations should not enter into decisions on loans and noted that in connection with the Polish loan a delegation was making an on-the-

² John J. McCloy, President of the International Bank for Reconstruction and Development.

spot investigation and undoubtedly the Bank would require an agreement regarding Polish coal (both present production and that attributable to the new machinery) before funds for re-equipment would be forthcoming. Other details of operations of the International Bank were discussed.

Mr. Dalton raised the nondiscrimination clause in the Financial Agreement. The British dollar position required them to look at their import programs where they were unwilling (and shouldn't) reduce food imports. But certain articles, for example, fruit, could be purchased from soft currency countries yet this could not be the exclusive source under the nondiscrimination clause. Fruit from the US added "very much" to the dollar problem. Tobacco was a similar case in point. He had taken tax action to cut imports and in other directions the UK "may take action". In the case of films he had taken power to act which he felt the Government must have if it were necessary later to take some action.

In connection with nondiscrimination, discussion arose regarding the present British interpretation of Clause 9 of the Financial Agreement as applied to trade between the UK and its Colonial Areas for which the UK provided a common quota in the Monetary Fund. As the Department is aware, the British consider themselves free to discriminate in favor of trade within this UK-Colonial Area. The British express belief that this interpretation would ease the impact of the nondiscrimination clause. Mr. Clayton and the Ambassador agreed and did not challenge this interpretation of Clause 9.

Mr. Clayton said with emphasis that the matter of nondiscrimination "comes so late". The loan was an Act of Congress and relief on nondiscrimination meant passage of a joint resolution where many questions would be asked and this might call for exposure or some revelation of the UK situation.

Sir Edward Bridges mentioned the clause regarding imports from countries with war-shattered economies and Mr. Douglas agreed that we and the British could take a look at various commodities and their sources to see what could be done. Mr. Dalton said the last thing he wanted was a debate in Congress on nondiscrimination and Mr. Clayton thought an approach to Congress on this subject would endanger larger plans now underfoot.

Sir Stafford Cripps mentioned steel and UK dependence on imports. Two years ago he placed contracts in the US and because of understandable difficulties there the steel was not obtained. This had handicapped UK aid to Europe, the manufacture of tractors and other productive equipment. Was there any possible way of getting steel? The British had given UK steel producers their full coal requirements

and would get thirteen million tons of steel this year but their requirements were sixteen million tons. Mr. Clayton outlined the difficulties arising from shortages at home, factories on short-time because of lack of steel and internal pressure for steel but thought there "was always a possibility". The Department of State was fighting for exports every day. Mr. Clayton asked for a memorandum from Sir Stafford on their steel needs.

Mr. Bevin then asked for a somewhat more concise statement of the present US attitude toward Europe and the Marshall program. In response Mr. Clayton said that he foresaw the following phases: (1) Europe should explain why more progress has not thus far been made since the cessation of hostilities with the help already received (2) European countries should set forth in a concrete and substantial way a statement of what they proposed to do to help themselves, how long it will take and by what steps—what minimum assistance is required from the US, why it is necessary and when the load on the US would be reduced—presumably on a sliding scale. Mr. Clayton again stressed it would not be easy to sell the idea in the US. There was much in the press of what the US "has got to do" and much about American needs for export markets. Mr. Clayton knew the US need for export markets but many of his fellow citizens had other views and in order to put the program across the US must know when Europe will be able to get on its own feet. To supplement this, if possible, the US would like some proposals regarding a closer integration of European economy. He did not assume that anything in great detail could be provided in a short time and cited his conversation with Senator Millikin³ as an example of why a firm plan for Europe including European integration was necessary to convince Congress on the necessity of additional assistance by the US.

Mr. Bevin said integration raised an interesting point because whenever he took steps in this direction, for example with France and Belgium, Sir Stafford Cripps said he was violating ITO principles. Apparently to point out the US need for exports, he said in 1927 he had examined economic factors in the US and given the narrowing of our imports and the wasteful character of our investments, he had predicted the American slump two years in advance. But on the point of integration he found in Europe a desire to do what Mr. Clayton sought but found Europe in effect committed by ITO not to integrate. If Mr. Clayton could make a public statement on European integration this would help. "In Europe we can't reach a customs union at once", but Mr. Bevin suggested Europe should act sensibly. He had in mind an international board to develop and utilize water-

³ Eugene D. Millikin, chairman, Senate Finance Committee.

power from the Alps. He also mentioned the Teschan political problem and thought a coal mine was at the root of this and the solution would be found in joint operation of the mine and sharing of the output. But these attempts toward rebuilding came into conflict with trading rules.

Mr. Clayton mentioned the progress made in the Benelux Customs Union and said this certainly did not violate ITO rules.

Mr. Bevin then mentioned Anglo-French plans for integration—tractors to be produced in the UK, food in France and a free exchange of the two; musical instruments to be produced in France, no competitive plant set up in the UK and French instruments freely admissible into the UK even though they might be taxed from other sources. Sir Stafford Cripps said such plans needed assurance of some permanence. Mr. Clayton agreed that the principle of nondiscrimination as now understood would be violated in such proposals.

Mr. Bevin said the British might obtain agreement in principle for a Customs Union and wondered if this would be enough to comply with ITO rules. "We have in ITO an ideological plan which thwarts reconstruction" and felt a five-year plan for the first stages of integration would be necessary. The very words "Customs Union" would be objected to in France by the Communists.

Mr. Douglas thought the integration problem raised two questions. First, decisions regarding interchanges arising from new plants and enlargements of old plants (to which point Sir Stafford Cripps interjected that the British must have free entry for the *products* concerned). This interjection precluded Mr. Douglas from defining the second category of goods, namely, production from existing plants (Mr. Douglas intended to explore the possibility of special treatment for integration of new production and nondiscrimination in trade arising from existing plant).

Mr. Clayton said that once the bars were let down on the principle of nondiscrimination all kinds of undesirable arrangements would take place tending toward bilateralism which had been proved unsound. Sir Stafford Cripps thought the ITO Delegation might make provision for certain phases of integration and we might look into the matter jointly. Mr. Clayton, thinking aloud, said something in the nature of special interim exceptions to nondiscrimination working gradually up to a Customs Union might be presented to our people at Geneva.

After the Prime Minister indicated the meeting must break up because of the hour, Mr. Douglas added one further point to the general plan for Europe: there must be acceptance in principle at least of constructive measures in the field of fiscal affairs. Budgetary reform, like integration of European economy, would be most acceptable to the present Congress and would be an important factor in action by the

International Bank relative to Europe. Mr. Douglas also raised with Mr. Dalton the matter of enabling legislation relative to films, which subject has been covered by separate telegram to the Department.

At the conclusion it was agreed that tabulations regarding the British financial position could be sent on to Washington for highly restricted use on the basis that the actual figures had not been "put through or checked" and might be changed in twenty-four hours. The tables had been prepared under pressure and Treasury experts looked upon them chiefly as an approach in presenting the problem.

840.50 Recovery/7-147

Memorandum of Conversation, by the First Secretary of Embassy in the United Kingdom (Peterson)

TOP SECRET

[LONDON,] June 25 [26?], 1947.

MAIN POINTS IN DISCUSSIONS OF UNDER SECRETARY CLAYTON AND
AMBASSADOR WITH BRITISH OFFICIALS REGARDING AIDE-MÉMOIRE
FOR FOREIGN SECRETARY RE MARSHALL PLAN

This discussion on the afternoon of June 25 was held at the Embassy. Sir Edward Bridges, Sir Wilfrid Eady (Treasury) Sir Percivale Liesching (Food), Sir John Henry Wood (Board of Trade), Sir Edmund Hall-Patch (Foreign Office), Mr. R. W. B. Clarke (Treasury) attended. Mr. Peterson and Mr. Gunter were present from the Embassy.

The British distributed a memorandum entitled "Summary of Discussions with Mr. Clayton"¹ which was being prepared for guidance of Mr. Bevin in his Paris talks. Most of the discussion concerned changes in this paper.

Mr. Clayton thought it inadvisable to even mention "Lend Lease" in Paragraph VIII. He said that influential people in the US insist that the Marshall Plan should contain some reciprocal economic considerations from Europe; for example, items for stockpiling in the United States. Stockpiling operations were likely to commence soon. These operations would encompass US acquisitions over and above normal requirements; purchases would be outright and dollars paid to Europe, thus feeding European dollar needs. In response to a question, Mr. Clayton said stocks thus acquired would be "locked up" and not released into current demand although the legislation provided for some turnover of stocks to prevent depreciation.

¹ Copy attached to original only. [Footnote as in source text; the memorandum referred to, which is in the Department's files, is not printed, but a subsequent draft is printed *infra*.]

Mr. Douglas suggested a phrase in the part of Paragraph VIII to the effect that "although in appropriate instances the US Government may seek some sort of commodity considerations related to strategic stockpile programs".

Sir Edward Bridges then outlined the purpose of the document being considered. It would be useful for further discussion with Ministers and also useful to Mr. Bevin. There would be no publicity and it was agreed that the publicity question was important. Mr. Clayton said most of his views came out of his own head as he had only one talk with the Secretary and this concerned chiefly the coal problem. Mr. Clayton did not want to give the impression he had laid out any well thought-out plan or scheme. The Planning Staff was hard at work in the Department under George Kennan and when they completed their studies there might well be some alteration in the viewpoint which Mr. Clayton had outlined in a most preliminary way.

Mr. Douglas asked Sir Edward Bridges to confirm his understanding that the *aide-mémoire* did not constitute an agreement. Sir Ernest [*sic*] concurred and described the document as simply a statement along informal lines of the subjects of British and American thinking. A new heading to the document would make this clear.

Numerous other drafting and substantive changes were made in the statement. These will be apparent from a comparison of the first draft and the final draft reviewed at 10 Downing Street, June 26. This included a new paragraph suggested by the Ambassador regarding financial stability and budgetary affairs.

In the section of Paragraph VIII which was redrafted as "The first reaction of UK officials", Mr. Peterson asked if the British might desire to redraft the penultimate paragraph regarding the difficulties of integrated European production to include the idea that this subject might be considered and discussed at Geneva by delegations of European countries now considering trade policy. Sir John Wood said the British did not contemplate this approach, but that officials of the Board of Trade were looking into the general question of aid to Europe separately from the consideration given to ITO.

840.50 Recovery/7-147

*Aide-Mémoire by the British Foreign Office for the Secretary of State for Foreign Affairs (Bevin)*¹

TOP SECRET

[This note has been prepared for the personal guidance of the Foreign Secretary after informal and preliminary discussion with the United States Ambassador and Mr. Clayton.

¹ See footnote 1, p. 283.

It has been shown to the United States Ambassador and Mr. Clayton but must not be regarded as in any sense a commitment].²

[I.] INTRODUCTORY

It is an essential point in the U.S. approach to the present situation that whatever scheme is drawn up should deal comprehensively with the needs of Europe, and not piecemeal with particular countries. A prime condition on which substantial help is likely to be forthcoming from the people of the United States (and it looks as though nothing effective could be done without help on a really substantial scale) is that they feel confident that this help will be used, not alone as a temporary alleviation of the ills of particular countries, but essentially for a well-thought-out scheme which is demonstrably directed to remedying the underlying causes of the European situation as a whole. In particular, the scheme must be directed to restoring European production within a stated period to a level which will render unnecessary Europe's present abnormal dependence on imports. U.S. thought also attaches importance to avoiding the perpetuation of uneconomic rivalries between the countries of Europe.

II. STATEMENT AS TO THE PRESENT POSITION

As a first step, therefore, it would be helpful if the countries of Europe could co-operate in preparing a statement themselves as to why in 1947—two years after the end of the war—they still find themselves in such serious economic and financial difficulties.

(The U.S. Administration have, of course, a good deal of information themselves on this. But from the point of view of Congress and public opinion it would be of great help to have such a statement carrying the authority of the Governments of the countries of Europe).

III. STATEMENT OF NEEDS

Next, the European countries concerned should draw up a statement of their own needs and production capabilities. Taking coal as an example, the statement would show:—

(a) Consumption: the present rate, and the requirements for consumption at the present time and over the ensuing (say) four years, and from what sources it is proposed that the requirement should be met.

(b) European production: the present rate, and the extent to which production can be expanded over the ensuing four years to meet home needs, and for export.

² Brackets appear in the source text.

(c) What special steps are proposed to increase the rate of production, and any special help required to this end, e.g. in the way of importation of additional equipment.

Statements on similar lines should be drawn up in regard to:—

The principal foodstuffs;
Fertilisers;
Steel;
Fibres;
Transport: road and rail;
Machinery for immediate expansion of output.

IV. STATEMENT OF LONG-TERM OBJECTIVES

The above relates primarily to immediate needs. Statements on broadly similar lines will also be required covering plans for longer term reconstruction and development.

V. PURPOSE OF THESE STATEMENTS

These statements will enable comprehensive schemes to be drawn up which will show—both as regards primary needs and long-term reconstruction—

- (a) what Europe needs in order to get on her feet again;
- (b) how much of what is needed for the purpose can be found from within Europe itself and how much must be found from outside;
- (c) the economic objectives towards which Europe will agree to work, over the next four years;
- (d) how long the job will take, and—assuming for example that it will take four years—the minimum amount of help which will be required in each of those four years. Presumably this will be on a descending scale.

VI. COUNTRIES TO BE COVERED

More will be known about the attitude of the countries of Eastern Europe towards the scheme after the forthcoming meeting in Paris.

It is understood that, while it is hoped that the scheme will cover Europe as a whole, the U.S. Administration would be satisfied if it could be started with the Western countries of Europe as a nucleus, on the understanding that the scheme would be open to other countries if they so desired.

VII. INTEGRATION OF PRODUCTION

Public opinion in the United States attaches great importance to some assurance being given by the countries of Europe that their goods and products of all kinds will be freely available to each other so that the needs of Europe will, so far as is economically practicable, be met from European resources, and that this should be reflected in the pat-

tern of reconstruction and development. United States opinion is thus thinking of a "continental" rather than a country approach to the present trade and production problems of Europe.

The first reaction of U.K. officials to this is as follows:—

Any proposal that went so far as asking for assurances even in principle that the European countries would constitute themselves into a customs union would present great difficulties and would almost certainly involve delay which in present circumstances would be disastrous.

On the other hand, as there is a great shortage of the essential resources for capital re-equipment, there is scope for considerable co-operation between countries in order to avoid unnecessary duplication of effort in capital expenditure.

It must be recognised, however, that schemes for integrated production must carry some security to the producer that he will have an assured market and to the user that he will obtain supplies.

The working out of this conception thus presents considerable difficulties. But it probably presents the natural line of evolution towards the conception of the continent of Europe as a viable economic unit.

Moreover, the position of Great Britain, which is not merely a European country but an international trader, presents very special difficulties.

VIII. FINANCIAL STABILITY

Public opinion in the United States also attaches great importance to satisfactory assurances that participating countries will take all reasonable action to place their budgetary affairs in a manageable position as soon as possible, as an essential preliminary step toward the stability and convertibility of their currencies.

IX. METHODS OF OPERATION

While no decision has yet been reached, it is presumed at the moment that the United States Government contemplate that the immediate help required might be provided by some means which would be generally equivalent in its financial effects to grants in aid, although in appropriate instances the United States Government may seek some sort of commodity consideration in connection with its strategic stockpile programme.

The needs of long-term reconstruction should, however, be met by the International Bank. It is true that the Bank has as yet only made one substantial loan. It is thought that the Bank would be much more ready to make funds available if:—

- (a) a comprehensive scheme for Europe had been drawn up; and
- (b) through the assistance of the United States, a firm economic foundation had been laid for Europe's recovery from her immediate problems.

X.

It is understood that the United States Administration contemplate that, although the approach to the problem is essentially European, the arrangements for giving help for immediate needs would take the form of a series of agreements between the United States Government and each of the countries concerned.

In this connection it is understood that there might well be differences in the objects or purposes for which help was given to different countries according to the varying needs and situations of such countries. For example, help to Great Britain would not necessarily be limited to help in regard to supplies which Great Britain draws from the United States. In her case, the help would have to be in a form which would enable her to obtain essential supplies from, e.g. Canada and Latin America.

XI. TIMING

The U.K. officials regard it as essential that the statements in II, III, IV and V should have been completed not later than 1st September, 1947.

[LONDON,] 25th June, 1947.

840.50 Recovery/7-147

Memorandum of Conversation, by the First Secretary of Embassy in the United Kingdom (Peterson)

TOP SECRET

[LONDON,] June 26, 1947.

SUMMARY OF THIRD MEETING OF UNDER SECRETARY CLAYTON AND
AMBASSADOR WITH BRITISH CABINET MEMBERS

Sir Stafford Cripps was not present at this meeting but Sir John Henry Wood and James Helmore represented the Board of Trade; Sir Edward Bridges and Sir Wilfrid Eady and Mr. R. W. B. Clarke were present for the Treasury; Sir Orme Sargent and Sir Edmund Hall-Patch represented the Foreign Office. As in previous meetings, Mr. Peterson and Mr. Gunter attended for the Embassy.

Participants at the meeting had copies of the revised "aide-mémoire" for the Foreign Secretary.*

Mr. Bevin thought the memorandum set forth accurately the views expressed and received at previous meetings. He could not tell what line would be taken at Paris or what the outcome would be but for his guidance he thought he could use the memorandum with reasonable

*Copy attached to original only. [Footnote as in the source text. The *aide-mémoire* is printed *supra*.]

safety as an approach in the Paris discussions. While he knew the memorandum was without commitment he sought assurance that it represented the U.S. Administration's approach to the European economic problem.

Mr. Clayton thought this was so. The memorandum contained some things which had not been discussed in Washington, for example the outline of the difference between the emergency phase and the long-term phase of European rehabilitation. There had been little discussion of the whole subject at Washington and none at all in the NAC, which committee was described, and practically all of the consideration thus far given—meager indeed—had been in the Department of State.

Mr. Bevin understood that the Marshall idea encompassed a relatively short-term, say four years, and involved help to Europe in its purchases from the Western Hemisphere while Europe itself was getting underway. This would be of tremendous help.

Mr. Clayton said he could only indicate what he thought the Administration would recommend to Congress and believed that the British authorities would understand this distinction in our form of government which understanding he thought was highly important. Mr. Clayton thought some countries would be found in no present difficulties as regards their balance of payments but that these might have some long-term development problem. For the latter the UN Organization had established a bank.

Mr. Bevin mentioned another thought regarding the four-year term of assistance. This was related to a question in the House of Commons June 23 by Mr. Warbey who asked Bevin to bear in mind the importance for the U.K. of securing a balanced economic development of Europe and ensuring that there should be no one-sided stimulation of the industrial West without a corresponding stimulation of the agrarian East.

In meeting Europe's food needs Mr. Bevin wanted to avoid sowing too much wheat and while he agreed with Mr. Clayton's idea of a sliding scale adjustment of agriculture in Europe he believed that if cereals production was stimulated too much an agricultural surplus would be created and would "burst things". Mr. Bevin thought it best to work to a balance in European agriculture in three years whereby it would revert to the 1934-35 levels of imports of human foods.

Discussion then analyzed the prewar pattern of European food production, Nazi methods and exceptionally high protection on grain resulting in exorbitant prices. Mr. Bevin did not think it would be possible for Europe to get into balanced agricultural production in less than three years.

Mr. Clayton mentioned the necessity of getting away from current abnormal imports of food and fuel. He did not wish to see a return to the abnormal grain production of the days of Hitler and Mussolini or other artificial stimulations which affected the pattern of distribution in 1936-38. Mr. Douglas mentioned that even before 1933-34 there was some artificial stimulation of wheat production in Italy.

At the end of the discussion on food production it was generally agreed that a European balance should not be supported by subsidies.

Mr. Bevin then discussed the long-term phase of European recovery. He assumed that if "we as a club go to the U.S. and find a willingness to support the putting up of a plant", he assumed that the lending bank would give consideration to (a) repayment prospects and (b) the rationality of the project. Mr. Clayton thought this was correct and that rationality meant that the plant would have reasonable prospects of economic survival.

Mr. Douglas believed the bank, for example in considering a new steel rolling mill, would analyze existing capacity, the new mill's competitive position, questions of tariff protection and if the project was not economically sound in these respects it might not receive bank support. In this Mr. Clayton agreed. In absence of these measures on the part of the bank's borrowers, investments markets would not absorb the securities of the institution.

Mr. Bevin remarked that Europe was so extensively devastated that he was anxious not to force it to export products too soon and as repayment of loans would arise from exports he inquired regarding the repayment terms of the International Bank.

Mr. Dalton interjected to ask the extent to which the Bank's loans must be at a uniform rate and at a uniform time of repayment. Mr. Douglas thought the Bank held wide authority in these fields, Mr. Clayton adding that certain minima in interest rates were established, namely, 3 per cent on loans to the public, plus a 1 per cent commission charge. Mr. Clayton mentioned 4 per cent as a minimum rate.

Mr. Dalton asked that if the Bank in making a series of loans could balance out its aggregate position to meet the required minimum by having higher rates and shorter repayment on one loan and lower rates and longer repayment on another individual loan. Mr. Clayton thought that a rate much above 4 per cent would be too high. Mr. Dalton mentioned that the Bank had interest-free contributions from participating governments and with reference to Mr. Clayton's understanding that reserves were invested in Treasury bills Mr. Dalton thought it might be possible to place some funds in higher-yield securities thus to permit a lower loaning rate.

Mr. Bevin suggested that at the forthcoming Paris meeting the USSR would demand priority in its application for credits and would

sweep other applicants aside. Mr. Bevin expected a Russian demand in this direction and asked regarding the U.S. attitude. Mr. Clayton said he could not give a categorical answer regarding the U.S. attitude toward credits to Russia but stated as his opinion that there would have to be a radical change in the Russian position regarding European recovery and other related matters before the American people would approve the extension of financial assistance to Russia. Mr. Clayton referred to the Secretary's definition that Europe included territory west of Asia. On this subject many things had to be considered in the U.S. But Mr. Clayton suggested that Russia did not need food, fuel and fiber and would thus have little basis for participating in the short-term phase. The need for short-term assistance varied inversely as one went east. As for food, Russia had offered wheat to France (delivered actually 180,000 tons according to Hall-Patch) and Mr. Clayton understood there were suggestions that Russia furnish wheat to the U.K. The USSR also sent cotton to Balkan countries and as for fuel, acquired 5 million tons of coal annually from Poland as reparations, costing \$2.50 to \$3.00 a ton. Finally Russia held gold. Mr. Clayton thought the USSR would have difficulty in making a case for the short-term phase although for the long-term there might clearly be a basis for Russian needs of credits for capital equipment, for reconstruction, development, etc.

Mr. Bevin thought if Russia did not get in on the short-term scheme they would not play in the Marshall program. If so, he asked Mr. Clayton if the British would be supported by the U.S. in going along with the others. Mr. Clayton replied in the affirmative.

Mr. Dalton then mentioned with regard to the long-term that Russia was not a participant in the International Bank, and therefore, could not borrow. However, it was open to Russia to join the Bank but as mentioned by a Treasury representative, this seemed unlikely because as a member the USSR would be required to reveal its gold holdings.

Mr. Bevin then brought up the question of balanced budgets in Europe. Does this apply in the short or the long term? He mentioned France, wherein a balanced budget might create a difficult situation. But if a balanced budget was a consideration for the long-term that might be reasonable for France. Similar conditions obtained in Italy. Mr. Bevin would look with greater favor on balanced budgets as a condition in the longer term.

Mr. Douglas referred to the text of the memorandum and the words "as soon as possible".

Mr. Bevin applied this phrase to France noting the "gripes" already arising from fiscal measures courageously introduced and said he would not like the U.S. and the U.K. to appear as a source of pressure—deflationary pressure upon the French people.

Mr. Clayton thought the language of Article VIII could be accepted by any reasonable interpretation. Mr. Dalton thought Article VIII contemplated a manageable budgetary position, the sort of thing he was doing in the U.K. There might be surplus one year—deficit another—but over a term of years a balanced position should be sought.

Mr. Douglas agreed that Europe was in a dilapidated position, much of which had been inherited both as regards fiscal affairs and productivity. He did not think the statement contemplated drastic budgetary measures and thought it meant reasonable steps. Mr. Bevin interjected that that would be satisfactory. Mr. Douglas continued that there should be an intention to maintain a manageable budgetary position although he realized that one government could not bind its successors. Mr. Bevin then made what he called a friendly suggestion to the U.S. to use cautious language in these matters. In the U.K. during the depression an attitude arose tending to blame the U.S. for its difficulties and this caused ten years of unpleasantness. Caution was therefore warranted and he agreed the end result but said care must be taken to avoid a political row.

Mr. Clayton suggested that in European relief as a whole the distinction between short and long term assistance might not be precise in the thinking of various countries of Europe and the Paris meeting would of course find it necessary to take in both problems. The only distinction the U.S. desired was to draw a line between U.S. assistance and International Bank assistance.

Mr. Bevin mentioned the attraction of the prospect of free assistance for those in dire need with which Mr. Clayton agreed. Mr. Bevin summarized that we deal with the Congress on dire needs and on the long-term must deal with the Bank.

Mr. Bevin, outlining Paris plans, recognized the need for great speed. He wanted a small representative body, perhaps from five countries (mentioning France, Czechoslovakia and Italy) to work up some proposals by early August for use in the U.S. in September. Mr. Clayton thought this would be satisfactory and discussion then turned on the inclusion of Italy on the committee or sub-committee, substance of which has been previously reported.

Mr. Bevin then referred to the Mediterranean Area and expressed hope that what he called the "Genoa cycle" could be restored. The Board of Trade representatives confirmed the importance of this. Bevin said he had once calculated the employment of between 750,000 and 1 million persons in the U.K. depended on Italy, with particular emphasis in South Wales.

Mr. Dalton then referred to the convertibility obligation. Considering the short period before the effective date some cases of "squeeze" seemed likely to arise. He understood that in individual

cases relief from convertibility could be arranged without reference to Congress. Mr. Clayton said this was correct. Mr. Dalton added he was merely airing his views so that if later he wished to raise the question he would have the proper basis. Mr. Douglas mentioned that the agreement provided for this to be done in exceptional cases.

Sir Wilfrid Eady said they had no cases at present and did not contemplate any general escape from the convertibility obligation but he anticipated the need for temporary relief in the case of countries holding sterling balances with which no agreement could be reached by July 15. He also mentioned China. The British would give an impressive list of countries with which convertibility would be made operative (and sterling balance agreements concluded) but they might have to use the escape clause for India. Mr. Douglas suggested that Mr. Dalton work out the proper procedure and inform us as promptly as possible because advance information would avoid embarrassment. The information suggested would be treated with extreme confidence.

Mr. Dalton closed on the note that the timetable of the Financial Agreement was "so wrong". He did not blame the U.S.—"it is our fault" but he doubted whether the Bretton Woods agreements which contemplated a five-year transition period would prove workable. In the meantime it was difficult for the U.K. to take the burden of convertibility.

840.50 Recovery/6-2647: Telegram

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

TOP SECRET

LONDON, June 26, 1947—7 p. m.

US URGENT NIACT

3516. For the Secretary from Clayton and Ambassador. In discussions at 10 Downing St. today Foreign Secretary sketched his plans for forthcoming Paris meeting re European aid. Bevin wanted a small representative body, perhaps representing five countries from Western Europe, to prepare a program by early August for our use and consideration in September. He hoped Italy could work on this committee or on sub-committee but the delay in ratification of the peace treaty kept Italy in the same category as certain Balkan countries, for example, Bulgaria, which the USSR might nominate for the committee work Bevin contemplated.¹ To take a debating point away from USSR and to have valid reason for selecting Italy and not one of

¹ For documentation on problems of ratification, see pp. 515 ff.

Balkan satellites, Bevin had urged immediate ratification of the treaty by the Italian Constituent Assembly. De Gasperi informed Bevin that there was some difficulty because of the threatened resignation of President de Nicola in Italy but Bevin recommended extraordinary measures to get the treaty ratified.

We agree[d] to ask you to support Bevin's efforts in this direction and if you concur suggest Ambassador Dunn be asked to supplement the approaches by the British by urging De Gasperi to arrange for immediate ratification. If time is not too short perhaps a parallel approach to Italian Embassy, Washington would be in order.

[CLAYTON AND DOUGLAS]

DOUGLAS

840.50 Recovery/6-2647: Telegram

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

Moscow, June 26, 1947.

2270. *Pravda* Ukraine June 11 just received here carries belated but most extensive comment on Secretary's Harvard address noted in Soviet press in form article by K. Morozov "Marshall Doctrine" highlights:

"American press calculates US expended on assistance to European countries i.e. to European reaction nearly 14 billion dollars with prospect of additional 5 billion this year. More lavish its assistance to its European clientele cruder becomes behavior of USA towards European powers. State Dept like firm governess issues instructions on behavior to European powers administering praise and censure dependent on degree of attention to Washington's orders. Lately, for example, Secretary gave full approval to Italian reaction's exclusion from govt of representatives of workers parties. . . .¹

For those powers which don't wish to barter their independence for American dollars State Dept is not stinting in repressions and threats. Fact that young Hungarian democracy succeeded in warding off attack which reactionary plotters had prepared against it, that it unmasked and neutralized agents of Horthy,² arouses righteous anger in Washington. State Dept by way of repression cancelled American loan to Hungary and is preparing cancel considerable credit granted Hungary by Exim Bank.³

Sinister results of Truman Doctrine, of American policy of support for anti-popular forces and regimes and of gross interference in affairs of other countries, are felt with greater force each day by peoples of Europe. This doctrine is spread in bloodstains on slopes of Thessalian mountains where Greek Govt troops, equipped by British and Ameri-

¹ Ellipses throughout this document appear in the source text.

² Admiral Miklos Horthy, Regent of Hungary, 1920-1944.

³ For documentation regarding U.S. relations with Hungary in 1947, see volume iv.

cans obliterate from face of earth insurgent villages; this doctrine has contributed to bitter economic conflicts in France and threatens French finances and whole French economy with confusion. It has called into action black forces of reaction and oppression in Italy and other lands.

But even Truman Doctrine in its present form does not satisfy appetites of American imperialists. Recent speech of Marshall at Harvard University is evidence of even wider plans of American reaction of new stage in Washington's campaign against forces of world democracy and progress . . .

If European powers work out general plan for their own salvation and if that plan is approved by America, then America will consent to help Europe by providing supplies and, of course, war materials.

Help will be offered only to such countries as join plan approved, or rather more accurately, dictated by America. Those powers, to whom this plan doesn't appeal, are threatened by Marshall with displeasure and with every kind of 'counteractivity' from Washington.

It is easy to see that Marshall proposes or rather demands quick formation of notorious western bloc but under unconditional and absolute leadership of American imperialism. Spiral of Truman Doctrine begins unroll. From retail purchase of separate European countries Washington has conceived design of wholesale purchase of whole European Continent. American horsemen of capitalist anarchy and 'free economy' have disclosed selves as defenders of all European plan—plan for stifling democratic progressive forces and conversion of all Europe into colony of dollar empire . . .

It is fact dissatisfaction is growing in Congress with policy of squandering billions on financing other countries . . . limitation by Congress of budgetary expenses by billion dollars was signal for Congressmen to start finding Truman policy too unprofitable 'business'. This is reason why those in charge American policy have busied selves with such enthusiasm in running up structure of western bloc. They hope Congress will more speedily grant new *billions* for 'business' on European scale than on receipt of promissory notes from separate governments.

Whatever doctrines invented by American imperialists for enslavement of European peoples, their plans will only result in same inglorious failure which marked end of certain attempts create new order in Europe."

Repeated London 262, Paris 252.

SMITH

840.50 Recovery/ 6-2647 : Telegram

The Secretary of State to the Embassy in the United Kingdom

TOP SECRET

WASHINGTON, June 27, 1947—7 p.m.

2776. For Clayton and the Ambassador. Ur 3516 June 26. Dept has from time to time endeavored persuade Itals for their own good

expedite treaty ratification, and reports from Dunn and Ital Amb Wash indicate Ital Govt will act as rapidly as Ital political situation permits. We have however resisted numerous Brit proposals to join them in exerting pressure on Itals, feeling such pressure would strengthen stand of Ital opponents of ratification and place Ital Govt in difficult position.

Pls inform FonOff and if possible get word to Bevin in Paris that we are convinced Ital Govt is aware of advantages early treaty ratification and will in fact ratify shortly. We do not agree however that Ital ratification is necessary before Italy can participate in discussions European aid. In fact, it seems wholly unrealistic to erect legalistic barrier to participation country whose economy bulks so large in European economy and whose recovery is essential to economic health of Europe and world. You shd add that we therefore feel Italy shd be brought into discussions at earliest possible date and would be keenly disappointed if Brit were to fail to support Italy for membership suggested committee.

MARSHALL

501.BD-Europe/ 6-2747 : Telegram

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

SECRET

PARIS, June 27, 1947—11 a.m.

2548. Bidault told me last night that immediately upon his arrival Molotov asked him what he and Bevin had done behind his back. Bidault denied that they had done anything behind his back; said they met and agreed to invite Molotov to join them. Bidault said that he is leary of ECE and sympathizes with our point of view. He added that he hopes that Molotov has come here to cooperate, but whether he cooperates or not, France is determined to go ahead.

Finally he said: "I was frightened this morning by the newspaper account of some remarks of your Secretary of the Treasury but since I have seen the way your Radio Bulletin carries it and I feel better.¹ However, I devoutly hope that in case we on our side do accomplish something your Congress will do its part. If they failed us it would be sheer disaster here."

Sent Department as 2548; repeated London as 486.

CAFFERY

¹ See Department of State Wireless Bulletin, June 25, 1947, for the substance of Secretary Snyder's press conference comment and subsequent statement concerning Secretary Marshall's proposal that the initiative for drafting a European recovery program come from Europe.

840.50 Recovery/6-2847: Telegram

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

TOP SECRET

PARIS, June 28, 1947.

URGENT NIACT

2577. I have just seen Duff Cooper who has given me a confidential account of the first Bevin-Bidault-Molotov meeting which opened at four o'clock this afternoon.¹

At the outset, the question of how the press should be handled was raised by Bidault who said they should be told everything or nothing. It was agreed that for the present and until there was some progress to report the meetings would be secret with no press handouts of any kind whatsoever.

Molotov then said he wished to inquire what additional information the French and British Governments had received from the United States Government other than had been contained in the Secretary's Harvard speech.

Bidault and Bevin both replied that there had been no additional information from the US Government. Bevin added that he had seen Under Secretary Clayton in London but that the latter had nothing further to add to the initiative [*initiative?*] which the Secretary had suggested that the European countries should take.

Molotov then said he wished to ask what agreements the French and British had arrived at during the Bidault-Bevin talks last week. Bevin and Bidault replied that the only decision they had made was to invite Molotov to meet with them to discuss a European economic plan as set forth in the terms of the invitation.

Bidault then distributed several papers. The only important one being a tentative form of agenda relating to the *ad hoc* committees outlined in my 2412, June 18; 2423, June 18 and 2440, June 19.²

It was then after six o'clock and Bidault suggested that the meeting might adjourn until tomorrow to give the delegations time to study the papers.

At this juncture, Molotov said that he wished to make a proposal. Since none of the three governments knew anything more about the seriousness of the United States Government's proposal than had

¹ The meeting actually was held on June 27. In telegram 2580 from Paris, not printed, Ambassador Caffery conveyed the French account of the meeting, given to him by M. Couve de Murville of the French Foreign Ministry.

² Telegram 2423 not printed. The Ambassador also transmitted the texts of the papers tabled by the French at the meeting in telegram 2581; for texts of the papers, see *French Yellow Book*, pp. 25-27.

In London telegram 3564, June 28, 7 p.m., Ambassador Douglas cabled a "personal message" from Mr. Bevin to Secretary Marshall which described the meeting in general terms (840.50 Recovery/6-2847).

been contained in the Secretary's speech, he proposed that they should ask the United States Government:

1. The exact sum of money which the United States was prepared to advance to aid European recovery.
2. Whether the United States Congress would vote such a credit.

Bevin at once replied that he could not agree to such a proposal. In the first place, he said, in a democracy the Executive Branch of the Government cannot engage the responsibility of the Legislative Branch. Secondly, the Secretary's speech had not contained any United States offer of any specified sum of money but had suggested that European countries get together and formulate a constructive plan for European rehabilitation. Thirdly, debtors do not lay down conditions when seeking credits from potential creditors. It was therefore imperative that they get down to business and work out a coherent plan.

Bidault then said he agreed with Bevin. However, since a passage in the Secretary's speech seemed to suggest that the United States Government might be willing to assist in the drafting of European plan, he proposed that the three governments might ask the United States for more specific enlightenment in this regard.

Bevin replied that he interpreted the passage in question to mean that after a European plan had actually been drafted by the European states, the United States would be willing, if the plan were realistic, to assist in the final stages, but that until such a plan had been drafted he did not think that any useful purpose would be served by Bidault's proposal.

It then being eight o'clock the meeting was adjourned by unanimous consent. The Soviets requested that it not be reconvened until four tomorrow afternoon in order "to have sufficient time to study the French papers", but obviously, as Duff Cooper put it, to gain time for further instructions from Moscow.

In conclusion Duff Cooper remarked to me that the Soviets today were obviously feeling out the ground and sparring for time. "Molotov after the meeting and indeed during it was comparatively affable".

Duff Cooper is not sure what line Molotov will next take but said that Bevin is determined not to let the Soviets get away with any obstructionist or delaying tactics. The British, he said, realize the vital importance of meeting rapidly and courageously the Secretary's suggestion. He believes that Bidault recognizes this equally well and will go along in this sense, although "Bidault's position is more difficult because of the strength of the French Communist Party.[""]

In Duff Cooper's opinion, the outcome of the present conference depends on what develops in the next two days.

CAFFERY

840.50 Recovery/6-2847: Telegram*The Ambassador in France (Caffery) to the Secretary of State*

SECRET

PARIS, June 28—midnight.

URGENT

2586. Duff Cooper described today's meeting, which lasted only from five to eight, as "unsatisfactory and inconclusive". (My telegram 2577 of June 28). Main items of discussion were:

1. Molotov was persuaded to drop his proposal to ask the US how much aid they were prepared to give.
2. Russians presented an agenda similar to that which the French had presented (central steering committee and *ad hoc* committees).
3. Russians opposed any inquiry being made into the resources of European nations. (Duff Cooper believes that the conference will probably split on this and that the French will side with the British).
4. Agreement that Germans would only be represented by the occupying powers.

Duff Cooper added that the French had showed "surprising firmness" at today's meeting.

Bevin is "not keen" on the inclusion of Italy because it might involve the inclusion of one of the Soviet satellite countries although the French share our opinion on this.

CAFFERY

840.50 Recovery/6-2947: Telegram*The Ambassador in France (Caffery) to the Secretary of State*

SECRET

PARIS, June 29—1 p. m.

NIACT

2588. Couve de Murville has just given me an account of yesterday's meeting (my 2586, June 28). He said that at outset of the meeting Molotov stated that the Soviets did not agree with certain of the proposals contained in the paper which the French had tabled the preceding day. In particular, the Soviets felt that inquiry into the resources of European nations would violate the sovereignty of the individual countries. He went on to say that the Soviet view was that each individual country should make its own study as to its needs which would establish the amount of credit it needed from the US. The coal

[total?] credits of all the participating countries would then be pooled and this figure would be transmitted to the US Government as the credit needed for European reconstruction. In other words, as Couve put it, "The Soviets want to put the United States in a position where it must either shell out dollars before there is a real plan or refuse outright to advance any credits."

Both Bevin and Bidault strongly opposed this suggestion on the grounds that it did not constitute a European plan such as envisaged by Secretary Marshall and that it would not provide for maximum utilization of the sources of the individual European countries for the benefit of Europe as a whole.

The question of what European countries should participate was then discussed. The French proposal envisaged the participation of all European countries except Spain, which would be "provisionally" excluded. (Couve believes the British are disposed to go along on this). Molotov said that Soviets felt that only Allied countries which had suffered from the ravages of war should participate directly in the plan. The satellite and ex-enemy states could participate indirectly in a "consultative capacity". Bidault then made a strong plea for Italian participation on which Molotov made no comment.

Molotov then stated that he wished to talk about the question of German participation. He said that since the German question was to be discussed in the CFM meeting in London next November, he did not see how Germany could be represented until important decisions on Germany's future had been reached by the Council of Foreign Ministers. Both Bevin and Bidault rebutted this view and said that in view of the importance of German coal for Europe, in view of Germany's food problem, et cetera, they believe it indispensable that Germany should be represented in the planning stage by representatives of the Allied occupation powers.

With reference to Molotov's previous proposal that information be immediately requested from the US Government (my 2577, June 28), Couve said that Molotov had not raised this question again and he shares the British belief that it has probably been abandoned although he admitted that with the Soviets it was always possible they might return to it.

In summing up, Couve stated that it was abundantly clear that the Russians are in no hurry to get on with the meeting. Molotov, he said, has been unusually mild and the French believe that the Soviets wish at all cost to avoid giving the French or the British a valid pretext to break with them.

Couve believes that the Soviets will continue to proceed cautiously. He said that they are highly suspicious and at all costs do not wish to be helpful in setting up any plan which will permit the United

States to exercise influence in Europe. On the other hand, Bidault and Bevin are determined, he said, not to let the Soviets sabotage their efforts to formulate a realistic and effective plan.¹

The three Foreign Ministers will not reconvene until tomorrow (Monday) afternoon at 4 o'clock.

Repeated Geneva 62 for Clayton.

CAFFERY

¹ In London telegram 3568, June 29, not printed, Ambassador Douglas transmitted Foreign Secretary Bevin's record of the meeting as well as the text of a personal message from Bevin to him, as follows: "I am asking that you should be shown my summary report of yesterday's meeting (June 28)."

"You will see that there is a wide difference between Russians and ourselves as to what should go into the programme. They want to confine it to an uncoordinated statement of requirements on a national basis, without any attempt to present a constructive plan or to indicate what Europe can do to help herself. I propose to continue to insist that the only procedure likely to produce the desired results is a programme, which provides for the maximum of self-help and makes a demand on the US with respect only to residual requirements.

"M. Bidault is taking similar line." (840.50 Recovery/6-2947)

840.50 Recovery/6-2947: Telegram

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

SECRET

PARIS, June 29, 1947—4 p. m.

URGENT

2590. Bidault told me this morning he is very "uncertain". "Molotov", he said, "clearly does not wish this business to succeed but on the other hand his hungry satellites are smacking their lips in expectation of getting some of your money. He is obviously embarrassed".

Bevin told me this morning he is not optimistic. "Molotov is dragging his feet. However Bidault and I gave him to understand yesterday that we are determined in one way or another to go ahead with this with or without him".

CAFFERY

840.50 Recovery/7-147: Telegram

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

TOP SECRET

PARIS, July 1, 1947.

URGENT NIACT

2603. For the Secretary of State. Bevin asked me to come to see him at 10 this evening.¹ He said that to all intents and purposes the conference had broken down today, that it would probably terminate

¹ June 30. The telegram was received in Washington at 1:11 a. m. on July 1.

tomorrow and that he wished you to know exactly what had happened and where he stood.

He began by stating that after the French had tabled their proposal Friday² (my 2577, June 28) and the Soviets had taken an obstructionist position on both Friday and Saturday³ (my 2588, June 29) he had decided that the issues should be clearly stated and "laid on the line." Accordingly he had taken the French proposal (my 2581, June 28⁴) and reduced it to a "single page" which embodied the French suggestions "but stripped them of words" (text of Bevin's (1) stripped proposal as well as his (2) clarifying statement which he made when the conference reconvened at four this afternoon⁵ is transmitted in my immediately following telegram.⁶)

Bevin sent his "single page" paper to Bidault and Molotov at eleven this morning.

When the conference convened this afternoon at four, Molotov immediately got to his feet and reiterated all his arguments of last Friday and Saturday to the effect that "there could be no infringement on the sovereignty of European states; that they should individually establish their needs and submit the total dollar costs of their combined needs to the US Government and ask it if it were prepared to advance the necessary credits; etc. ."

Bidault then took the floor and in a "very strong statement" supported Bevin's stand.

At this juncture, Molotov was handed what Bevin described as "an obviously partially decoded telegram from Moscow." In brief, "it reviewed all his previous arguments and added nothing to what he had previously elucidated." (Bevin said the telegram from which Molotov read was without doubt Moscow's reply to the paper he had given Molotov at eleven this morning).

Bevin then replied to Molotov: "I said with a smile, in effect what you are asking the United States Government to do is to give us a blank check. If I were to go to Moscow with a blank check and ask you to sign it I wonder how far I would get with your end."

Bidault supported Bevin again and the meeting adjourned on this general note.

Bevin then went on to discuss with me the implications of today's conference. He said that Bidault had shown "great courage and had given the fullest, and even surprisingly, solid and wholehearted support having in mind the present critical state of French internal politics." He continued, "this conference will break up tomorrow. I am glad that the cards have been laid on the table and that the

² June 27.

³ June 27 and 28.

⁴ See footnote 2, p. 297.

⁵ June 30.

⁶ Telegram 2604, July 1, not printed. For texts of Mr. Bevin's proposal and statement, see *French Yellow Book*, pp. 47-48.

responsibility will be laid at Moscow's door. They have tried to sabotage it in the conference room from the very beginning as I knew they would. In addition, however, Molotov after pressing for secrecy gave a complete handout of the Soviet position to the Tass Agency (my 2600, June 30⁷). Accordingly I have given to the press this evening my clarifying statement made at the conference this afternoon (paragraph two (2) above) and I hope that it will convey clearly to your people where we stand."

"In the face of the breakdown this conference, which I had anticipated and even wished for—given my certainty that Molotov had come to Paris to sabotage our efforts—I wish to raise another point: whereas we (the British) are determined to go forward and do everything in our power to take advantage rapidly of the initiative—indeed the life-line thrown us by Secretary Marshall—and I must point out that my position with the Labor Party is happily strong—the French are in a very dangerous position both politically and financially. I repeat that the French have supported me wholeheartedly and with great courage in view of the precarious French political situation.⁸ If the French in the face of the position they have taken and facing the critical political considerations they must meet in the next three weeks—have no hopes for even interim credits which can hold out to the French public until we can work out a plan to save Western Europe, I fear greatly that they may waver at a time when the battle can be won. If they stand with us I hope you will not abandon them. Give them something to hope for."

In conclusion Bevin said that after the conference breaks up tomorrow he intends to send you a message on Wednesday giving his over-all views of the situation. There is no doubt in my mind that he is determined to do his utmost to produce a worthwhile plan and to bolster and encourage the French to go along wholeheartedly despite their critical internal political situation.

Repeated to Geneva for Clayton, repeated to London for Douglas.

CAFFERY

⁷ Not printed.

⁸ For documentation on the situation in France, see pp. 688 ff.

840.50 Recovery/7-147: Telegram

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

SECRET

PARIS, July 1, 1947—11 a. m.

URGENT NIACT

2606. For the Secretary. I have just seen Couve de Murville who confirms in detail the information given me by Bevin last night (my 2603, July 1). Couve also gave me text of proposal which Molotov tabled yesterday, which is being transmitted in my immediately follow-

ing telegram.¹ The Molotov proposal is simply a résumé of position he took on Friday and Saturday.

Couve expects conference to break up shortly after it reconvenes at 4 o'clock this afternoon. He said that French regret that Soviets will not cooperate because it means that they will prevent countries of central and eastern Europe from cooperating in an effective European plan. Despite this he said French are as determined as British to try and work out an effective plan for western Europe. He believes Dutch, Belgians, Italians and possibly Denmark will be willing to join with them but at this juncture he is still not sure which, if any, other countries will be willing to go along.

He concluded by stating that French believe their efforts to include Soviets were worthwhile particularly since it should establish clearly to everyone that it is Moscow which has refused to cooperate.

Sent Department; repeat London as 503, repeated to Geneva for Clayton as 69.

CAFFERY

¹ Telegram not printed. For text of this proposal, see *French Yellow Book*, pp. 49-50.

840.50 Recovery/7-247: Telegram

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

SECRET

PARIS, July 2, 1947—noon.

NIACT

2631. Bevin says that at yesterday's session the French produced a proposal¹ "to reconcile the difference of views". Bidault said that "Europe must put up a coordinated plan of her economy" and that the United States would then be in a position to supply "the supplement". Europe was to help itself and this could be done without any "interference with sovereignty".

Molotov's first remark was with regard to a statement made by Bidault that German production was of interest, but would, of course, have to be dealt with subject to the assent of the four occupying powers. He asked whether Germany would be expected to contribute to the recovery of Europe before taking care of reparations. He then added that he had just received the French proposal and suggested that the meeting be adjourned until tomorrow in order to consider it.

Bevin then said that he would agree to adjourn on the understanding that an agreement would be reached tomorrow.

¹ For text of this proposal, see *French Yellow Book*, pp. 55-57.

Bevin tells me that if Molotov comes out with a proposal tomorrow, it will be examined. If there is no modification in Molotov's attitude, he said, the British were prepared to go along without the Soviets and he expected the French to stay with them (the British).

CAFFERY

846.50 Recovery/7-247: Telegram

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

SECRET

PARIS, July 2, 1947—noon.

URGENT

NIACT

2633. My 2631, July 2. Referring to yesterday's meeting Couve de Murville tells me that the French decision to submit a final compromise proposition was dictated not in the belief that it would be acceptable to the Russians but for reasons of French internal politics. He explained that although the wording of the original French proposal had been modified the basic Franco-British position had not been changed in the latest draft. Therefore, in the absence of a reversal of Soviet position Molotov would be obliged to refuse it. Couve said that Bidault feels that a Soviet refusal after this last French effort at compromise will greatly strengthen the French Government with French public opinion; will tend to disarm the French Communists who may be expected to attack the plan; and will make it much easier to proceed with the British to draw up a European plan without the Russians.

Bidault opened yesterday's meeting by tabling the new French proposal. Molotov made little comment other than to say that he would have to study it but that a superficial perusal did not indicate that the French paper differed greatly from the one which they had previously submitted. Molotov then said that before adjourning he wished to ask Bidault two questions:

(1) Is it correct that the French proposal envisages the immediate utilization of German resources to meet the needs of the countries which will participate in a European plan without reference to reparations? In other words, has the French Government changed its views on German reparations and does it favor turning over increased German production for use in European reconstruction before reparations are made?

(2) Does the French proposal mean that the French Government now favors raising the level of German industrial production?

Bidault replied evasively that the question of Germany had been and would continue to be the subject of discussion by the four occupy-

ing powers, et cetera, and that at this juncture the questions did not appear to relate to the question at issue.

Molotov then asked that the meeting be adjourned until this afternoon at 4 o'clock, Bevin immediately proposed instead that the meeting recess and meet later in the evening. Couve said "Molotov insisted on adjournment until today, obviously in order to refer the French proposal back to Moscow for final instructions." Bevin said he would agree if it were clearly understood that final agreement or disagreement between the three would be reached today. The meeting adjourned on this note.

Couve said that while there is always a possibility that Moscow may make an about-face, he does not believe that the Soviets will go along and he expects the meeting to break up today. If this occurs he says the French feel that the extra day's delay entailed by their final proposal will have been more than worthwhile from the point of view of French public opinion.¹

CAFFERY

¹ Foreign Secretary Bevin conveyed substantially the same information to Ambassador Douglas, who reported it to the Department in telegram 3637, July 2, 1947 from London, not printed (840.50 Recovery/7-247).

840.50 Recovery/7-347: Telegram

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

TOP SECRET

LONDON, July 3, 1947—3 p. m.

3644. For the Secretary from the Ambassador. Mr. Bevin has asked me to send you the following report of yesterday's meeting in Paris:

"The final meeting of the 3 Foreign Ministers took place today. Molotov adopted a completely uncompromising attitude towards the French proposal, churning out in even stronger terms than before the Soviet accusations that the preparation of an over-all programme meant that smaller European States were being subjected to Big Power domination and would involve interference with national sovereignty. He concluded with a warning to the British and French Governments that action, if persisted in, would have grave consequences. It would result not in the unification or reconstruction of Europe but in a division of Europe into two groups.

2. Bidault made a moving and eloquent reply in which he vigorously repudiated Molotov's accusations and hurled back the gage by saying that it was Soviet Russia, by her action, which was dividing Europe into two groups.¹

¹ For texts of the statements made by Messrs. Molotov and Bidault at the July 2 meeting, see *French Yellow Book*, pp. 58-65.

3. I said that Molotov's statement was based on a complete travesty of the facts and entirely misrepresented the position of the British Government. Mr. Molotov presumably repeated misrepresentations like this in the hope that by constant repetition they would be believed. I referred to the high hopes with which we had come to Paris and to my own efforts in the past to ensure that Europe was not divided into two hostile camps. Our policy was to cooperate with all and dominate none. With regard to the division of Europe, nobody had striven more than I for the unity of Europe, including the political and economic unity of Germany. I noted and regretted that M. Molotov had ended with a threat. Great Britain on other occasions had been threatened with grave consequences. Such threats had not and would not cause us to hesitate to pursue what we considered to be our duty. Therefore, we intended to proceed with the line of action which we had advocated in as close association as possible with the United Nations and should keep other governments informed whether they could see their way open to cooperate with us or not. We hoped that by our work we should be able to refute the nasty suspicions expressed in the room today.

4. Molotov said that he hoped the world at large would acquaint itself with the proposals of all three delegations. After being assured by Bidault that the full texts of the various proposals would be published Molotov said that he would consider it his duty on his return to Moscow to report what had been said and done in Paris. Bidault remarked that the French Government felt bound to pursue the study called for by Marshall. I said that I would also report to His Majesty's Government, and that I hoped we might yet find a common ground by which to lift Europe out of the misery in which war had left her. I added that I must make it clear that we intended to cooperate with such European states as were willing in the restoration of war-shattered Europe. The Conference then ended.

5. I am seeing M. Bidault early tomorrow when we hope to agree on a joint invitation to all European Governments (except Spain) to collaborate in appropriate degrees in the preparation of a reply to Mr. Marshall's suggestion.

6. The most satisfactory feature of these talks has been that the French have been quite unwavering in their attitude on the basic issue and I am sure that we can count on the full collaboration of the present Government in the work which we are now setting in hand together."

Mr. Bevin has informed me that he will be telegraphing to Washington the text of the invitation to European Governments as soon as this is agreed with M. Bidault today.

Mr. Bevin returns from Paris today, and I am seeing him at 6:15 this afternoon.

Repeated to Geneva for Clayton as 72.

DOUGLAS

840.50 Recovery/7-347: Telegram

The Secretary of State to the Embassy in France

SECRET

WASHINGTON, July 3, 1947—4 p. m.

URGENT NIACT

2450. For Caffery from the Secretary. Please deliver immediately the following personal and private message from me to Bidault and Bevin:

"I have followed with complete understanding the course of your patient efforts to find agreement with the Soviet Government on a broad and constructive approach to the problems of European recovery. We realize the gravity of the problem with which you have been confronted and the difficulty of the decisions which you have been forced to take. At least the Soviet attitude in these questions has been clarified at this stage and will not continue to represent an uncertainty in the working out of a recovery program for other countries.

"We here are prepared to do all in our power to support any genuine and constructive efforts toward the restoration of economic health and prosperity in the countries of Europe."¹

MARSHALL

¹ Marginal notation by the Director of the Office of European Affairs (Matthews): "Approved by the President, the Secretary and Mr. Lovett in draft. H.F.M."

840.50 Recovery/7-347: Telegram

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

SECRET

PARIS, July 3, 1947—6 p. m.

NIACT

2667. Couve de Murville and Alphanand¹ have just given me confidentially the text of the invitation agreed to by Bevin and Bidault at their meeting this morning (my 2656, July 3) which they state will be sent to 22 European countries tomorrow (excluding Spain and Russia and including Turkey). They also gave me the text of the proposals which will accompany the invitation. I am transmitting translations of both these documents in my immediately following telegram for the Department's confidential information.²

Couve told me that I was to be given officially the texts tomorrow.³

¹ Hervé Alphanand, Director of Economic Services, French Ministry of Foreign Affairs.

² Paris telegram 2668, July 3, not printed. In Washington, the British Embassy transmitted texts officially to the United States Government in a note of July 4, not printed (840.50 Recovery/7-447). For texts of the invitation and accompanying proposals, see *French Yellow Book*, pp. 69-74.

³ For text of the French note to the U.S. Embassy, July 4, see *French Yellow Book*, p. 76.

Both Couve and Alphand expressed the opinion that the results of the Three Power conference have the gravest implications and that Europe now stands at the crossroads. The Russians, they said, believe that the European nations will not be able to draw up an effective plan and more particularly that the US will be unwilling to advance the credits necessary to make it work because the Soviets believe that the US will undergo a profound depression within the next 18 months. They believe that the Soviets are counting on this depression to put an end to the American aid for European reconstruction. This will mean that European economies will disintegrate and economic, social and political chaos will follow. When this catastrophe occurs the Soviets hope to take over the Western European countries with their well organized Communist Parties.

In conclusion Couve said that the French had for internal political and other reasons never wished to take the lead in establishing a European bloc.

"The Soviets, however, by their actions there have forced Europe to band together to save itself. They are the persons who have established the European bloc. It is now up to the European countries and to the US to see that such a bloc succeeds. We intend to publish all the papers on the Three Power conference in French and English⁴ and we hope they will be widely read and understood by the American people and the American Congress and that Moscow's desire to sabotage European reconstruction will be as clearly revealed as is our determination to do everything within our power to save ourselves and to profit from the splendid initiative taken by Secretary Marshall."

Sent Department 2667; repeated London 513, Geneva for Clayton 73, Moscow 404, Rome 158.

CAFFERY

⁴ For references to the publications see footnote 1, p. 259.

840.50 Recovery/7-347: Telegram

The Secretary of State to the Consulate at Geneva

SECRET

WASHINGTON, July 3, 1947—10 p. m.

URGENT

730. For Clayton.¹ Inability of Bevin, Bidault and Molotov to reach agreement on basic approach to formulation of European recovery plan suggested by US makes it seem extremely unlikely that any constructive action along this line could now be achieved in ECE. Soviet opposition to program of mutual assistance and cooperative attempt to

¹ Under Secretary Clayton had returned to Geneva as chief of the U.S. Delegation to the second meeting of the Preparatory Committee of the United Nations Conference on Trade and Employment. For documentation concerning this conference, see volume I.

formulate solutions to common problems is contrary to spirit if not letter of para 1 (a) ECE terms of ref. It is of greatest importance that US continue to support concept of prompt and effective cooperation and mutual assistance, which is underlying principle of UN as well as Marshall proposals. Assumed British and French will not favor discussion Marshall proposals in ECE. However, if any discussion of Secretary's suggestion for formulation of recovery program comes up in ECE or in conversations with delegates, US reps should continue to hold position that means for working out cooperative recovery program including place of ECE, should primarily be decided by Eur countries, that US does not believe solution of rehabilitation problems can be achieved through relief operations but only through measures which lead directly to ability of Europe to support itself by normal economic transactions in Europe and with rest of world. Relief, grants and loans must be temporary expedients. Although ECE was created to facilitate concerted action for reconstruction, most important to use whatever means will result in prompt and effective action. If decided to act outside ECE, which is still in organizational stage, liaison with ECE could and should be established.

Sent Geneva 730, repeated London 2893, Paris 2475.

MARSHALL

840.50 Recovery/7-447 : Telegram

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

TOP SECRET

LONDON, July 4, 1947—1 p. m.

URGENT NIACT

3668. For the Secretary. Had a long conversation with Bevin last night covering the Paris Conference of the three Foreign Ministers. He said that because of the very shaky political position of France and the strength of the Communists, Bidault had acted with very great courage, particularly was the position he had taken brave because Molotov had come with more than 100 in his entourage who had been carefully selected, he thought, because of their contacts with the French Communist organizations. These agents had attempted through the French Communists to put as much pressure as possible on Bidault and Ramadier. Notwithstanding, however, the influence the Communists brought to bear, Bidault had stood by his side with great firmness and Ramadier had given complete support. He said that both the French and he though[t] they had done everything which they reasonably could to prevent a breakdown without frustrating the prompt development of the program, had taken great risks. (I have formerly

reported to you Bidault[’s] and Bevin[’s] respective responses to Molotov’s “curiously worded warning”).

While Bevin was worried about the effects of the impasse, he was, he said, more worried about the United States. Would she provide in time the assistance which Europe desperately needed? He was worried about the Soviets because he interpreted Molotov’s warning to mean that they would use a very [*every?*] subversive device to prevent other European nations from joining in the formulation of a program and would employ every method to create internal trouble.

He believed that France would stand firmly in the immediate future, but that sometime, probably after the first meeting of the Cooperative Committee, if we could find some method of giving France some immediate and temporary assistance, it would have the effect of assuring French stability until such time as Congress might act. He was hopeful that we would be able to include the UK in this but that he was more concerned during the interim period with France than with the UK. I reminded him of our reluctance to act in a piecemeal way.

He went on to observe that the program would be completed by the first of September, but that we would be kept completely informed from time to time in the intervening period of the progress and development of the program in all of its details. This, he said, would enable us to digest the programme before it was finally formulated and would enable us, if we so concluded, to call a special session of Congress sooner than would otherwise be the case. If, he said, no action is taken by the United States until late fall or winter, he thought that France, and with her most of Europe, would be lost.

I asked him what nations in his judgment would join and made particular reference to Holland and Belgium which, because of their overseas possessions and the pool of natural resources, when combined with the resources of the British commonwealth, the British Crown colonies and the French colonies could make available on their own account large volume of raw materials for the reconstruction of such European countries as joined in the program. He replied that he was confident that Holland and Belgium would join (I have already given you his views about France), that Molotov had made particular reference to Norway and Bevin doubted, therefore, whether she would come in; that Sweden might join although she was in a difficult position; that while it was clear that Czechoslovakia and Poland want to participate, he questioned whether they would be permitted to do so. As to Austria, he was doubtful (I emphasized your concern with Austria). In regard to Italy, he said that she had been so vacillating and was under such pressure from Communists that while he recog-

nized the extreme importance of Italian participation, he could not now give positive assurance that she would enter the scheme with them and he expressed the hope that such pressure as we could legitimately bring on Italy to participate would be exerted. Switzerland would participate.

If Poland does not participate, he emphasized his opinion that we should not at this juncture by-pass the European program and the Committee on Cooperation by making credits available to Poland either through the International Bank or from some other American source.

Invitations to all European countries, excepting Spain and Russia, will be sent out today and the first meeting of the Committee on Cooperation will be held on the tenth. He had himself suggested that Paris be the center for the Committee's work because he wanted to give France a feeling that she was important, restore her confidence, and thus give strength and support to her and particularly the Ramadier government.

As to the western zones in Germany and coal production in the Ruhr he had reviewed the proposals put up by Clay and Robertson and felt that unless we made some commitment that the coal properties, even though temporarily held by trustees or custodians, would be ultimately publicly owned, we would lose Germany to the Communists. He also referred to difference between US and UK proposals and stated UK plan for custodian under land [*sic*] was consistent with US position on decentralization.

I replied by referring to contemplated meeting in Washington at which presumably these questions would be discussed.

Bevin said he was meeting trade union leaders today to stiffen their support of his actions.

I suspect that Bevin's views regarding socialization Ruhr coal at least partly influenced by his need for strong trade union support and his fear that it may not be sufficiently strong if he even temporarily abandons programme for public ownership of German coal properties.

DOUGLAS

840.50 Recovery/7-447: Telegram

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

SECRET

PARIS, July 4, 1947—2 p. m.

URGENT NIACT

2679. For the Secretary. I handed your message¹ to Bidault who was delighted. He said that he was particularly appreciative of your understanding his difficulties. He went on to say that he and Bevin are prepared to go full speed ahead and that they will first of all examine

¹ This is presumably a reference to telegram 2450, to Paris, July 3, p. 308.

just what the interested countries can do for themselves, either directly or by interchange, in the way of coal, wheat, steel and transportation. He said that he apprehends that some of the satellite countries will accept the invitation primarily to make difficulties. He has heard rumors that the Swiss will not take part and are even talking on the subject with the Scandinavian countries. If true, he would regret it.

He has had conversations with Bevin about Germany and fears there will be trouble in arriving at an agreement. He does not like the British idea of socializing the Ruhr mines, and among his reasons is the fact that French interests own a few of the mines. He is not hostile in principle to raising production levels in Germany but can give no blank check. In regard to Germany he will be subject to attack here on the one hand by the French Communists and on the other by De Gaulle's friends. The Gaullist press is already showing signs of this.

He is not apprehensive of any immediate unusual trouble here from the French Communists. In fact, he believes that the Soviets will strike first elsewhere but he does not know where.

CAFFERY

840.50 Recovery/7-747: Telegram

The Counselor of Embassy in Poland (Keith) to the Secretary of State

SECRET

WARSAW, July 7, 1947—5 p. m.

1064. When Ambassador Griffis¹ called on Foreign Minister today latter took occasion to say that although final decision had not been made he certain Polish Government would accept British-French invitation and be present at meeting in Paris. This decision is different from that which was anticipated by British for British Ambassador told Ambassador Griffis evening sixth that neither he nor Bevin expected Poles would participate.

Sent Department 1064.

KEITH

¹ Stanton Griffis was actually the appointed ambassador, since he did not present his credentials to President Boleslaw Bierut until July 9. See telegram 1089, from Warsaw, p. 320.

840.50 Recovery/7-747: Telegram

The Ambassador in Czechoslovakia (Steinhardt) to the Secretary of State

SECRET

PRAHA, July 7, 1947—6 p. m.

URGENT

847. For Clayton. When British and French Ambassadors called on Masaryk¹ July 4 to tender invitation to Paris Conference, Masaryk

¹ Jan Masaryk, Czechoslovak Minister of Foreign Affairs.

accepted invitation immediately, as reported in my 837.² As Czechs are extremely anxious to participate in Marshall plan and will do so unless forbidden by Soviets, there would seem no necessity for being rushed at this time into decision to reconsider Czech application for Eximbank 50 million dollar loan.³ I feel that any reconsideration of an Eximbank loan for general purposes as distinguished from commodity credits should be predicated on our over-all relations with Czechoslovakia and particularly extent to which proceeds of any such loan might be subject to diversion for benefit of Soviet Union or Czechoslovak Communist Party than that we be rushed into a reconsideration thereof to accomplish a purpose which has already been accomplished.

As reported my 836,² Gottwald,⁴ Masaryk and Ripka⁵ proceeding Moscow tomorrow where they will presumably receive instructions as to extent to which they may participate in any agreements which may be reached in Paris. Sent Geneva for Clayton as 19; repeated Department 847.

STEINHARDT

² Not printed.

³ For documentation regarding this subject, see vol. iv, pp. 196 ff.

⁴ Klement Gottwald, Prime Minister of Czechoslovakia.

⁵ Dr. Hubert Ripka, Czechoslovak Minister of Foreign Trade.

840.50 Recovery/7-847: Telegram

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

SECRET

PARIS, July 8, 1947—7 p. m.

URGENT

2714. I asked Bidault today what responses the French are receiving to the Franco-British invitation to attend the July 12 conference to formulate a European plan.

He replied that the following countries had accepted unconditionally: Ireland, Portugal, Netherlands, Belgium, Luxembourg, Italy, Greece and Turkey. From what he hears from the Austrians he also believes they will accept.

Concerning the satellites he said Poland and Czechoslovakia say they wish to send delegates but that their final acceptance depends "on the scope of the plan, etc."

He believes Rumania, Bulgaria and Hungary are certain to refuse in view of Moscow's radio announcement last night and this morning to that effect.

Bidault is particularly concerned about Switzerland and Sweden. For political and psychological, even perhaps, more than economic reasons he said it is most important that they join in the formulation of a plan. He said, "Unless they are persuaded to do so by governments other than French and British (he obviously meant US) they may refuse to go along." Bidault is still hoping that the Scandinavian countries as well as Switzerland will go along and that a total of about 15 countries will meet in Paris.

CAFFERY

840.50 Recovery/7-947: Telegram

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

SECRET

PARIS, July 9, 1947—6 p. m.

2725. For the Secretary and Lovett from Clayton. At a meeting this morning with Jean Monnet, head of the Cabinet Planning Commission, and Alphan of the Foreign Office, I reviewed with them, along the same lines as in my talks with Bevin, our views regarding the European economic situation and its relation to the Secretary's Harvard address.

Monnet gave me a copy of a draft questionnaire which the French Government plans to present to each participant in the Paris Conference as a basis for developing a joint report to the United States. Draft is being transmitted by separate telegram. Monnet said that United Kingdom should frankly admit to conference its responsibility for failure of coal program in UK and Ruhr and that France should likewise take responsibility for failure of its agricultural program.

During conversation French raised three questions of special interest to Department:

(1) Monnet said that a member of his government was of the opinion that, while in some countries such as Great Britain (a) US grants for basic commodity imports and (b) international bank loans for reconstruction and modernization might be sufficient to assure recovery, in some other European countries, such as France, public finances were in such disorder that inflation could be arrested and production and distribution normalized only through massive imports of consumers' goods. Inquiry was made as to whether, in addition to grants and loans, a "stabilization fund" could be established for this purpose.

I replied that the only measures we had in mind were, (a) and (b) above; that I believed that budget balancing was the principal additional instrument to be used to arrest inflationary trends; and that we recognized that in some cases such as that of Great Britain and France

the supply of essential consumers' goods had fallen to or below the danger point.

(2) Alphand raised the question of a possible conflict between provisions in the draft World Trade Charter and measures which participating countries might adopt to improve interchanges among European nations. He pointed out that European trade at present is largely conducted under a series of bilateral agreements which stipulate both import and export undertakings for specific commodities.

I replied, (a) that we regard bilateral and barter arrangements as restrictive to trade developments; (b) that on the other hand we approved of measures leading to a customs union in the Belgo-Dutch-Luxembourg pattern; and that I was confident that the Trade Charter as completed would not conflict with any European plan for interchanges if such a plan was based on sound economic principles.

(3) The French referred to the opening of the conference on July 12 and to the Secretary's statement of extending "friendly aid in the drafting of the European program", and inquired as to the means we had in mind for extending this aid. In reply I emphasized the European character of the plan and said that our drafting assistance would depend on what was requested of us.

Monnet suggested the desirability of establishing an agreed channel of liaison between the conference and the US, expressing the fear that otherwise the conference might be receiving divergent interpretations of the Department's views.

CAFFERY

840.50 Recovery/7-1047 : Telegram

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

SECRET

PARIS, July 10, 1947—noon.

URGENT

2744. Couve de Murville has just given me latest information on replies to invitation to the July 12 conference.

The following countries have accepted unconditionally: Ireland, Iceland, Portugal, Belgium, Netherlands, Luxembourg, Italy, Greece, Turkey, Austria, Switzerland. (Switzerland in accepting stated that it accepted on understanding that conference would not deal with political matters).

Czechoslovakia will be represented at the conference by Czech Ambassador in Paris but Czechs have informed French they will reserve final decision on participation until they know more about scope of plan.

French have now been informed that Sweden, Norway and Denmark will officially accept some time today.

No reply has been received from Finland but French still believe there is possibility that Finland may give a limited acceptance similar to Czechs.

No reply has been received from Poland, Yugoslavia, Rumania, Bulgaria and Hungary. In view of radio broadcasts from capitals of these countries, French consider their refusal although not yet officially announced is definite. Couve says that conference will convene probably at 11 Saturday morning. Bidault will preside. Conference will then proceed to elect president. Since conference is in Paris French candidate for presidency is Bevin and French and British are in agreement on this.

Couve says decision on composition of various subcommittees would probably take several days and he thinks this may possibly not be completed until July 15. French are strongly opposed to idea that all 17 participating countries be represented on each subcommittee. They take stand that the larger the subcommittees the more unwieldy they become and agreement is also more difficult.

French are very pleased over acceptance of Scandinavian countries not so much for economic reasons but because this broadens political and psychological composition of conference.

Sent Department; repeated London as 525, Moscow as 413, and Rome as 164.

CAFFERY

840.50 Recovery/7-1047 : Telegram

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

SECRET

PARIS, July 10, 1947—7 p. m.

2757. To the Secretary and Lovett from Clayton. The Ambassador and I today continued with Jean Monnet and Couve de Murville the talks reported in Embtel 2725, July 9, 6 p. m., regarding the questions the French had raised concerning the Paris Conference on a European economic plan beginning July 12.

We placed emphasis on the following three points:

1—Any European report should include an analysis understandable to the man-in-the-street in the United States of reasons why European recovery has not progressed farther in spite of large sums already made available.

2—A sound production program designed progressively to put Europe on its feet within three or four years.

3—A program sketching in broad lines a type of European economic federation which would make economic sense and be designed to eliminate the small watertight compartments into which Europe's pre-war and present economy is divided. I suggested that Europe's case could

be greatly strengthened if in this presentation they could actually agree to take at least one definite step in the direction of these objectives.

I am returning to Geneva this afternoon and have requested the Ambassador to keep the Department and me informed of all significant developments during the preliminary work of the conference.
[CLAYTON] CAFFERY

840.50 Recovery/7-1047: Telegram

The Ambassador in Czechoslovakia (Steinhardt) to the Secretary of State

SECRET

PRAHA, July 10, 1947—1 p. m.

URGENT NIACT

872. I have learned from sources which have heretofore been entirely reliable that a telegram was received at midnight from Gottwald in Moscow directing that an immediate meeting of Czech cabinet be summoned to withdraw Czechoslovakia's acceptance of Anglo-French invitation to take part in Paris conference. My informants stipulate that in telegram Gottwald gave as his reason for insisting upon a withdrawal of acceptance fact that Paris meeting is to be a political and not an economic conference and that withdrawal of Czech acceptance would serve as conclusive evidence of Czechoslovakia's loyalty to its alliance with Soviet Union.

Cabinet is at present in session. Having regard to fact that Fierlinger¹ is leader of Social Democratic Party and that Social Democrats hold the balance of power in Cabinet there is little doubt in my mind but that Cabinet will acquiesce in Gottwald's demand.

I am inclined to view that Beneš² who appears to have been determining factor in acceptance of invitation to Paris prior to departure of Gottwald for Moscow and who approved of Gottwald's trip to Moscow has out-manuevered Soviets and Czech Communists. Having anticipated a Soviet veto of Czech participation he is now in a position to make it clear to Czech public that Czechoslovakia's foreign policy is being dictated from Moscow, that country does not enjoy complete independence and that repeated charge in western press that Czechoslovakia is a Soviet satellite has been proven. He will also be in a position to suggest to moderate parties that they bring home to Czech public the fact that Czechoslovakia has been obliged by Soviet Union to act contrary to its own interests. In connection with foregoing see

¹ Zdeněk Fierlinger, Czechoslovak Deputy Prime Minister.

² Eduard Beneš, President of Czechoslovakia.

my 829 of July 3³ outlining probable course of action of both Czech and Soviet Governments.

STEINHARDT

³ Not printed.

840.50 Recovery/7-1047 : Telegram

The Ambassador in Czechoslovakia (Steinhardt) to the Secretary of State

TOP SECRET

PRAHA, July 10, 1947—6 p. m.

NIACT

876. The same reliable source from which the information contained in my 872, July 10 was received has furnished me with a copy of Gottwald's telegram to Czechoslovak Government of which following is a free translation.

"I have had two audiences with Generalissimo Stalin.¹ The first shortly after our arrival, the second at 11 p. m. At the second visit there were present from the Czechoslovak side Masaryk, Drtina, Horak, Heidrich² and from the Soviet side Molotov and Bodrov (Soviet Counselor in Praha). The principal item of discussion was our participation at the Paris Conference, Stalin brought up first of all the questions which the governments of Yugoslavia, Poland and Rumania asked of Moscow before arriving at their decision. Both Stalin and Molotov did not conceal fact that they were surprised at the decision of the Czechoslovak Government in accepting the invitation to Paris. They emphasized their conviction that the real aim of the Marshall Plan and the Paris Conference is to create a western bloc and isolate the Soviet Union with loans which the initiators of the conference would not be able to grant and even if the loans should be granted sometime in the future by America they would not be without decisive limitations on the political and economic independence of the recipients. In view of this situation the Soviet Union would regard our participation as a break in the front of the Slav States and as an act specifically aimed against the USSR. Stalin declared that the question now under consideration involves our friendship with the USSR. There is no one in the Soviet Government who has any doubts about our friendship for the Soviets. However, our participation at Paris would be proof to the people of the USSR of the fact that we have allowed ourselves to be used as an instrument against the USSR, something which neither the Soviet public nor the Soviet Government could tolerate. Therefore, according to Stalin, we should withdraw our acceptance to participate and he thinks we could justify this action by pointing to the fact that the non-participation of the other Slav nations and the other eastern European states has created a new situa-

¹ Chairman of the Council of Ministers of the Soviet Union.

² Dr. Prokop Drtina, Czechoslovak Minister of Justice; Dr. Bohuslav Horak, of the Czechoslovak Ministry of Information; and Arnost Heidrich, of the Czechoslovak Foreign Office.

tion under which our participation could easily be aimed against the friendship with the Soviet Union and our other Allies.

Therefore, immediately call together all the members of the government within reach and inform them of the substance of our conference with Stalin and Molotov. We regard it as imperative that you agree to the withdrawal of our acceptance to joint conference at Paris and communicate it in such a way that it will reach here officially Thursday afternoon. In addition, telephone immediately your decision. We will bring a detailed report of the conference with us. Signed Gottwald, Masaryk, Drtina."

I have learned that after a lengthy debate in the Cabinet a decision was reached to comply with Gottwald's instruction; no vote was taken. The Cabinet is at present debating the text of the communiqué to be issued.

For obvious reasons I urge the Department to take every precaution to prevent the fact from becoming known that the Embassy has furnished the Department with the text of Gottwald's message to the Czechoslovak Government.

STEINHARDT

840.50 Recovery/7-1047: Telegram

The Ambassador in Poland (Griffs) to the Secretary of State

SECRET
URGENT

WARSAW, July 10, 1947—2 p. m.

1089. Following an apparently most cordial reception by all Polish officials whom I have thus far met here and unprecedented [apparent omission] arrangement to present credentials, my first diplomatic effort yesterday resulted in perfect score—100 percent failure.

As already advised reached Embassy Monday morning and was received by Foreign Minister within three hours. During general discussion he volunteered information that Polish Government expected send delegation Paris Conference 12th.

Yesterday I presented credentials to President and in following conference at which Keith was present I had general discussion on Polish-American questions. I expressed delight at news that Polish delegation would attend Paris Conference. I felt that good impression of such attendance on US public opinion would vary directly with extent of cooperation by Poles in Paris with other conferees. I stated that importance of this could not be over-estimated; that full cooperation might mean definite turning point in Polish-American relations, and failure to cooperate would bring disastrous and adverse repercussions in US. We discussed this matter for nearly an hour President

stressing that England and France would largely control Conference and that most of its decisions had already been made in advance. He repeatedly referred to devastation in Poland to direct need of US aid and relief in Poland but expressed great antagonism to theory that Germany should be rehabilitated and put in position start another war as she had twice in past. He stated that in his opinion present policy of US was to rehabilitate the aggressor nation whereas assistance should be given nations which had suffered most from aggression during war. Nevertheless he stated that matter of Paris Conference would be decided at a govt meeting at six o'clock. The President also stated that there were many people today who did not realize that it was impossible to bring back the life which existed in Europe before war and that in all countries there had been great changes and that this was a new world. At 9:30 Keith and I were called to Foreign Minister's office where Modzelewski,¹ after various preliminary statements as to how fully Paris Conference had been considered, stated that Polish Government was giving a negative answer. He stated that he had desired have copy of govt's reply as a courtesy to US but he was simultaneously advising "our friend and ally Russia". He then gave me copy of their note, translation of which is being transmitted in following telegram.² He then gave reasons for this decision referring to copy of note (addressed to British Ambassador) replying to French and British.

Polish Government chief contention was that Poland would have little or nothing to say at Paris Conference; that whole trend of his discussion with British and French Ministers was to effect that plan was already substantially in form; that French Ambassador had told him previous evening that no political discussion should be permitted or included in Paris agenda. I stated that I did not quite understand where any political questions were involved as Marshall Plan was entirely an invitation to peoples of Europe to present a balance sheet of economic and reconstruction needs and a program of mutual co-operation. He replied that entire question of the rehabilitation of Germany, the aggressor nation, was a political question. The Foreign Minister stated that there was already an economic commission for Europe and that this proposal of the British and French brought into being a new organization to accomplish something which should be carried out by the UNO.

I expressed great regret at decision of Polish Government and asked if my strong representations to the President and to him that afternoon as to effect of such action on American public opinion had been

¹ Zygmunt Modzelewski, Polish Minister of Foreign Affairs.

² Not printed.

taken into consideration at the Ministers' meeting. Foreign Minister stated that this had been done but nevertheless Polish Government decision was adverse for reasons given. I reiterated my views as to the wisdom of sending a Polish delegation to Paris and of making an honest attempt to work out a plan even if Poles were unable finally agree to it. He replied in effect that cards were already stacked against Poland by the Western Powers.

Foreign Minister stated that he had in his portfolio a Polish plan for the rehabilitation of Europe and asked if our Government would care to have Polish Government submit it. I stated that I could not answer that question (my theory was that possibly Dept might wish me informally discuss plan later with the faint hope that whatever plan eventuated in Paris the Polish plan might somehow be reconciled with it, perhaps by a third party nation). Minister stated that despite decision of Polish Government the US could expect to have the fullest cooperation from Poland; that Poland intended to use surpluses for rehabilitation of Europe and that under those circumstances he hoped that great aid in rehabilitation could be obtained from US. He asked if I thought that this would be forthcoming. I stated that he must fully realize that both American Government and the Ambassador were the slaves of American public opinion and that such public opinion would give the answer to his question.

Sent Dept 1089; repeated Paris 153; London 888.

GRIFFIS

840.50 Recovery/7-1047: Telegram

The Ambassador in Poland (Griffis) to the Secretary of State

SECRET

WARSAW, July 10, 1947—4 p. m.

1092. Continuing my 1089 July 10.¹ In reference to sudden change in Polish plans to send delegation Paris conference it is my distinct and firm impression that Foreign Minister was honest in statement on Monday that delegation would attend and again my firm impression last night that he himself if not entire Polish Cabinet had in the interim been overruled by higher authority. His attitude extremely apologetic and at least apparently regretful.

If Department has any desire receive Polish plan for reconstruction referred to 1089 please advise.

Sent Dept; repeated Paris 155, London 112.

GRIFFIS

¹ *Supra.*

840.50 Recovery/7-447 : Telegram

The Secretary of State to the Embassy in the United Kingdom

TOP SECRET

WASHINGTON, July 10, 1947—10 p. m.

2963. For the Ambassador. Pls express to Bevin gratitude for views and info given ur 3668 July 4. We share his concern for French position, and agree as to importance of French stability.

In this connection, you shd say to Bevin we are somewhat disturbed by apparent lack FonOff appreciation of present Ital situation. Far from requiring pressure to participate in European plan, Italy was one of first countries to indicate acceptance of Brit-French invitation, and Ital public opinion is so thoroughly behind plan that Ital Communists have found it expedient give their conditional endorsement Ital participation. Principal question which arises re Italy is similar to that suggested by Bevin re France namely need of some further immediate support. Ital political situation is roughly analogous to that in France, with added elements of danger in that moderate leftists have thus far been hesitant support present Govt fully in face determined Communist opposition and Ital needs for interim assistance are perhaps most critical of all European countries.

As we see it, there is urgent need in Italy of economic and moral support not only of US but of all Western powers if stability there is to be maintained until anticipated benefits from overall European plan can be felt. We are convinced that unless present Govt meets with success in its efforts to stop further deterioration Ital situation, both political and economic, there will be no way to prevent Communist rise to power in spring elections, with all of the serious consequences which this would entail, if indeed they do not take advantage before that time of growing difficulties to return to Govt in dominant position.

We recognize that certain fiscal and social reforms are just as necessary as foreign economic assistance for betterment general conditions of mass Ital people. De Gasperi¹ appears aware of need for these measures, however, and with adoption effective governmental program this nature we are hopeful moderate leftists, particularly Republicans and Saragat Socialists, will support him and perhaps eventually agree enter Govt on broader coalition basis.

We want to emphasize, however, that support of Western powers must be made plainly evident to Ital people if any democratic Ital Govt is to have reasonable opportunity to prove itself.

MARSHALL

¹ Alcide de Gasperi, Prime Minister of Italy.

840.50 Recovery/7-1047: Telegram

The Secretary of State to the Consulate at Geneva

TOP SECRET

WASHINGTON, July 10, 1947—11 a. m.

URGENT

768. Personal from Lovett for Clayton and Ambassador only. I have read with great interest the discussions you and Douglas have had with Bevin, Cripps, Dalton etc. and the Brit *aide-mémoire* summarizing them.¹ These documents are very helpful in giving us an insight into your thinking and into the problems which the Secretary's suggestion raises. In general I can say that our thinking has been running along parallel lines, though you have developed some points further than we have taken them. There are a number of points on which I should like to comment.

It seems to me that yours is the right answer on the relation of the special Brit dollar problem to the question of European recovery. A correct solution to the European production and distribution difficulties will go a long way to help the Brit out of their troubles. The European program, however, should not attempt to solve the world dollar shortage. For one thing, I doubt that this country can stand the pressure on its exports at the rate of the first quarter of this year. As you know, the pinch is being felt in oil; lately we have been made aware of worries in coking coal, steel and agriculture. Canadian and Latin American purchases here are exerting very heavy pressure on domestic supplies. If in the name of European recovery we help Brit to pay Canada, Argentina etc. all the dollars the latter require, we are going to find ourselves solving a world long-run problem via a short-run European problem and we will run into Congressional difficulties. We can make provision in European recovery aid for the transfer of some dollars from Europe to points outside the US. The Brit commitment to convert annually agreed amounts of blocked sterling into dollars should be taken into account for example, as well as the minimum amounts of dollars Europe will require to finance purchases from non-US areas. In addition, we should try to get away from tied purchases, if Congress will permit, and procure commodities needed by Europe under minimum aid programs outside the US, if this does not interfere with supply arrangements on which Europe is already counting. Finally, I know that Dept is considering whether we should take over the burden of the minimum support of the US-UK combined zones of Germany, insofar as dollars are concerned. Beyond this, however, I think we have to be careful not to go, or we will find ourselves

¹ For documentation on conversations held June 24-26 in London, see pp. 268-294. For *Aide-Mémoire* of June 25, see p. 284.

trying to solve the dollar problems of the whole world. This we cannot do.

Your distinction between short-term needs for consumption and long-term needs for reconstruction is a correct one, but I am somewhat uneasy about drawing too hard and fast a line. For general reconstruction needs, you are of course completely right. For bottleneck items, such as fertilizer, mining machinery, facilities needed to aid Europe in repairing rolling stock, I am not sure that we should not hold the question open a little longer. As you point out, the distinction between consumption goods and capital goods leads to geographic differences. Eastern Europe doesn't need coal and food so much as fertilizer, transport equipment, mining machinery etc. If we insist too rigorously from the beginning that all capital goods have to be obtained on a loan basis, while consumption goods may be financed through grants, we lose a little flexibility which may later stand us in good stead. I suggest only that this question be held open a bit longer on capital goods needed to produce consumption goods in a bottleneck field. I have not yet talked to McCloy² on this subject but hope to do so shortly.

We are all here in agreement with you on the point that a customs union is a desirable long-run objective but that to attempt to work it out now would bog Europe down in details and distract from the main effort. I leave to you how the integration which Bevin seems to want in such matters as farm implements and musical instruments can be squared with our ITO endeavors. Undoubtedly if rapid recovery is to be achieved we shall have to interpret various escape clauses in ITO liberally.

I agree with Douglas on the importance of steps to straighten out financial chaos, but think that the Brit are probably right in thinking that we should not press too hard on this from this end. Nevertheless fiscal stability should be pressed by someone. In addition to the budgetary aspects of the problem, there are of course exchange-rate questions (France and Germany) questions of external and internal prices (which must be solved shortly if trade—in other than critical bottleneck items which will presumably be allocated—is to flow in normal channels) and the restoration of internal monetary stability, including confidence in currencies. The last of course largely a budgetary question except that in some countries like Germany and Austria, budgets are balanced but outstanding currency and deposits are far too large in relation to prices.

I have not thought through the problem you raise in suggesting that while we should get individual and overall commitments from Europe

² John J. McCloy, President of the International Bank for Reconstruction and Development.

regarding their recovery, our aid should be arranged through a series of bilateral agreements with separate countries. I appreciate your worries about an UNRRA type distribution of aid. On the other hand, I don't see how a European coal program, based upon certain goals for production in deficit and exporting countries and certain minimum requirements for aid from the United States, can have the latter fixed by a series of European country agreements with us in view of the necessity for flexibility in allocations. As you know better than I, allocations cannot be made effectively much more than 3 to 6 months ahead (and in food there is frequent necessity to divert individual ships). If US coal is allocated by a European organization, and if our aid is linked in whole or part to commodities, how would the bilateral agreements work. I am not yet sure that we want to discard the commodity approach, the administrative aspects of which may be possible of solution in ways that would avoid the UNRRA difficulties, without having examined the question further. If we allocate dollars, rather than commodities, for example, we are in danger of returning to the piece-meal approach we are so anxious to avoid.

Finally, I am inclined to think that the commodity approach should not be pursued by Europe to the exclusion of trade and administrative problems. Some device must be found to rid Europe of the stultifying effects of bilateral trade, and steps must be taken within the separate economies (partly monetary but some administrative) to correct black markets, compensation deals, hoarding, diversion of resources to repair or expansion in low priority industries, etc. You cover these points indirectly when you asked Bevin for an account of why recovery in Europe had not progressed farther in the two years since the war, given the substantial quantities of US aid. But this account of the past, I think, should not be focussed exclusively on commodities, and it should produce an effort to handle the European economic problems more effectively, both inter-Europewise and internally in separate countries. This raises issues larger than food, coal, fibers, etc.

A word on timing. If Europe gives us a plan by September 1, the best we can do under present prospects is to have hearings this fall and try to get approval shortly after January 1, 1948. This is optimistic. Before this day, I am told, there may be financial crises in Italy and France. You know more about this than I. Do we have to envisage taking some piecemeal steps for France and Italy before January 1?

I do not like these emergency treatments because they are piecemeal and our whole approach is based on an overall solution. Yet I see no alternative. What are your views?

I am sending a copy of this to Douglas in London as Dept's 2952.

[Lovett]

MARSHALL

840.50 Recovery/7-1147 : Telegram

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

SECRET

Moscow, July 11, 1947.

2413. For the Secretary and Matthews. The Czechoslovak reversal on the Paris Conference, on Soviet orders, is nothing less than a declaration of war by the Soviet Union on the immediate issue of the control of Europe.

The Kremlin's assessment of the situation must be assumed to have convinced it of its ability to win, either by resignation and retirement of the West in face of their firm stand, as they hope, or in an open struggle, if necessary. With firm control of the continental bread basket in Eastern Europe and of important sectors of its industrial economy in Germany, Poland and Czechoslovakia, the Soviet leaders must expect that Bevin and Bidault will be unable to secure enough US support to establish a viable regional reconstruction plan for the free countries of Europe. Even if a workable plan should emerge from the Paris meetings and sufficient American support be initially forthcoming, it would soon be cut off by the "inevitable" crisis in the United States—a basic postulate of Soviet politico-economic thinking.

In no previous instance has the Soviet Govt been so firm in handling its satellites. It seems clear that the Kremlin was surprised by the original Czechoslovak acceptance on July 8, presumably without prior consultation, but thereafter no other satellite ventured out of line. The seriousness of the Soviet purpose has now been strikingly demonstrated by making the Czechoslovaks eat crow publicly, even though the reserved nature of their original acceptance would have provided a face-saving exit at a later stage. The words of the Czechoslovak communiqué that Czechoslovak participation would be interpreted as an "act aimed against friendship with the USSR" indicate that there was plain speaking in the Kremlin when the Czechoslovak delegation was whisked into that sanctuary so shortly after its arrival here.

The lines are drawn. Our response is awaited. I do not need to point out to the Dept the repercussions of a failure to meet the Soviet challenge, in terms not only of the control of Europe, but of the impact which such a failure would have in the Middle and Far East and throughout the colonial world.

Dept please repeat Paris as Moscow's 274; Berlin as 449; Praha as 15 and London as 277.

SMITH

840.50/7-1147: Telegram

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

SECRET

PARIS, July 11, 1947—5 p. m.

2766. For Secretary and Lovett from Caffery. Under Secretary Clayton, who had returned to Geneva, requested me to send you summary of conversation which we had with President Ramadier.

Ramadier opened conversation by referring to Europe's difficult economic position and to need to re-establish international exchanges, commenting that it was easier to re-establish exchange of goods than an exchange of ideas. In this conversation, which occurred before Czechoslovakia reversed its position concerning participation in conference, Ramadier stressed need for economic unity in Europe, expressing his pleasure at what he believed to be Czechoslovakian acceptance of membership in conference and referring to important position which Poland occupied as source of coal for both France and other European countries. In this connection he said, "indeed, it is indispensable that this unity should include Poland for it can be said that Europe extends as far as Vistula. Beyond, things are different. To wish to have Europe stop this side of Vistula would be equivalent to having United States stop at Mississippi.["]

Ramadier then said that independently of economic difficulties a profound moral uneasiness reigned in Europe. It could even be said that France's economic reconstruction is more advanced than its moral reconstruction. European nations are now comparable to customers of bank about to suspend its payments. Marshall concept therefore, in addition to its economic aspects, is also remedy for this moral uneasiness, but rapidity of execution is above all necessary. European countries must move rapidly in this task but it is also necessary the United States place itself rapidly in position to define aid it considers it can bring us.

Mr. Clayton, in reply, assured Ramadier that he appreciated difficulty of French position: Europe at moment is under pressure as concerns foodstuffs, fuel and all current consumption goods, that this pressure is so strong that Europe does not have respite necessary for it to review its difficulties and make its reconstruction plans. If it should prove possible for American Government to extend assistance in form of coal, cereals and other items, this would permit Europe to concentrate effectively on its production and reconstruction problems. In this connection, Mr. Clayton referred to staggering costs of European imports of coal and wheat, and fact that European nations could not recover economically if they had to dedicate their available foreign exchange to that purpose. Disruption of Europe's economy was much

greater than indicated solely by physical destruction and it is now certain that economic reconstruction of Europe will require longer period than had been anticipated. Necessary measures for reconstruction, rehabilitation and development must be adopted and implemented by Europeans themselves, and it is Europe itself which will perfect means and methods which must be applied and which will permit it, with assistance of United States, once again get "back on its feet" economically. When Europe is economically "back on its feet" it is certain that it will also be "on its feet" politically.

Ramadier then turned to German problem stating that success of conference and subsequent work pre-supposes that German problem will be solved before end of the year, at least in its principal aspects. It must be solved from economic point of view and also, at least in part, from political point of view. Partition of Germany is inconceivable and, therefore, there could be no other solution than federal solution, at least during coming years.

Furthermore, from an economic point of view, solution must be found to problem of Ruhr. This, moreover, does not prejudice right to reparations of powers who can claim them, to extent, of course, that this right can be satisfied. These problems, which will not be brought up at conference, are, nevertheless, conditions for success of Marshall plan. On this point Ramadier concluded by saying that American aid proposals implied pledge to resolve German problem, at least provisionally.

Ramadier then referred to fact that there were European countries with overseas areas and inquired: "Does contemplated assistance to Europe include overseas countries under jurisdiction of European countries?"

Clayton, in reply, said this question had not been considered up to moment but that it was his personal feeling that Marshall suggestion had in mind primarily granting of assistance to continental Europe and not to overseas territories. He was cognizant of fact, however, that in many respects North Africa had been treated economically as part of France proper. Clayton added that it was clear that Secretary's suggestion could not be considered as applying to Indo-China which is not regarded as European country. He added that assistance given to European countries would permit their overseas areas to profit from certain advantages but it was not contemplated that there would be direct aid to these territories. Clayton stated that with regard to undesirability of dividing Germany, at least economically, he concurred and that he also knew that Ruhr question is fundamental problem because it is reservoir of coal, steel and other raw materials located

in middle of Europe. In closing Mr. Clayton mentioned that he had previously discussed same questions with Mr. Bevin and had spoken to him in same terms.

Sent Dept as 2766, repeated Geneva for Clayton as 81.

CAFFERY

840.50 Recovery/7-1147: Telegram

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

TOP SECRET

LONDON, July 11, 1947—8 p. m.

3812. For the Secretary. ReDeptel 2963, July 10. I expressed to Bevin this afternoon your gratitude for his views and the information contained in Embtel 3668, July 4 and your serious concern about the position of Italy. He shares your concern.

He said that he was very hopeful that Italy would have a representative at the forthcoming Paris meeting and was himself cabling to Rome urging that a representative attend. He suggested that we do likewise.

He said that he would do everything possible to provide moral support for Italy among the Western powers. He would at Paris suggest that under the General Committee on Cooperation there be established an Executive Committee of five on which he hoped the participating countries would designate one member from the Scandinavian countries, one member for Benelux (Belgium, Netherlands, Luxembourg), one member from the UK, one member from France, and one member from the Mediterranean area, the latter being a representative of Italy.

He thought that if successful this program would provide the moral support, on behalf of the Western European countries, which he recognized the present Italian Government needs.

In addition, he had been attempting to find some method by which the Italian Ambassador Designate, Carandini, could be officially recognized by the British Government but that he had so far been able to find no precedent which would fit this particular situation.

As soon as Italy ratifies the treaty and even before it is signed, he hoped to make a statement to the House of Commons that the "state of war" with Italy was ended and that His Majesty's Government was now "at peace" with her.

If you have any other suggestions as to how the participating Western European countries may add further moral support to the present Italian Government, please let me have them.

DOUGLAS

840.50 Recovery/7-1647

The British Chargé (Balfour) to the Secretary of State

PERSONAL

WASHINGTON, July 16, 1947.

DEAR MR. SECRETARY: I have just received a telegram from Mr. Bevin in Paris asking me to convey to you the following personal message from him. Mr. Bevin's telegram was despatched last night, July 15th.

"The initial stages of our work in Paris have passed off with great smoothness and rapidity and there is every evidence of good-will and of a desire to cooperate on the part of all participating countries.¹ It has been particularly interesting that in general countries have been anxious to be represented on committees for commodities in which they can make some contribution to European reconstruction.

A further point of interest which has emerged from these preliminary discussions is that the Scandinavian countries are prepared to work as a team and all are somewhat anxious to know how far the special arrangements which may be necessary in order to implement the effective pooling of resources within Europe can be reconciled with the general principle of non-discrimination. They have not at present fully developed their thinking in any of these directions, but they are obviously reflecting seriously upon this whole complex of problems and are prepared to put their best people to work to try to help to solve them.

I think that we can regard the limited size and actual membership of the Executive as extremely satisfactory. I am sure that you will be glad to see that Italy has obtained a seat on this Committee, which, I anticipate, will be an important cog in the machine. The Turks, in particular, made an attempt to enlarge the membership of this Committee by the addition of themselves, but the other Delegations felt that this would have been quite inappropriate and their suggestion was therefore withdrawn.

On the whole, I am glad to be able to tell you not only that the composition of these committees is satisfactory in itself, but also that it has been arrived at without any visible ill-will or dissatisfaction. Our final meeting today was conducted in a very genial atmosphere".²

Yours sincerely,

JOHN BALFOUR

¹ The Conference on European Reconstruction opened on July 12, and British Foreign Secretary Bevin was elected president. By that evening, the working committee, composed of representatives of all participants, reached agreement on a plan for organizing the conference; this was presented to the conference's second plenary session at 4 p.m. on July 13. A Cooperation Committee, Executive Committee, and committees on Food and Agriculture, Energy-Power, Iron and Steel, and Transportation were established. It was provided that the Cooperation Committee's function would be to prepare a report on European availabilities and requirements for the next four years, to be submitted to the United States before September 1. It was decided that "the Cooperation Committee, as suggested by the Secretary of State of the U.S.A., shall seek the friendly assistance of the U.S. for the preparation of the report." (Telegram 2789 from Paris, 840.50 Recovery/7-1347). Substantial documentation on the progress of the conference is in the 840.50 Recovery file.

² On July 17 Secretary of State Marshall handed to President Truman a memorandum summarizing this message, and on the same day Under Secretary Lovett conveyed the information to Senator Vandenberg and Congressman Eaton. (840.50 Recovery/7-1647)

Policy Planning Staff Files

*Memorandum Prepared by the Director of the Policy Planning Staff
(Kennan)*¹

[WASHINGTON, July 18?, 1947.]

1. There is a serious gap between what is required of Germany for European recovery and what is being produced there today. Unless this gap can be overcome no European recovery program will be realistic.

2. It is clear that any attempt on the part of the British and ourselves to arrive at measures for eliminating this gap without consultation with the French will undermine Bidault's position and prejudice the success of the Paris talks.

3. I see no reason why we should not ask for early tri-partite conversations with the French and British on the subject of general policy toward Germany. The aim of such conversations would be to arrive at a general consensus on what has to be done and what ought to be done to raise German production. There would be no question of arriving at any written agreement, and it would be left to each of the three powers to translate into action in Germany, within the limits of its direct responsibilities, any common set of views that might be arrived at.

4. In this way we could place squarely before the French the choice between a rise in German production or no European recovery financed by the U.S. I believe that we could actually come to a meeting of the minds. What puts Bidault in a hard position is not to be consulted at all when we take decisions on Germany.

5. I can see no objection to having the coal talks merged with these tri-partite discussions if this would be preferable from the British standpoint.²

6. As for level of industry, I am afraid we must insist that instructions be sent to General Clay to the effect that the agreement arrived at between him and General Robertson³ should be held in abeyance pending final approval by the two governments in the light of the development of the general situation in Europe. It could be made clear to Clay that this implies absolutely no criticism of his procedure or of his work in negotiating the agreement but that a situation has simply

¹ Marginal notation: "GFK Notes for Mr. Lovett July 18, 1947".

² For documentation regarding German production levels, coal distribution, and tripartite discussions, see volume II.

³ For documentation, see vol. II, pp. 977 ff. For text of revised Plan for the Level of Industry in the United States-United Kingdom Zones of Occupation in Germany, signed August 27, 1947, see *Germany 1947-1949*, pp. 358-362, Department of State *Bulletin*, September 7, 1947, pp. 468-472. *Documents on International Affairs, 1947-1948*, pp. 626-632, or *Ruhm von Oppen, Documents on Germany*, pp. 239-245.

arisen in Europe which makes it advisable, as a matter of government policy, that this matter should be held open for a little while.

840.50 Recovery/7-2047 : Telegram

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

SECRET

PARIS, July 20, 1947—6 p. m.

URGENT

2886. For Secretary and Lovett. I submit following preliminary appraisal of first week's activities of conference on European economic cooperation, based on day-by-day informal contacts which we have maintained with number of delegates from participating countries:

1. Organizational plan. There is general agreement that organizational plan provides workable basis, consisting of: (a) conference proper which is now adjourned but will probably reconvene to receive and approve final plan. (b) The committee of European economic cooperation. This is in effect conference proper but committee device is used to permit closed sessions. (Only criticism raised to date has been that Alphand, in his position as spokesman for committee, has tended to give French slant to information released. It has now been agreed that press relations will be handled by Secretariat). (c) Executive Committee. (UK, France, Netherlands, Norway and Italy) This is in effect steering committee. (d) Technical committees. Four of these (food and agriculture, energy, iron and steel and transportation) have already been established and will begin work tomorrow. It now appears that other committees may be established to deal with questions (1) labor supply and (2) housing and timber supply.

2. Plan of work. The basic document for scheme of work, which outlines objectives and types of statistical and other data required, was adopted last night and I am forwarding text by airgram. Supplementary detailed questionnaires will be prepared by technical committees for their respective fields.¹

3. The first week's activities were characterized by desire to work as rapidly as possible and by disinclination to permit questions of procedure or minor detail to slow down progress of conference.

¹The text and annex of the "Memorandum Outlining Object and Scheme of Work With a View to a Reply to Mr. Marshall" was transmitted in Paris airgram A-1212, July 21, 1947, not printed (840.50 Recovery/7-2147). The annex to this memorandum described the kinds of information to be sought by questionnaires. On August 6, the Paris Embassy in airgram A-1306 reported that the "technical questionnaires have been completed by virtually all the countries and it is hoped that they can be tabulated by the beginning of next week." The information contained in *Committee of European Economic Co-operation*, vol. II, *Technical Reports, July-Sept. 1947* (Department of State publication 2952) is based on replies to these questionnaires.

At same time, it is apparent that there are several fundamental policy differences which must be resolved if workable plan is to result. At some stage of negotiations views of Department may well be requested concerning these major questions. Differences which have already come into focus include:

(a) *Multilateral trading.* Benelux has already proposed that present network of bilateral trading and payment agreements should be placed on multilateral basis as among participating countries and I am informed that France and UK are not opposed to consideration of this proposal. Doubt has been expressed whether Scandinavian countries, in view of their commercial ties with east, will be prepared to go along on this project.

(b) *The question of emphasis in planning.* As I have already reported there has been good deal of discussion concerning question of whether planning should be primarily on short-term or long-term basis and cleavage is somewhat deeper than indicated by surface discussion. Benelux countries have taken approach that large part of imbalance in Europe's payments position is due to failure to utilize productive resources already in existence and that immediate plan should concentrate on this problem. French, with some support from British, have contended that each country should submit long-term reconstruction and modernization program, arguing (a) that this is necessary in order to show American people that self-supporting European economy will finally result and (b) because assistance from US will be extended under series of bi-lateral agreements, taking into account plan of each country. I am informed that real cleavages in these differences of emphasis arise from following:

1. It is implicit in Benelux approach that resources of western zones of Germany would be utilized at rapid rate and,

2. The smaller countries fear that long-term investment program, if adopted by September 1, would merely be composite of reconstruction programs already formulated by individual countries. In such case it is feared that countries, such as France, which already have adopted "very ambitious programs" would get "lion's share" of assistance from US. Furthermore, such composite plan would bear no necessary relationship to principle of comparative advantage.

(c) *Role of western zones of Germany.* As indicated above, Benelux countries believe there can be no western European economic recovery in true sense unless there is rapid utilization of resources of western Germany. They are prepared to rely on occupational controls, plus elimination of actual war industries, to deal with security problem. (I am informed that Benelux countries also believe that French zone should be merged with other two zones as part of European plan, but feel that for political reasons initiative in this matter should come from UK or US).

French, of course, have not abandoned outwardly their position of "pastoral" approach to German problem and contend that security lies in "pulling heavy industrial teeth" of Germany.

(d) *Standard of living.* British informed me that in anticipation of desire by some countries to use program for "spending spree" they obtained insertion of following provision in working plan:

"Standards of consumption during period under review, while they should be determined with regard to their effect on ability and incentive to produce, should not exceed those which each country expects subsequently to be able to maintain without special external assistance."

It is believed that when combined programming is undertaken, particularly for food supplies, many questions will be raised regarding differentials in living standards both in absolute terms and relative to pre-war.

Sent Dept 2886, repeated Geneva for Clayton as 105, London as 564, Berlin as 266, to Moscow and Berlin by airpouch.

CAFFERY

Policy Planning Staff Files

*Memorandum Prepared by the Policy Planning Staff*¹

[WASHINGTON, July 21?, 1947.]

1. *Marshall "plan".*

We have no plan. Europeans must be made to take responsibility.

We would consider European plan only if it were a good one and promised to do the whole job.

Our main object: to render principal European countries able to exist without outside charity.

Necessity of this:

- (a) So that they can buy from us;
- (b) So that they will have enough self-confidence to withstand outside pressures.

2. *Russia and Communism.*

Strain placed on communist movement by effort to draw up plan for European rehabilitation. Communist Parties in West forced to show their hand.

Russians smoked out in their relations with satellite countries. Maximum strain placed on those relations.

Events of past weeks the greatest blow to European Communism since termination of hostilities. If same line can be continued on our part we can weaken movement still further but for this we need strong internal support.

¹ Marginal notation: "GFK Notes for Secy Marshall 7-21-1947".

Principal Communist argument today: that U.S. public and Congress will not pack [*back*] up program of aid to Europe.

3. *Germany.*

U.S. determination to keep Germany disarmed and demilitarized (Four-Power Pact).²

Meanwhile, urgent necessity for increased production:

- (a) From standpoint of cost to U.S. taxpayer;
- (b) From standpoint of contribution to European recovery.

French apprehensions: Communists making big capital out of assertion that "Marshall plan" spells preference to German reconstruction over that of France. True facts as to situation: German production less than 50% of pre-war; France—pre-war level substantially achieved. What French Government really wants: to be consulted on these matters so as to have an answer to Communist attacks.

Coal talks. Coal—the center of German and European recovery. British desire to widen talks. French fears.

4. *Other areas.*

European situation no precedent for other areas.

Suggestions made in Harvard speech applicable to Europe alone. Problems elsewhere require different approach, main exceptions being Korea and Japan.

Backward nations require not so much government loans as other forms of support: technical aid, business initiative, etc., which can come more directly from private sources in this country, with government support.

This problem will have to be studied carefully. There may well be instances where further expenditure of government funds in other areas may be warranted by U.S. interests; but certainly nothing is visible today which could rank with European recovery program in importance to U.S., in character of measures called for, in total costs, or in benefits to be obtained.

5. *Britain.*

Britain's position—serious, more serious than most people know

Her position beginning to improve; but it will be one year before she can be expected even to approach balance of payments.

Possibly, a program of European recovery worked out by the Europeans themselves might include provisions which would benefit Britain along with the others. Britain would benefit in any case, as would this country, from an increase in prosperity in western Europe.

² For text of the draft treaty submitted on April 29, 1946, by Secretary of State Byrnes to the Council of Foreign Ministers meeting in Paris, see Department of State *Bulletin*, May 12, 1946, p. 815.

But this may not be enough; and some special aid may have to be provided for Britain. This is a problem which we are now studying.

It must be remembered that first loan really shrunk in significance from British standpoint, partly on account of rises in prices and partly on account of severe winter.

If Britain should not receive some aid, she would have no choice but to dismantle extensively her defense and imperial commitments. This would mean that serious vacuums would be created in other areas which could be most embarrassing to us, and cause us many headaches.

Some of these vacuums are ones we might have to fill. This could cost far more than a completion of aid to Britain at this time.

840.50 Recovery/7-2247

*The Italian Embassy to the Department of State*¹

The new American policy towards Germany as announced through the instructions issued by the United States Government to General Clay² is of deep interest to the Italian Government. Italy views with favor that Germany be included again in the European system, also in view of the fact that Italian-German prewar exchanges (horticultural produce, coal and metals) would contribute to reduce the deficit of her balance of payments, thus representing a considerable saving to the American taxpayer.

Italian representatives have sustained this opinion at the Paris Conference in the conviction that the application thereof would fully meet the Marshall plan. A similar program, however, clashes with the firm attitude of France. On the other hand it seems that Switzerland, the Low Countries and Sweden would adhere to such a program.

¹ Marginal notations: "Left with me by Tarchiani 7/27/47 H F[reeman] M[atthews]"; "Tel. from Rome to Ital. Amb."

² The text of this directive to General Clay regarding the Military Government of Germany is printed in Department of State *Bulletin*, July 27, 1947, p. 186.

Editorial Note

A study by the Policy Planning Staff, "Certain Aspects of the European Recovery Problem from the United States Standpoint", top secret, begun in May, was completed on July 23, when what was called a "preliminary report" was submitted to Secretary Marshall. This 62-page study, an extension of the paper of May 23, page 223, presented the matured views of the Planning Staff, which in turn were "based upon the studies, recommendations and suggestions of a wide cross-section of the operating and research units of the Department."

The report was designed to clarify the elements of the problem, to suggest approaches by the United States, and to serve other agencies as a guide to the views of the Department of State. A copy bearing the marginal notation "Noted G.C.M." is in Lot 64 D 563, Box 1 (20027), envelope "Foreign Assistance, 1947-50".

George F. Kennan, Director of the Policy Planning Staff, prepared a top-secret supplement describing certain additional considerations that contributed to the Staff's conclusions but that were omitted from the body of the report. A copy of this supplement is in Lot 64 D 563, Box 5 (718), envelope "Foreign Assistance, 1947-50".

840.50 Recovery/7-2347 : Telegram

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

SECRET

PARIS, July 23, 1947—7 p. m.

2930. Sir Oliver Franks, president (in absence of Bevin) of Conference of European Economic Cooperation informs me that group will really come to grips with major policy questions in week beginning August 4. This week technical committees and subcommittees are drafting questionnaires and consulting with such bodies as ECO and ECITO in regard to statistics and information required. Next week many delegates will return to their countries to supervise execution of questionnaires. Balance of payments committee has also been established, composed of Sir David Waley, Great Britain, Guindey, France, Ansiaux, Belgium, and Italian and Danish representatives.

From informal talks with number of delegates, I gather that leading policy questions continue to be those listed in my 2886, of July 20.

Sent Dept; repeated Rome for Clayton as 181.

CAFFERY

840.50 Recovery/7-2747 : Telegram

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

SECRET

PARIS, July 27, 1947—2 p. m.

2987. For Lovett. Sir Oliver Franks yesterday afternoon conveyed to me informally following comment concerning progress of Conference of European Economic Cooperation:

He has been somewhat concerned about controversy going on between Benelux group and French. In effort to get at root of problem, British first had Benelux group to dinner and found that Belgians took dim view of Monnet plan because in half dozen instances French were projecting large production increase for items which Belgians

were either producing or expecting to produce and for which they regarded France normal market. He mentioned artificial nitrates as example.

Dutch problem was of somewhat greater proportions, because economies of western Germany and Netherlands were complementary, and because Dutch placed such great dependence on entrepot trade as source of foreign exchange. Magnitude of this source of income in turn is dependent very largely on level of economic activity in Germany.

British subsequently had dinner with French to explore this problem and found that French were quite conciliatory and prepared to make effort to adapt Monnet plan to meet in large part Belgian objections. It did not appear that solution to Dutch problem would prove as easy to find.

Sent Dept; repeated to London 588; repeated to Clayton at Geneva 121.

CAFFERY

840.50 Recovery/7-2947: Telegram

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

SECRET

PARIS, July 29, 1947—8 p. m.

3022. For the Secretary and Lovett from Clayton. Sir Oliver Franks at his request called on me today in his capacity as chairman of the Committee of European Economic Cooperation and gave me a review of the work of his group to date which closely paralleled the reports we have already received from Ambassador Caffery.

Franks then said that it was only this week that the members of the executive and cooperation committees were beginning to discuss key policy matters and that he expected that they would really come to grips with these problems in a fortnight's time, or when questionnaire data had been received and collated.

As a prelude to policy formulation, Franks has recalled the attention of his group to pertinent sections of the Secretary's Harvard address, which he interpreted as posing three major problems with which the conference should concern itself:

1. The immediate increase in European production of essential commodities.
2. The financial problem, subdivided into (a) external balance of payments, and (b) internal financial stabilization in European countries.
3. The problem of freeing trade movements within the European community.

In reply I said that this interpretation was quite sound and in line with our own thinking to date. I emphasized (a) the tremendous difference in the European balance of payments which would result if Europe could regain its pre-war position in coal and food production; (b) the close attention we were giving to the currency stabilization problem; and (c) the absurdly uneconomic lengths to which exchange controls had been carried in Europe. Examples cited were the day-by-day administrative interventions which intervened to prevent both export and import movements and the artificial exchange rate policies of some countries which were reducing the flow of goods to the United States to a mere trickle.

Franks then mentioned the following special questions which had or soon would arise in the conference:

1. *The German Problem.*

Franks mentioned that it was becoming apparent that German recovery was inseparably linked to European recovery and that the smaller countries all recognized this to one degree or another. The French attitude towards German recovery was an emotional one, but Franks was encouraged that the French, after some discussion, had abandoned their position that any approach had to be based on 1946 level of industry plan¹ and had agreed to the dispatch to zone commanders of technical questionnaires in same form as sent to participant countries.

Mention was also made of fact that French had also agreed to treatment of three western zones of Germany as a group in balance of payments study.

2. *Preparation of Report.*

Franks mentioned that question had been raised in conference concerning desirability obtaining services some American so that report could be drafted in such a manner that it would be attractively presented to the United States. I replied that I did not think it would be advisable to employ any public relations counsel for this purpose; that Europeans were quite capable of preparing an adequate report and that if they desired Department's views on special aspects, they could be obtained on a "within the family" basis.

3. *Possible Conflict With Trade Charter.*

Franks said that several delegates were honestly perplexed as to how program of reducing intra-Europe trade barriers could be adopted without violating proposed trade charter. In reply I pointed out that charter was a pioneer effort; that we felt that a customs union such as Benelux was progressive; but that a preferential system was discriminatory. If the conference should come up with a plan which provided for a series of definite, overall percentage reductions, culminating in the elimination of barriers at a definite time, I was confident

¹ This plan is printed in the Department of State *Bulletin*, April 14, 1946, pp. 636-639.

that the charter could be adapted to meet such a program; in fact consideration now being given to modification charter accordingly.

At Frank's suggestion and to dispel any feeling among the smaller countries that they are being left out of things, I am meeting informally on Thursday with the executive committee, which includes representatives of Benelux and the Scandinavian countries, as well as United Kingdom, France and Italy. [Clayton.]

CAFFERY

840.50 Recovery/7-3147: Telegram

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

SECRET

PARIS, July 31, 1947—1 p. m.

3044. For Lovett from Clayton. The Ambassador and I conferred yesterday with Belgian Prime Minister Spaak and the Belgian Ambassador here regarding the work of the Paris conference.

Spaak inquired as to the conditions under which assistance might be made available by the United States. I replied that the conditions were those set forth in the Secretary's Harvard address, including the survey of requirements, measures of self-help and those designed to increase mutual interchange of goods. The additional requirements of any program were those implicit in the necessity of convincing the American people that the plan made economic sense and would actually result in a self-supporting European economy after a transitional period of three or four years.

This led to a discussion of possible means to eliminate exchange and other trade barriers within the European group. Spaak mentioned that any plan for the transferability of currencies among member countries would have to deal with the question of ultimate convertibility into dollars of excess amounts accumulated by one member country of currencies of other members. I replied that we had been thinking in terms of commodity assistance to Europe, but that I would study carefully the letter which he said he would send me on this and other points.

Spaak also raised a question of means of allocating among member countries the increase in production which would result from the program. I replied that we were anxious to avoid any move in the direction of cartelization or bilateralism; that in some cases, such as France with wheat, the increase in production would be consumed within the producing country, and that I felt that economic distribution of output could best be effected by elimination of trade barriers, and adherence to principles of multilateralism.

Finally, Spaak expressed his concern that some countries would agree "in principle" to sound measures, but would fail at a later date to implement their commitments. I replied that we were thinking in terms of "concrete measures." [Clayton.]

CAFFERY

840.50 Recovery/8-147 : Telegram

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

SECRET

PARIS, August 1, 1947—1 p. m.

3065. For Lovett from Clayton and Caffery. We believe there is reason to draw some encouragement from our conversations the past few days with a number of delegates to the Paris Conference on European Economic Cooperation. It was noted that members of the Executive Committee did not hesitate to wade into such questions of substance as multilateral elimination of quota restrictions and progressive reduction of tariff barriers with a view to reaching a customs union.

On the monetary front, Governor Monick of the Bank of France showed us a draft formula, already considered at a ministerial level in the United Kingdom, France and the Benelux countries, under which the participating countries would undertake:

1. To make the necessary internal financial and monetary measures (budget balancing, realistic exchange rate),
2. To establish transferability of their respective currencies for all current transactions among themselves (thus eliminating intra-European exchange controls except for capital movements),
3. And, ultimately, to establish convertibility into gold or dollars of net accruals of member currencies.

(It is, of course, at this point that the United States comes into the picture and we have cautioned our friends that Washington has been thinking largely in terms of commodity assistance).

In considering the foregoing it should be kept in mind that the home governments which have not been exposed to the contagion of the Paris meeting may not be as advanced in their thinking as are their respective delegates, and that any joint monetary plan might in its earlier stages be limited to such countries as Britain, France, Benelux and Italy.

Finally, a thought-provoking consideration was advanced by the Netherlands delegate who said that, if it should prove possible to have an assistance agreement concluded between the US and the participating countries as a group such an arrangement would prove to be a powerful catalytic agent in welding the western European economies into a unit.

Sent Department as 3065, repeated Berlin as 283 and to Moscow and Rome by pouch. Copy held Paris for Douglas. [Clayton and Caffery.]

CAFFERY

840.50 Recovery/8-647 : Telegram

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

TOP SECRET

PARIS, August 6, 1947—1 p. m.

3122. For the Secretary and Lovett, from Clayton, Caffery, Douglas, Murphy and Nitze. In our discussions the past two days we have reviewed carefully the draft policy paper of the Planning Board [Staff] on the economic recovery of western Europe. We have been encouraged to find that the people in the Department and those in the field are generally thinking along similar lines.

It is our observation that many of the delegates to the Paris conference personally favor a bold constructive program; but that their governments, while agreeing in principle, shy away from many of the necessary specific measures. Furthermore, various delegates have repeatedly called to our attention the reference in the Secretary's Harvard address to friendly aid in drafting the plan. They now feel the need of such aid, without it their planning might crystallize into an unacceptable program, which would be extremely unfortunate.

We, therefore, believe that our views covering a few basic undertakings by each country should be promptly communicated informally and in an appropriate way to the Paris conference.

We believe that the following basic undertakings are essential parts of any comprehensive economic program for Western Europe which will most nearly assure the effective employment of our assistance, promote the recovery of Western Europe within three or four years so that it may proceed thereafter without further US aid, and which the Secretary may recommend to the administration, the Congress and the American people:

1. Coal and food are key items in the recovery of Europe. Countries whose production of these commodities is subnormal should undertake to give the highest priority to maximizing the output of such commodities. Failure to achieve a satisfactory level of production will be ground for discontinuance of aid.
2. Each participating country should be obligated to take the necessary internal financial and monetary measures to stabilize its money, establish and maintain proper rates of exchange with other countries and generally to restore confidence in its currency.
3. To facilitate the production, distribution and exchange of the products of each participating country, agreement should be reached among them for effective action in the financial and commercial fields, including tangible steps for the progressive reduction and eventual

elimination among the participating countries of exchange controls, tariffs and other trade barriers.

4. Failure by any country to take and maintain effective measures in any of the above respects will be ground for reconsideration of the aid to be extended to such country.

We have discussed the question of the form which our agreement with the participating countries should take. We believe that it will be necessary for us to make bilateral agreements but that such agreements should be clearly tied into a multilateral agreement, thus assuring individual and collective responsibility.

We have discussed in connection with paragraph number two above the proper use to which the local currency counterpart of our aid should be put. We have reached no definite conclusion. This is a technical subject which should have the attention of the National Advisory Council.¹ We do feel, however, that the permanency of the financial reforms which we seek may be jeopardized if the local currency counterparts of our aid were to be used to defray public expenditures.

Sent to Department as 3122 repeated Rome for Dunn only as 198. [Clayton, Caffery, Douglas, Murphy, and Nitze.]

CAFFERY

¹ The National Advisory Council on International Monetary and Financial Problems was established by the Bretton Woods Agreements Act, approved July 31, 1945; 59 Stat. 512.

840.50 Recovery/8-647: Telegram

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

TOP SECRET

PARIS, August 6, 1947—1 p.m.

3123. For the Secretary and Lovett from Clayton, Caffery, Douglas, Murphy, and Nitze. Supplementing our 3122 of August 6, we have canvassed position of the UK, France and Italy. The case of each is, we believe, critical. Failing additional assistance by the United States this year, the situation in these countries may so deteriorate economically, socially, politically, and their foreign policy may be necessarily so modified, that our objectives in Western Europe and elsewhere may become unattainable. We, therefore, suggest that every conceivable avenue of providing interim assistance be carefully reviewed, including possibly the calling of a special session of Congress.

We have not mentioned the critical state of affairs in Germany, which is recognized. However, United States responsibility as an occupying power places the German problem from the standpoint of interim relief in a separate category.

Sent Dept as 3123, repeated Rome for Dunn as 199.
[Clayton, Caffery, Douglas, Murphy, and Nitze.]

CAFFERY

USPolAd Files : Ambassador Murphy's Correspondence ¹

*Memorandum by Mr. Wesley C. Haraldson of the Office of the
United States Political Adviser for Germany (Murphy)*²

SECRET

August 8, 1947.

Subject: Paris Discussions on the Marshall Plan, August 4 to August 6,
1947.

Under Secretary of State Clayton, Ambassadors Caffery, Douglas and Murphy met in Paris from August 4 to August 6 to discuss the Marshall proposal for rendering aid for the economic reconstruction of Europe. Paul Nitze had been sent by the Department in order to bring the most recent Washington thinking to the group. During a series of sessions covering most of the three days, various topics briefly outlined below were explored and recommendations were sent by the group to the Secretary of State.

CRITICAL SITUATION

Ambassadors Caffery and Douglas informed the group of the critical situation existing in France and Britain, respectively, and Under Secretary Clayton told of the conditions existing in Italy. At the present time England is exhausting its dollar resources at the rate of 100 million dollars a week. At this rate, England will find it impossible to go beyond November 15 without cutting into her gold reserves. Unless additional American aid is forthcoming shortly, she will be completely out of dollar resources. Douglas indicated that on the basis of his discussions with Bevin and other British officials, this situation might lead, in the very near future, to the depreciation of the pound, a drastic cut in imports, and force England to withdraw from many of her foreign commitments and radically change her foreign policy.

Ambassador Caffery indicated that the situation with France was very similar, that France could not get by beyond the end of this year without substantial aid, that her reduced harvest this year would provide bread for only five months at the present low ration.

Under Secretary Clayton felt that Italy might possibly scrape through on her present resources up until the first of January, but

¹ Files of the U.S. Political Adviser for Germany, Lot F 169, Box 581.

² The memorandum was an enclosure to a letter of August 18, 1947 from Ambassador Robert D. Murphy to John D. Hickerson, Deputy Director of the Office of European Affairs.

that unless aid was forthcoming very shortly she would not be in a position to contract for food deliveries for the first quarter of 1948.

The possibilities of interim aid were briefly explored. Because of the specialized purpose of the American Export-Import Bank, it was believed highly unlikely that this institution could provide any assistance. The Monetary Fund could grant Great Britain a small amount of aid, perhaps in the amount of 320 million dollars if dollars were declared a scarce currency, vis-à-vis the English pound. The United States could also assist Great Britain by assuming the full burden of necessary imports into the bizonal area of Germany, and by relaxation of certain commitments, such as the convertibility and non-discrimination clauses of the US-UK loan agreement. However, it was believed that Congressional action would be necessary to provide even this interim assistance. Because Congress does not meet again until the first of the year, it did not seem possible that any aid would be forthcoming under the Marshall Plan until March at the earliest. In view of this, recommendations were sent to Washington that all possibilities of rendering interim financial aid should be explored, even to the calling of a special session of Congress. Unless immediate aid were forthcoming, it was felt that the situation in these three countries might so deteriorate economically, politically, socially and in the field of foreign relations, that many of their objectives in Western Europe and elsewhere might be unobtainable.

The situation in Germany was recognized as critical. However, the direct responsibility of the United States as an occupying power placed the German problem in a somewhat different category.

POLICY PAPER OF THE PLANNING BOARD

Paul Nitze briefly outlined a memorandum prepared by the Planning Board of the State Department which summarized its thinking on the Marshall Plan. Briefly this paper set forth the following considerations:

A. U. S. selfish interests involved

(1) If the present trend of economic and political deterioration continues, Europe and its way of life will be lost for a long time.

(2) From a standpoint of trade, the U.S. was interested in a healthy European economy.

(3) For reasons of strategic necessity, it is highly desirable to support the existence of free and independent states and a United Nations organization made up of such states.

B. Nature of the problem

(1) Previous aid by the United States to the European countries in an amount of approximately 10 billion dollars has failed to fulfill the anticipated aims.

(2) Increased production is the only answer. Otherwise the European countries will continue to remain relief clients.

(3) Europe's transport system must be rebuilt.

(4) Conditions must be created in which the products of the several European countries can be exchanged among themselves. This should envisage initially some type of multilateral clearing agreement and finally to erase exchange restrictions, tariffs and other trade barriers so as to unite Europe economically.

C. Congress will appropriate money only on a declining scale over the period of any proposed plan. Hence, it will be necessary for the countries receiving aid to use the money in the most effective manner. Also, because of domestic political considerations, as well as for technical and administrative requirements, aid forthcoming under any plan will undoubtedly be concentrated to a relatively few commodities, such as coal, wheat, cotton, tobacco, etc.

The entire emphasis of the plan should be to help Europeans to help themselves. Hence, not only food and consumer goods should be sent to Europe, but wherever possible, short term capital equipment which will increase the productivity of the European farms and factories, should be included. Long term capital requirements should be satisfied by the World Bank.

In all the discussions at the Paris Conference and in Washington, it was emphasized that any plan for European aid should have as its goal a self-sustaining Europe at the end of three or four years. Hence, elaborate plans for reconstruction or industrialization, such as the Monnet plan for France, cannot be supported by American aid.

D. The Planning Board's policy paper called for the following changes with respect to Germany:

(1) Simplification at Allied Control with more responsibility resting with the German people.

(2) Production controls, priorities and allocations which would assure that the scarce commodities were directed to the proper ends.

(3) Financial reform and readjustment of internal prices.

(4) Early clarification of reparations.

(5) Early termination of denazification. This would, perhaps, involve further amnesties. It would permit the employment of persons in capacities commensurate with abilities. No administrative or political power should be given to persons of pronounced Nazi taint.

(6) Remove existing barriers to foreign travel and trade except where security demands their continuation. Germans should be permitted to set up agencies outside of Germany.

(7) Special arrangements for coal production.

(8) Inclusion of Western Germany into any new arrangements for multilateral clearing or other devices for eliminating exchange restrictions.

PROBLEM DISCUSSED

During and following the presentation of the program as outlined by the Planning Board, a number of the specific points presented or closely related thereto, were discussed by the group, many in a detailed, definitive way which resulted in concrete recommendations to Washington and others in a more cursory manner. Among these problems discussed were the following:

To what extent should America make its views known to the co-operating countries and in demanding reforms or concessions.

Type of organization.

Aid in the form of commodities or cash, or both.

International allocation of scarce commodities.

Centralized purchasing to reduce competitive buying.

Internal budgetary reforms of participating countries.

Elimination of trade barriers and present unreasonable exchange rates.

Use of domestic currency counter-part of aid received.

Technical assistance to be given by the United States in drafting plan.

Time required for Congressional action and the possibility of Congressional approval.

CONSENSUS OF GROUP AND RECOMMENDATIONS

It was the general consensus of the group that it would be impossible to get Congressional approval to any plan which did not spell out in great detail the use to which the funds would be put, and unless the participating countries not only promised to take steps but actually did take steps to put their own economies in order. For example, it would be necessary for Great Britain to improve coal production and to eliminate much of her housing program which is such a drain on steel and labor resources. In the case of France it would be necessary to take steps which would both increase her agricultural production and eliminate the present situation where the farmers are unwilling to sell their present limited products. It would be undesirable as well as impossible to get the American taxpayer to provide funds for the importation of scarce commodities into Europe unless the European countries themselves did everything possible to maximize their production of these commodities. This being the case, the group was in general agreement that the United States should make its wishes known at an early date to the participating countries, so that they might draw up the proper type of proposal, and be cognizant of the commitments for internal improvement which they would be called upon to make as a *quid pro quo* to the receipt of any aid. It was felt that a number of countries or certain groups within these countries were of the opinion that they were favoring the United States by par-

ticipating in the Marshall Plan, that it was a device on the part of the United States to ward off a depression.

The following recommendations were made to Secretary Marshall and Under Secretary Lovett:

(1) That the participating countries be informed of the views of the United States prior to the adoption of any program. Unless this were done it was believed that the planning of the European countries might very well crystallize in an unacceptable program which would be extremely unfortunate.

(2) Top priority should be given by the countries of Europe in the production of coal and food (this was aimed specifically at France and Great Britain). Failure to achieve satisfactory levels in the production of these items should warrant the discontinuance of aid.

(3) Participating countries should be called upon to carry out internal financial reform which would stabilize their money, restore confidence in it and make possible the establishment and maintenance of proper exchange rates.

(4) Agreement should be reached among the participating countries for the reduction and eventual elimination of all tariffs and trade barriers so as to facilitate production, distribution and exchange of their commodities.

(5) Organizationally the plan should envisage bilateral agreements between the United States and the individual countries tied into a multilateral agreement among all the participating countries. This would insure individual and collective responsibilities.

(6) The problem of the disposition of the domestic currency counter-part of any aid received by a country was discussed, but no recommendation was made other than that the problem should be explored by technical experts with the view of preventing such currency from being used in ways which might jeopardize necessary monetary and budgetary reforms.

LEVEL OF INDUSTRY

The problem of the level of industry was discussed only incidentally as a result of the note which Ambassador Caffery was sending to the French Foreign Office asking, on the part of the United States Government, for France's view on level of industry, control of the Ruhr and related matters. Caffery indicated that publicly France would go on record for a modified version of the Morgenthau Plan, but that informally he was sure that France was willing to compromise on a mutually acceptable solution. He stated that Bidault had frequently told him "We know that we have to join with you in the control of Germany and reorganization of Western Europe, but please don't force us to do so at the point of a gun". Under Secretary Clayton analyzed France's position on the basis of what he called legitimate interests and illegitimate interests. Their legitimate interests were (a) military security, and (b) a desire to decrease the economic dependency

of France on Germany. The illegitimate interest should be ignored completely and the French so informed, but that attempts should be made to satisfy their legitimate concerns. This he felt could be done outside of any level of industry plan.

At one stage of the discussion Mr. Clayton thought that in making recommendations to the Department the Conference should suggest that unless immediate steps were taken to extend aid to the United Kingdom and France "irreparable" damage would be done. Mr. Murphy expressed doubt that such damage would be irreparable and stated that it seemed to him that this question might then involve a fundamental change in our foreign policy. Mr. Clayton pointed out that what he had in mind was that if the United Kingdom for example were forced to pull out of a number of areas for financial reasons that a vacuum would be created which would be filled then by another foreign power—maybe the Soviet Union. He doubted that American public opinion would move fast enough to enable the necessary shift in our foreign policy which would permit the United States and not the Soviet Union to fill that vacuum.

Mr. Murphy commented also that it had been most interesting to listen to the exposition of the possible political effects of the deteriorating economic situation in France and the United Kingdom in view of the fact that the economic condition of Germany was so much worse than that existing in either the United Kingdom or France. He mentioned that the effect of this adverse German economic situation remained to be seen but that the political direction in which 66,000,000 Germans went might have a decisive effect on the European future.

W. C. HARALDSON

840.50 Recovery/8-647 : Telegram

The Secretary of State to the Embassy in France

SECRET

WASHINGTON, August 11, 1947—2 p. m.

2967. Personal for Clayton from Lovett and Wood. Agree that situation you describe makes decision on nature of our friendly aid in drafting the plan imperative now. We are giving urgent consideration this question and will communicate decision and comments soonest. In meantime suggest you defer any action such as proposed in Embtel 3122 of August 6. Very important consideration is not to make suggestions to conferees or consult with or advise them in manner allowing us to be maneuvered into position where, if they accept or act on our suggestions, they would regard us as being committed to their plan. Feeling in Congress very strong that they must not again be presented on a crisis basis with a virtual commitment to any precise course of

action as they now claim was done in case of Greece and Turkey. If are to get Congress approval must carefully avoid this. Must also avoid charge we dictating plan.

Realize we are committed to friendly aid and importance of effective plan from Paris conference so vital we must do whatever practicable to help insure this result. Problem being considered urgently in light of all above factors. Hope to wire you in detail tomorrow.

Repeat to London 3428. [Lovett and Wood.]

MARSHALL

Lot 122 Box 19 B, Folder D-1

*Memorandum by the Deputy Director of the Office of European Affairs
(Hickerson)*¹

CONFIDENTIAL

[WASHINGTON,] August 11, 1947.

DISCUSSION

1. In your Harvard speech you stated that "The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so". Subsequently, the British and French sent out invitations to the Paris Conference and accompanied the invitations with a set of proposals. Point No. 4 of the proposals states in part: "Information relating to the resources and needs of Germany shall be requested from the Commanders-in-Chief, members of the Control Council." Point No. 5 states: "The Committee of Cooperation shall seek the friendly aid of the United States in drafting the report, as suggested by the Secretary of State of that country."

2. No official approach has been made by us to the Paris Conference, or by any of the participating powers, to follow up the point on "friendly aid" (except that questionnaires were sent to the zone commanders in Germany). The Conference adopted an organization plan which contains practically the same language as used under points 4 and 5 of the British and French proposals. In addition, during his discussions with French officials in Paris, Mr. Clayton was asked what means we had in mind for extending the "friendly aid", and this question has been touched upon unofficially in other places. At the recent meeting in Paris between Messrs. Clayton, Caffery, Douglas and Murphy, it was agreed that the time had arrived for taking some action to carry out the offer of friendly aid. It is probable that an

¹This memorandum was addressed to Secretary Marshall through Under Secretary Lovett.

official approach will be made to us in the near future and our course of action should be prepared and agreed upon in advance.

3. Obviously, the concept of "friendly aid" does not include full participation in the Conference. Further, it would be undesirable to take any action now which could be construed, either by the European countries or the U.S. Congress, as approval of any part of the program being developed by the Conference because it might be regarded as a commitment on our part which could later prove embarrassing. It is, however, of extreme importance that the plan which emerges from the Paris Conference be generally acceptable to the U.S. The consequences of a wholly unacceptable plan would be disastrous. Steps which could be taken to assist the Conference while avoiding any U.S. commitment are set forth in the following paragraphs 4, 5, 6 and 7. The steps suggested in paragraphs 4, 5, and 6 could be taken at once and before a first draft of the program is completed. Paragraph 7 refers to action to be taken with respect to a first draft program.

4. The Conference should be informed along the following lines:

a. The basic essential of the U.S. suggestion was that the European countries themselves should devise a program and carry forward effective measures for bringing about European economic recovery. The U.S. will not assist in formulating the program nor, while in the process of formulation, will the U.S. comment on the adequacy or desirability of specific schemes or measures under consideration.

b. There are certain basic objectives that should be achieved in connection with any program if it is to have a reasonable chance of support from the American public and Congress, including, but not limited to, the following:

(1) The program must be designed to bring about the greatest practicable increase, within the European countries concerned, in production of materials needed to fill their basic requirements and to limit requests for supplies from the U.S. to those necessary to fill deficits which those countries cannot, with reasonable effort, themselves satisfy.

(2) Further, the production program of a participating country should not be based only on its own needs but rather on the contribution that can be made to filling the needs of all participating countries.

(3) The participating countries should adopt financial and monetary programs designed to correct as soon as practicable existing financial and monetary weaknesses and to accomplish stabilization of currencies, establishment and maintenance of proper rates of exchange and generally to restore confidence in currencies.

(4) The participating countries should adopt measures looking to the most effective distribution and use of their own resources and the resources obtained from outside sources, including

measures to enforce farm collections and to prevent diversions of products into black markets.

(5) The participating countries should take steps to facilitate the greatest practicable interchange of goods and services among themselves, reducing and seeking to eliminate dependence on exchange controls, quota restrictions, compensation and barter agreements and other obstacles to a free flow of goods.

(6) The program should provide for the greatest possible European self-help and should be such as to warrant the belief that its carrying out would give reasonable assurance of European ability to maintain its economy without continued support from the U.S.

c. The points made under Item B above are given in the spirit of friendly aid to the Conference and as an indication of the type of action which the U.S. believes necessary to achieve European economic recovery. It should be clearly understood that, even if the participating countries adopt all the suggestions outlined above, there is no commitment on the part of the U.S. to accept or implement any plan.

5. The U.S. should make it possible for the Conference to ask for technical factual information from U.S. representatives such as statistical information, advice as to the physical possibility of producing certain goods in the U.S. (e.g., an indication of the length of time it would take to fill orders for locomotives).

6. The Conference should be able to obtain some information about the needs and potentialities of the bizonal area in Germany. Since the agreement on the bizonal level of industry is of special importance to the relationship between the German economy and the balance of the European economy, U.S. representatives should be prepared to submit to the Conference the level of industry plan as soon as agreement has been reached after the impending London talks. The method of presentation should be closely coordinated with the French to assure the greatest possible French support for the plan in the Paris Conference. The plan should be presented as the U.S. and British view as to the type of German economy we believe desirable to enable Germany to make a real contribution to European recovery and at the same time to cease being a financial burden to the United States and Britain. It should be pointed out that our main objectives are to expedite the recovery of Europe as a whole, to minimize the financial outlays which the U.S. is being called upon to make, and to insure against a militant Germany in the future. We should be prepared to listen to the views of other powers and to discuss them in a cooperative spirit. In the latter connection, the rate at which the revised level of industry is to be put into effect and the decision as to which industries are to receive priority in reactivation will obviously be of major importance in connection with the contributions that western Germany and the other

European countries can make to each other and to the general restoration of Europe. It is particularly these aspects which it is believed should be discussed with the countries participating in the Paris Conference. Unless exceptional circumstances dictate otherwise, it will normally be best to speak frankly about our guiding policies in Germany and the measures we have adopted or would like to adopt in furtherance thereof. If we proceed in this way, there is a good chance that we shall obtain considerable support for the early carrying out of the revised level of industry plan from the countries at Paris.

7. When the Conference has produced a first draft of a program, U.S. representatives could go over it informally with representatives of the Conference, seeking explanations and clarifications of points that are not clear and generally assisting in putting the program into form which could be understandable to those in the U.S. who would study it for substance. It would have to be made clear that such drafting assistance was not to be construed as approval or endorsement of the program but was merely to facilitate its presentation to the U.S. Government, including the Congress.

8. The matter of procedure for communicating with the Conference requires consideration. The United States must present a united front when talking to other powers. It would be undesirable to have two independent groups of U.S. representatives, one representing our interests in the over-all European recovery and the other representing our interests in Germany alone. As our interests in Europe are broader than, though inclusive of, our interests in Germany, it would appear that the State Department should head the U.S. representation and should coordinate the necessary assistants supplied by the War Department and OMGUS and, if any, by the civilian agencies. The OMGUS representatives need not be top ranking officers, but they should be capable and thoroughly familiar with the level of industry plan and with the general economic situation in the bizonal area.

9. The State Department should immediately select its head coordinator and the necessary civilian assistants. They should be sent to Paris and assigned to the staff of the Embassy. They should not form any official or unofficial liaison with the Conference independent of the Embassy. This staff, aside from being of assistance to the Ambassador in connection with paragraphs 5 and 7 above, would be able to study the program as information regarding it is made available to the Embassy. This would mean that less time would be required for evaluating the program after it has been completed and presented and, therefore, it could be presented to Congress sooner. In addition, the staff could advise the Ambassador if the program being developed was clearly inadequate, in which case we would be able to consider whether further positive action by the U.S. was appropriate.

10. It would not appear necessary for OMGUS representatives to be sent to Paris for the moment, but OMGUS should be instructed to be prepared to do so on very short notice. The OMGUS representatives should be further instructed to be prepared to carry on discussions along the lines set forth in Paragraph 6 above, taking the necessary guidance from the head coordinator referred to in Paragraphs 8 and 9 above.

11. The British should be consulted before final instructions are given concerning the course of action suggested in Paragraph 6 above. However, the U.S. governmental position on that course of action should be agreed immediately.

RECOMMENDATIONS

I. That you approve the interpretation of the "friendly aid" referred to in your Harvard speech as including the steps outlined in Paragraphs 4, 5, 6, and 7 above.

II. That you approve sending instruction to Ambassador Caffery to present to the Committee of European Economic Co-operation an informal memorandum covering the points set forth in Paragraphs 4, 5, and 7 above.

III. That you approve the attaching of additional staff to the Paris Embassy for the purpose outlined in Paragraph 9 above.

IV. That you seek agreement with the War Department on the course of action outlined in Paragraphs 6, 8, and 10 above.

V. That, if you and the War Department approve the course of action outlined in Paragraph 6 above, you approve consultation with the British on this matter through Ambassador Douglas in London.

840.50 Recovery/8-1247: Telegram

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

SECRET

PARIS, August 12, 1947—1 p. m.

URGENT NIACT

3222. For Lovett and Wood from Clayton. All right, your 2967, will await further instructions but would like to point out that a clear-cut decision on this question is necessary. As you say, it is so vital that the plan be an effective and acceptable one that I strongly recommend against a negative approach. For example, until I talked with Spaak he was prepared to push the adoption of a wholly unworkable and unacceptable provision for allocating among sixteen nations all increased production resulting from our aid. He was doing this in the belief that he was following our wishes.

There may be some risks involved in a positive and affirmative position but I think they are minor and certainly not nearly so serious as those attendant upon a timid and negative approach.

I would confine our aid to a few broad policy suggestions such as those contained in our 3122 refusing to be drawn into details. I would make it perfectly clear that we are not dictating and that the plan must positively be a European plan to which the Secretary and the President are in no sense committed until the completed plan is received, carefully examined, approved and presented by them to Congress. I would further make it clear that, even then, Congress must take the final action. As a matter of fact, I have been saying just these things over and over to all these people. I feel sure they all clearly understand we are not committed. [Clayton.]

CAFFERY

840.50 Recovery/ 8-1447 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, August 14, 1947—4 p. m.

URGENT

3029. For Clayton and Caffery. I. From your cables and other reports that reach us of the course of the Paris talks, we gain the impression that too little attention is being paid by the participants to the elements of self-help and mutual aid which constituted an integral part of the suggestions made by the Secretary in his Harvard speech. We are much concerned over this. We consider that the problem of the leading western European countries is not only to make up deficiencies caused by the vicissitudes of the war, but to adjust themselves to certain basic changes which have occurred and are continuing to occur in their international position. This adjustment calls for courageous and incisive action on their own part, both individually and collectively. Unless they are prepared to make this adjustment, no aid from this country could be really effective. It could achieve no more than a postponement of inevitable decisions. We are entirely serious about this and we will not be able to accept, even as a basis for recommendation to Congress, any plan which does not recognize this basic requirement. An itemized bill summing up prospective deficits against a background of present policies and arrangements will definitely not be sufficient.

In approaching this problem, the Europeans might make more progress if they were to assume there was no one to help them, to imagine that they had no choice but to try to work out an acceptable economic future without any outside support, to elaborate the best

program they could, and only then to undertake to define the gaps which absolutely could not be filled out of their own resources even by the most strenuous individual and collective effort.

The above remains our basic position on these matters and you are at liberty to make it clear to any of the participants at the Paris talks.¹

II. With respect to the specific points in your 3122 Aug 6, the following are our comments:

1. It is assumed that point one, although intended to emphasize coal and food, was not meant to exclude production increases through bold constructive action in other bottleneck industries, and in industries on which these in turn depend (i.e., fertilizer, mining machinery, etc.). Increases in production, moreover, should be accompanied by constructive action in distribution, particularly in food collection from farmers, and measures to deal with diversions of mining and factory products into black and compensation markets, etc. There should also be considered necessity for expansion of capital equipment in some lines, so as to reach for each country pay-as-you-go basis within brief period of time at satisfactory standards of living, but primary emphasis should be on efficient utilization of existing capacity rather than on capital development.

2. Re your point two, we regard financial and monetary stability as a goal toward which European efforts should be steadfastly directed, and we consider it important that every effort be made by the conference powers toward attainment of that goal. However, in view of fact that some financial and monetary disorders are basically symptoms of production difficulties and that some others reflect deep-seated differences between political groups which cannot be bridged immediately, we question advisability of making the adoption and carrying out of policies of, say, wage reduction or tax reforms the *sine qua non* of US aid. The importance of formulating and adopting as soon as practicable (keeping in mind the above considerations and without jeopardizing the program) measures to achieve the ends mentioned in your para 2 should be stressed.

3(a) Your point three is regarded here as two separate though related points. First is necessity to which US attaches greatest importance for full collaborative effort of European countries to solve their production problems in concert. This involves agreement on rates of reactivation among the participating countries, sharing of commodities in short supply on equitable basis, special efforts in one country to direct production into fields helpful to others, etc.

(b) Tangible steps for progressive reduction and eventual elimination among participating countries of exchange controls, tariffs and other trade barriers in our judgment constitute a separate point.

¹ When French Ambassador Bonnet called on Acting Secretary Lovett on August 21 prior to a return to Paris for consultation, Lovett "stated that time was running short and that he was disturbed lest the conference of the 16 nations in Paris should produce little more than 16 'shopping lists' for which the United States would be expected to pay the bill." He then read the above portion of this telegram to M. Bonnet and "urged the Ambassador to impress on his government the necessity for bringing home to the governments of the smaller countries at Paris this basic conception of ours." (840.50 Recovery/8-2147)

4. We question the advisability at this time of overemphasizing that failure to achieve set levels of production or to maintain effective measures in the above respects will be ground for the discontinuance or reconsideration of aid. Production goals may not be met for variety of reasons, including Acts of God (flood, freeze, drought), Communist-inspired strikes, inept administration, or perverse unwillingness to live up to commitments. Withdrawal of aid would have to be weighed against reasons underlying failure, and against political as well as economic consequences. Suggest it is more appropriate to withhold discussion of specific conditions under which US would withdraw aid from individual countries until bilateral and multilateral agreements are negotiated after Congressional action on aid to Europe. At this time, main emphasis should be laid on unwillingness of US public and US Congress to aid Europe as a whole unless European countries take effective and cooperative steps to help themselves. Most effective present sanction lies, in our judgment, in likelihood of US refusal to support European plan unless there is real unified effort on their part in the sense of points covered in this message.

III. For your guidance in answering queries from participants in the Conference, the following are some of the basic objectives which we feel should be envisaged by any European program if it is to have a reasonable chance of winning support from the American public and Congress:

1. The program must be designed to bring about the greatest practicable increase, within the European countries concerned, in production of food and materials needed to fill their basic requirements and to limit requests for supplies from the US to those necessary to fill deficits which those countries cannot, with vigorous effort, themselves satisfy.

2. Further, the production program of a participating country should not be based only on its own needs but also on the contribution that can be made to filling the needs of all participating countries.

3. The participating countries should adopt financial and monetary programs designed to correct as soon as practicable existing financial and monetary weaknesses and to accomplish stabilization of currencies, establishment and maintenance of proper rates of exchange and generally to restore confidence in currencies.

4. The participating countries should adopt measures looking to the most effective distribution and use of their own resources and the resources obtained from outside sources, including measures to ensure farm collections and to prevent diversions of products into black markets.

5. The participating countries should take steps to facilitate the greatest practicable interchange of goods and services among themselves, reducing and seeking to eliminate dependence on exchange controls, quota restrictions, compensation and barter agreements and other obstacles to a free flow of goods.

6. The program should provide for the greatest possible European self-help, should provide for action on the part of the participating countries which they will in fact be able to carry out, and should be

such as to assure the maintenance of the European economy without continued support from the US.

The above points may be mentioned in response to inquiries in the spirit of friendly aid to the conference and as an indication of thinking in this Dept as to the type of action necessary to achieve European economic recovery. It should be clearly understood that, even if the participating countries adopt all the measures outlined above our action in giving friendly aid in drafting must not be construed as a commitment on the part of the US to accept or implement any plan. Furthermore, to avoid any possibility of misunderstanding we should caution inquirers that, even if the conference adopts a program which seems workable on its face, any aid which the US might determine to give must be conditioned upon the effective carrying out of such program.

IV. In addition to stating the objectives outlined in para III Dept believes that we could offer to furnish on request technical factual information such as statistical information, advice as to the physical possibility of producing certain goods in the US, etc. Further, the US could offer that, when the conference has produced a first draft of a program, responsive to the self-help and mutual help approach outlined earlier herein, US representatives could go over it informally with representatives of the conference, seeking explanations and clarifications of points that are not clear and generally assisting in putting the program into form most understandable to those in the US who would study it for substance. It should be clearly understood that such drafting assistance was not to be construed as approval or endorsement of the program but was merely to facilitate its presentation to the US Govt, including the Congress.

V. It is recognized that the carrying out of the functions described in para IV will require additional US personnel in Paris to assist Embassy and Clayton when in Paris. Also, it would seem helpful to have qualified staff in Paris who could return to Washington when program is completed, having studied it in process of development. This would mean that less time would be required for evaluating the program after it has been presented and, therefore, enabling earlier presentation to Congress. In addition, the staff could advise you if the program being developed was inadequate, in which case we would be able to consider whether further positive action by the US was appropriate. If inadequate, Dept believes it might be possible to authorize you to make substantive comments on specific parts of the program and on its omissions. Dept believes such staff should be attached to Embassy and not have liaison with conference independent of Embassy.

VI. If Clayton and Ambassador agree with suggestions herein, suggest informal talks with appropriate committee chairmen or others be held promptly. It may be considered desirable within the next few days for Dept to release to the press here a statement along the lines of paras III and IV above. Your comments requested.

VII. Dept believes further aid can be given re role of western Germany. Proposals will be discussed with War and then Brit and will be sent later.

Sent Paris, repeated to London for Ambassador as 3495.

LOVETT

Policy Planning Staff Files

Memorandum Prepared by the Policy Planning Staff

SECRET
PPS-6

[WASHINGTON,] August 14, 1947.

SUMMARY

The Policy Planning Staff has examined in greater detail the time factor involved in the question of United States aid to a European recovery program.

The Staff concludes that if a program of U.S. aid is not acted upon by the Congress before the end of this year, there is little likelihood that such a program, as now conceived, could be successful. Moreover, there is danger that unless we are able to maintain among the Europeans a firm expectation of early U.S. assistance, not only must we expect unfavorable political and moral reactions in Europe, but measures taken by European governments may set off a train of restrictive actions in international affairs which would affect adversely our economic interests in areas outside Europe and would further complicate the question of European recovery.

The Staff recommends that these conclusions be borne in mind in any decisions affecting the timing of Executive and Congressional action with respect to United States aid.

It further recommends that in order to expedite to the utmost the handling within this Department of questions connected with a European aid program, a special center be established at once within the Department to act as a clearing house for Departmental action and to conduct detailed advance planning for such machinery as the Department may later require in connection with such a program.

1. The Policy Planning Staff has reviewed the economic situation of the individual countries which are participating in the Paris Economic Conference. The Staff wishes to point out that the position of certain

of these countries is such that it is imperative not to leave the question of U.S. aid until the next regular session of Congress. If Congressional action on aid for Europe is not taken prior to the end of this year, there is serious danger of events in Europe taking such a course that the task of European recovery will be made much more difficult, and that much greater U.S. aid will be required in the long run. There is some danger that the whole purpose of the invitation to the European countries to cooperate in drawing up a European recovery program will be frustrated.

2. The situation in the United Kingdom is clearly critical and would alone warrant action prior to the next regular session of Congress. In addition, Italy will require additional assistance before the end of this year. France and Austria face serious difficulties early in 1948 and it is not certain that if the question of aid is left to the next session of Congress, action could be expected soon enough to ward off these difficulties. None of the other European countries appears to face economic difficulties as immediate as those mentioned above, but if the general European situation should deteriorate to a marked degree during the coming months, there is no guarantee that we might not be confronted with urgent requests for assistance from some of these countries. The margin of safety in Europe, both from an economic and political viewpoint, is extremely thin. Any sharp change in the economic picture for the worse might cause difficulties in areas which have not hitherto given occasion for concern.

3. The basic facts with regard to the four countries mentioned above, as they now appear, are as follows:

a. *United Kingdom.* If the dollar drain on Britain continues at its present rate, the loan will be exhausted and the British reduced to what they have considered their minimum reserve of gold and dollars by mid-October. The full facts of the British situation are not yet clear, but it is doubtful whether further analysis will disclose a radical difference in the basic situation. The measures which the British apparently propose to take to deal with the situation will not have important immediate effects, so that it is probable that the situation foreseen by them will arise some time during the fall. There are possibilities of financial assistance which would not require Congressional action, but these would merely postpone the day of final reckoning by a matter of a few weeks. A reduction in British gold and dollar reserves below what the British (and we ourselves) have regarded as a minimum figure also offers a way of dealing with the situation temporarily. The British will no doubt be strongly opposed to any such reduction unless they have greater assurance than we are now in a position to give, that they will obtain further U.S. aid at an early date.

b. *France.* The Embassy at Paris has reported that the French also will be reduced to their minimum reserves at some time during the

remainder of this year and forecasts a French dollar deficit through March 1948 of \$300,000,000 to \$420,000,000. This picture appears in general to be accurate. The French situation can be dealt with in major part if the World Bank gives France another \$250,000,000 loan during the latter part of this year. This would see the French through the present year and defer the problem of further assistance until the early part of next year.

c. *Italy*. Studies which have been made in the Department of the balance of payment for 1947 indicate a deficit during the remainder of the present year in the neighborhood of \$75,000,000 to \$100,000,000. No recent detailed estimates of the 1948 picture are available. However, it appears that unless further financial aid to Italy is forthcoming during the present year, there will have to be a significant adjustment in the scale of Italian imports with the probability of a serious deterioration in the Italian economic situation.

d. *Austria*. The Austrians will squeeze by during the present year, thanks to a variety of handouts of different kinds by the United States and the British. It is not easy to estimate when the funds will be exhausted; the probability is that this point will be reached perhaps by February or March 1948.

4. The fact that, at present rates of expenditure, a country will be confronted with a critical situation some weeks or months from now does not postpone the crisis until that time. As the facts become clear, steps will be taken to meet the situation. In this sense, the crisis is already upon us. The French, Italians, and Austrians will probably defer making adjustments in their import programs as long as possible, in the hope of receiving aid, although they will undoubtedly be required to take certain steps in the direction of cutting down their dollar expenditures. The British are already doing so.

5. One of the most serious aspects of the present situation is the danger that the steps taken by European countries, and particularly by Britain, to deal with the dollar shortage may set in motion a train of events with exactly the opposite effect of that intended in the Harvard speech. Restrictions on imports adopted by one country are likely to give rise to the imposition of new restrictions in other countries and to cut down the international flow of goods at a time when it is most important that the trend should be in the opposite direction. The effects are not likely to be confined to Europe, but would spread quite rapidly to Latin American countries and Canada. If this process should go on with any speed, we might find ourselves confronted with something far more serious than the present European situation.

6. In addition to the financial problems outlined above, there is growing evidence that there will be a serious food situation in Europe and possibly elsewhere during the coming winter. The French wheat

crop has been described as the worst since 1815. The general crop picture is not as yet clear, but as further indications are received they will deserve careful study.

7. As is well known, a number of leading members of Congress on Committees which will have to do with foreign aid expect to go to Europe and other parts of the world during the late summer and fall. The presence of many of these leaders in the United States will be essential, either for a special session of Congress or if consideration of the European aid program is to be undertaken in the early fall by the appropriate committees of the House and Senate. If their presence in the United States will be required later, presumably they should be given some warning of this fact now. The entire subject of Congressional action on the European aid program seems to require early discussion with the leaders of Congress.

8. Carefully coordinated action on a broad scale will also be necessary as far as the Executive branch of the Government is concerned, if the question of aid to Europe is to be handled expeditiously and effectively.

a. The critical period in the formation of the European program is being reached now, as the answers to the questionnaires by the various subcommissions are being received and the subcommissions turn to the substance of the program. If time-consuming delays are to be avoided after the completion of the Paris Conference, and if the United States is to influence the general character of the program developed at Paris, our influence must be brought to bear now. Presumably this should be done by the "friendly aid" offered by the Secretary in the Harvard speech.

b. There will be a task of considerable magnitude in translating the European program into a U.S. legislative program for submission to the Congress. The European program must be reconciled with the reports of the committees appointed by the President to consider the domestic aspects of the problem.¹ Legislation must be prepared and the program will have to be fitted in with the Government's general fiscal program. Numerous interdepartmental clearances will presumably have to be obtained. No organization now exists in the Department for undertaking this work. Indeed, no responsibility for seeing that it is done has been placed anywhere.

c. An administrative agency of some kind will be necessary to carry out the U.S. part of the European program. Such an agency cannot be organized over night. Much advance planning and the selection of some key personnel is called for. It would be most desirable if some of the people who will be responsible for the administration of the program from the U.S. end participated in its formative stages. This also calls for some action by the Department.

¹ See President Truman's press statement of June 22, p. 264.

840.50 Recovery/8-2047 : Telegram

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

SECRET

PARIS, August 20, 1947—11 a. m.

3327. From Clayton and Caffery. With reference to the suggestions made in your 3029 August 14, 6 p. m. we met yesterday with Sir Oliver Franks, chairman, Committee of European Economic Cooperation. Ambassador Douglas was present and participated in the conversation but left for London before this telegram was drafted.

Franks gave us a report on the progress of the conference, first mentioning that the technical commodity reports were now going to the Executive Committee, after which they would be presented to the General Committee, but that these individual reports would not be finally approved until the entire report was adopted. It was expected that all these reports would have been submitted to the Executive Committee this week and that by the end of the week the balance of payments report, incorporating data from all of the countries, would be ready for committee consideration.

In reply to our inquiry, Franks said that the criterion used by individual countries in determining their requirements is based on the standard of living which they expect to be able to maintain after 1951 without special external assistance thereafter. It had already been learned that in some cases it would be necessary on a global basis to scale down requirements simply because they exceeded any possible availability. He cited specifically the case of bread grains but pointed out that the committee action would be limited to reducing the global amounts and that the actual allocations to be made to individual countries would have to be determined elsewhere.

Next Franks referred to the active discussions during the past week concerning a possible customs union (reference Embassy's 3195, August 9, 3269, August 14, and 3290, August 16¹). Franks mentioned that France and Italy had taken an affirmative position in regard to the development of a Customs Union among the participating countries; that the United Kingdom was not in a position at this time to commit itself to such a program but had no objection to other countries going ahead with such an arrangement. The Benelux group had previously indicated that it was not interested in participating in a general union which did not include the United Kingdom but he did not know whether this group still held the same view. The Irish delegate was even less favorably inclined towards the customs union proposal and the Turkish delegate had made a speech on the subject which did not clearly set forth his position. The other delegates were still awaiting instructions from their governments.

¹ None printed.

Franks set forth the position of his government as reported my 3290, August 16 and then inquired as to our view concerning the importance of the adoption of the Customs Union program in relation to public opinion in the US toward a European plan.

In reply we made it clear that the US was not making at this time a demand for a commitment in regard to the intentions of the participating countries to eventually form a Customs Union. We did, however, point to the need for a positive constructive program quoting the Department that "an itemized bill summing up prospective deficits against a background of present policies and arrangements will definitely not be sufficient". It was our belief that definite measures directed towards the eventual elimination of trade and other barriers among the European group would meet with a very favorable reception in the US, but that a mere statement of intentions to explore the matter would hardly be impressive.

We next mentioned to Sir Oliver that the Department had commented that the Europeans might make more progress if they were to imagine that they had no choice but to try to work out their problems without any outside support. He replied that if such a planning approach were used it would result in a program based on self sufficiency (as contrasted with a viable economy) and that the pattern would be entirely different from one based on fitting Europe into a world economy and on the assumption of some kind of outside assistance during the transitional period. We are inclined to agree with this point of view.

We next outlined to Sir Oliver the six basic principles mentioned in Section III of the Department's telegram under reference. He remarked that there were some delegates to the conference who were thinking in terms of forming a comprehensive organization to control the allocation of production, rates of reactivation, etc., among the participating countries, but that he had resisted this type of restrictive approach. On this point we refrained from setting forth the Department's position in detail as stated in your telegram under reference. We had previously given attention to Section II 3a of your telegram which called for the full productive effort of European countries to solve their production problems in concert, stating that "this involves agreement on rates of reactivation among the participating countries, sharing of commodities in short supply on equitable basis, special efforts in one country to direct production into fields helpful to others, etc."

We found this comment to be disturbing, not only because it would provide an excuse for resuming the cartel practices which so retarded industrial progress in Europe before the war, but also because it would tend to stimulate bilateral trade and to intensify the various economic

controls which under the best of circumstances have removed incentives for maximum output and which in other cases, such as France and Italy, have so distorted the productive and distributive processes as to almost result in economic chaos.

We hope on reconsideration, the Department will agree that the language quoted above would be subject to a wrong interpretation (and will approve our action in not passing it on to Sir Oliver).

Sir Oliver next raised the question whether it would be desirable to have some form of continuing organization to deal with this program after the final report had been approved and forwarded to the US, pointing out that the Scandinavian countries (keeping one eye to the east) were reluctant to continue this activity in its present form beyond that point. In reply we said that, while at present we saw no need for an organization of participating countries beyond the period of assistance envisaged in the Marshall approach, it seemed to us that there would be such need during that period. We pointed out that an effective plan would require specific measures by each participating country in such fields as production, financial and monetary stabilization, and removal of trade barriers and that we believed that the American public and Congress would be impressed by a multilateral undertaking in which the individual countries would obligate themselves to the group to do specific things, their failure to do so constituting grounds for review and appropriate action by the group.

Sir Oliver next said that, while the order of magnitude of financial requirements from the US for the program would not be known until the end of the week it was quite possible the total sum would prove so large that "pruning down would be necessary before the US would find the program acceptable." He regarded it as a basic question whether this reducing procedure would be done by the US or by the conference itself. As an illustration he mentioned the very large steel output estimates submitted both by bizonal authorities for Germany and by the French govt under the Monnet plan, pointing out that there would not be enough coke available to meet global requirements. The difficulty was that this was a problem outside the jurisdiction of the conference but until it could be resolved the global deficit for the European balance of payments would be larger than would be the case if the level of industry and Ruhr questions were settled.

We next mentioned to Sir Oliver the suggestion made in Sections IV and V of the Department's telegram under reference regarding the assignment of additional personnel to the Paris Embassy to become familiar with the methods and work of the conference with a view to advising the Department concerning suggestions which it might find desirable to make to the conference. It was pointed out that such personnel would work with the Ambassador and White² in an informal

² Ivan B. White, first secretary and consul at the Paris Embassy.

capacity and as members of the Embassy, not having individual liaison with the conference. Sir Oliver agreed enthusiastically with this suggestion and we recommend therefore that the officers mentioned in Department's 3048, August 14 be sent to Paris as soon as possible. We also recommend that telegraphic travel authorization be transmitted immediately to Geneva detailing Robert Terrill³ to assist in this work in Paris.

Before closing the conversation Sir Oliver raised the question of the procedures under which the report was to be transmitted to the US and made available to the American and European publics. We replied that we had no instructions on this point but would request the Department's advice. It seemed to us, however, that under the circumstances it would be proper for Mr. Bevin as chairman of the conference to transmit the report to Secretary Marshall whose Harvard address inspired the calling and organization of the conference. Furthermore it was very important that publication of the report take place in the US simultaneously with its release in Europe.

We agreed that the people in Washington at some stage would want to discuss the matter with some of the conference members, probably the Executive Committee and that the need for this would probably arise at the time the report was being studied by an inter-Departmental group. It was believed that work on the drafting of multilateral and bilateral agreements could, in accordance with previous practice, go on while Congress was debating the program.

We would greatly appreciate receipt by telegram of the Department's views in regard to the foregoing.

Throughout the conversation we emphasized the informal character of our views; the fact that they constituted no commitment and that final decisions regarding their program would be taken by the Congress.

Sent Department as 3327, repeated to London for Douglas as 649.

[Clayton and Caffery]

CAFFERY

³ Associate Chief, International Resources Division.

requirements requested in very few cases. Other reports indicate that requirements statements and existing national plans of participating countries are being accepted without discussion of real analysis. Merely adding up separate estimates would obviously result in unacceptable program and reductions would be more difficult than if made during formulation stage.

It seems inappropriate to consider offering revised level of industry plan to Paris Conference for comment on rate of and priorities in reactivation unless comparable comment made by Conference re plans and statements of all participating countries. An opportunity to seek help from bizonal area as well as from US might further encourage avoidance of critical discussion of proposals for self-help.

In absence of assurances that Paris Conference intends to analyze separate country proposals with aim of securing integrated realistic program embracing all participating countries, Dept feels any decision re discussion in Paris of reactivation rate bizonal level of industry premature. (Re para 1 Douglas message from Paris, 3310 Aug 18¹). Will Clayton, Douglas and Caffery please comment re Depts apprehensions? In meantime discussion of rate of reactivation bizonal industry in London talks with French should be avoided. Clay's views regarding appropriate position also requested. Sent London for Ambassador, repeated to Paris 3120 for Ambassador, and to Geneva 1043 for Clayton.

LOVETT

¹ Not printed.

840.50 Recovery/8-2147: Telegram

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

SECRET

LONDON, August 21, 1947—8 p. m.

4552. For Lovett. 1. I share your apprehensions that Paris Conference is not critically analyzing the estimated production and requirements of participating countries and that there is danger that final program may be both unrealistic as to production and inordinately large as to our assistance. (Department's telegram 3596, August 20). Agree important all countries at Paris adjust their production programs to realities and critically screen each other's requirements in order to keep demands on US at minimum. For example: French must be persuaded to abandon present position that original Monnet plan must be accepted practically unchanged no matter what the cost to US or to general recovery.

2. Did not intend to propose that production program for bizonal area be subject to any more rigorous screening than that of any other

country. Question is not, it seems to me, one of submitting bizonal production program to Paris or permitting it to be discussed there, for both of these steps have already been taken.

3. Question seems rather to be one of participation of US Government representative aided of course by OMGUS staff in discussions on behalf US zone Germany in order that our program may be defended and that other countries may have an opportunity of pointing out to US as they will to each other changes in our program which would in their judgment contribute to reducing overall bill or to facilitating economic recovery of Europe as whole. Do not believe that in absence US delegate UK representatives are, or are considered by Paris conferees to be, adequate spokesmen for whole bizonal area.

4. To hold ourselves aloof from such give-and-take cannot help but encourage other participants to consider that their national plans and requirements should be accepted without examination or discussion. While we perhaps need not take the lead, neither should we hang back. We cannot in my view too promptly make it clear that we are prepared to participate in any overall program of critical analysis affecting all countries alike, though reserving, as each country must, the right of final decision in the light of all the evidence.

5. I recognize that US zone participation may carry implication that US is contributing directly and is accordingly committed to any program which may be formulated at Paris Conference but this danger can, I believe, be minimized, even completely removed.

6. Clay will arrive tomorrow morning. Will discuss this further with him and request him to transmit his views.

Repeated to Geneva 121 for Clayton and Paris 469 for Caffery.

DOUGLAS

840.50 Recovery/8-2247

Memorandum by Lt. Col. Charles H. Bonesteel, III, Special Assistant to the Under Secretary of State (Lovett)

SECRET

[WASHINGTON, undated.]

MINUTES OF MEETING ON MARSHALL "PLAN" 3:00 P. M.,
AUGUST 22, 1947

Present: C-Mr. Bohlen
S/P-Mr. Kennan
Le-Mr. Gross
EUR-Mr. Hickerson
EUR-Mr. Jackson
GA-Mr. Kindleberger
PA-Mr. Swihart
U-Mr. Bonesteel

Informal discussion revolved around the questions listed in Tab A attached. There follows a summary of the conclusions reached with regard to each of these questions.

The paragraph numbers below refer to the question numbers in Tab A.

1. A comprehensive departmental position has not been officially approved. Considerable work has been done and is expressed in the report of the Policy Planning Staff on European reconstruction and in a series of documents produced by the committee working under Mr. Kindleberger.¹

It was concluded that the time has come to firm up the overall departmental position. It was the consensus that the two sets of documents mentioned above should be circulated to selected representatives within the Department for hasty review and comment to the end that a departmental position be established early next week.

a. It was the consensus that Mr. Clayton, while generally aware of departmental thinking with regard to the "Plan", holds fundamental divergent views on some aspects, notably the importance of a Customs Union for Europe, the over-riding importance of financial and multi-lateral exchange arrangements, and his aversion to continuing European machinery to implement the European reconstruction plan. These divergencies held by Mr. Clayton may fundamentally affect the form and acceptability of the final plan presented by the Europeans. It seems essential that, as soon as the departmental position is clarified, that every effort be made to bring Mr. Clayton's thoughts in line with the clarified position.

b. It was felt that the following procedure would be best to bring Mr. Clayton fully in line with the departmental position: Send him a comprehensive cable covering, in its first part, a review of basic political factors in the present European scene; in the next part, a brief but fairly detailed review of the essentials of the Department's position; a third part, asking him to prepare his comments on part two and be prepared to discuss them with Mr. Lovett by teletype. If the teletype conversation indicated any remaining divergencies of view, Mr. Kennan should make a quick trip to London for the purpose of discussing the outstanding matters with Mr. Clayton.

2. The consensus was that sufficient friendly aid is not being given. It seems fundamentally necessary that the European nations go through a screening procedure of the committee reports being presented with a view to substantially decreasing the aid requirements therein and making a greater showing of cooperative effort. This, in

¹ Charles Kindleberger was the executive secretary of the Committee on European Recovery Program organized on June 25. This Departmental Committee studied the projected aid program from many points of view and prepared a substantial corpus of background and operating materials. Copies of these are in Lot 122.

effect, would extend the present target of 1 September by some appreciable amount.

3. The screening of committee reports, suggested in 2 above, will almost inevitably lead to an extension of the target date. This will achieve the purpose suggested in question 3, and is a better way to delay submission of the report than to suggest directly to the European nations that the report should be further considered.

4. It was agreed that the critical situation in Britain² may have some serious effects on the cooperation expected under the European recovery plan. Mr. Kennan undertook to review, in light of the present situation, his basic paper, particularly the chapter on Great Britain therein.

5. Discussion on this question brought out the necessity for a clearer idea of the mechanics of presentation of the European plan to Congress. It appears highly desirable to establish that the initial report from the European countries will be reviewed by the Administration and further questions asked the Europeans if, in our opinion, the plan is not wholly satisfactory. Such a course is, in effect, a form of negotiation but it seems impossible to avoid it. If the first report from the European countries is to be passed directly to Congress it seems very likely that the best action from the Hill will not ensue.

6. All agreed that an Administration position should be established as soon as possible. We understand that the Treasury Department, Commerce, et cetera, are becoming somewhat restive since they have heard nothing as to State Department thinking with regard to the Marshall program. As soon as the departmental position is clear, it was felt that copies of the position papers should be transmitted to the appropriate Cabinet officers by a letter which asks them to have the paper reviewed in their departments and their comments transmitted to the State Department through a designated representative, who could meet in an *ad hoc* committee with Mr. Kennan and other State Department representatives. As soon as the Administration position was clear it should then be given Mr. Harriman's committee and appropriate Congressional leaders and interested Congressional committees.

7. A separate memorandum has been prepared on the public relations aspects of the Marshall Plan and will be reviewed in the light of such action as is taken in regard to the matters discussed above.

The important questions of the special session of Congress and the question of Germany in relation to the European plan were not completely discussed. Further meeting will be held on these subjects in the near future.

² For documentation, see pp. 1 ff.

[Enclosure]

QUESTIONS

1. Is the Department's position regarding the skeleton of the Plan sufficiently clear?

a. Is Mr. Clayton fully aware of the Department's position?

b. Would it be desirable to send a representative to Paris to make Mr. Clayton fully *au fait* with the Department's position?

2. Are we satisfied that all desirable "friendly aid" is being given?

3. Should we indicate to C.E.E.C. the desirability of extension of the target date for their report so as to permit full consideration of factors expressed in Deptel 3029,³ etc.?

4. Are there important foreign political factors entering the picture that require recognition in our approaches on "friendly aid"?

a. British political and financial situation?

b. French-Italian relations?

5. Should consideration be given to making less clear-cut the alternatives which would have to be followed if C.E.E.C. submits an unacceptable report?

6. What should be the timing in bringing the Treasury Department, Commerce, Congress, et cetera, into the picture?

7. Are there any factors with regard to the public relations aspects of the Marshall Plan which we should consider?

³ August 14, p. 356.

840.50 Recovery/8-2447: Telegram

*The Acting Secretary of State to the Secretary of State at Petropolis, Brazil*¹

TOP SECRET

WASHINGTON, August 24, 1947—7 p. m.

US URGENT

NIACT

80. Humelsine for Carter.² Eyes Only for Secretary Marshall from Lovett. Subject: Paris talks on unified economic plan. 1. Seven days from now the Paris Conference is scheduled to produce a plan. Progress so far is disappointing in that all that has come out so far is sixteen shopping lists which may be dressed up by some large-scale

¹ Secretary Marshall was head of the United States delegation at the Inter-American Conference for the Maintenance of Continental Peace and Security at Quitandinha, near Petropolis, Brazil. For documentation on this conference, see vol. VIII, pp. 1 ff.

² Carlisle H. Humelsine became Director of the Executive Secretariat, Office of the Secretary of State on June 29, 1947; Marshall S. Carter was Special Assistant to the Secretary of State.

but very long-term projects such as Alpine power, etc. The present grand total of the shopping list approach is unreasonable, not solely because of its size but because on its face it indicates that even these huge sums will not accomplish the rehabilitation over a four-year period, still leaving a deficit at end of that time amounting to about four billion dollars annually (mostly a food deficit according to their experts).

2. This approach continued even after a message sent on August 14 to Clayton and Caffery³ pointing out that from reports received "we gain the impression that too little attention is being paid by the participants to the elements of self-help and mutual aid which constituted an integral part of the suggestions made by the Secretary in his Harvard speech. We are much concerned over this. We consider that the problem of the leading western European countries is not only to make up deficiencies caused by the vicissitudes of the war, but to adjust themselves to certain basic changes which have occurred and are continuing to occur in their international position. This adjustment calls for courageous and incisive action on their own part, both individually and collectively. Unless they are prepared to make this adjustment, no aid from this country could be really effective. It could achieve no more than a postponement of inevitable decisions. We are entirely serious about this and we will not be able to accept, even as a basis for recommendation to Congress, any plan which does not recognize this basic requirement. An itemized bill summing up prospective deficits against a background of present policies and arrangements will definitely not be sufficient.

"In approaching this problem, the Europeans might make more progress if they were to assume there was no one to help them, to imagine that they had no choice but to try to work out an acceptable economic future without any outside support, to elaborate the best program they could, and only then to undertake to define the gaps which absolutely could not be filled out of their own resources even by the most strenuous individual and collective effort.

"The above remains our basic position on these matters and you are at liberty to make it clear to any of the participants at the Paris talks."

3. The remainder of the cable was devoted to pointing out that our objective was to break the bottlenecks so as to increase production, both industrial and agricultural, through the clearing of choke points in coal, fertilizer, transportation, food, etc., and in improving systems of distribution. We pointed out necessity for primary emphasis on efficient utilization of existing capacity rather than on capital development. We then enumerated financial and monetary stability, tangible

³ Telegram 3029, p. 356.

and progressive reduction of exchange controls, tariffs, etc., and necessity for removal of all obstacles in exchange of goods between European nations, etc. Clayton and Caffery have obviously endeavored to make these points clear but, as indicated at outset this message, adequate results have not ensued.

5. This morning *New York Times* front page article by Callender from Paris apparently giving considerable detail on European economic conference report. Article stresses that there will remain after 1951 annual deficit of four billion dollars due principally to food import requirements. Unless Western Europe's food supply can be made up from resumption trade relations with food producing countries behind Iron Curtain alternative is continuing provision these food requirements from Western Hemisphere, et cetera, which will continue the large annual dollar deficit. Article also stresses importance of Germany requirements for increased supplies of coke and finished steel. Article ends on disturbing note implying that report is in effect near [mere?] summation of national requirements based on individual national planning. Article ends with paragraph stating members of conference count on US officials to aid them in writing final report which would "strike the imagination" of US public and Congress. I believe the article was planted.

In these circumstances and against the background of our promise to lend friendly aid in drafting, I am convinced that the time has now arrived for us to give some indications that the present plan is not acceptable and to do so promptly. This can be done without commitments. If not done we will be criticized. I therefore recommend the following steps:

(a) That a message be dispatched to Clayton and Caffery reiterating our object to obtain from the Europeans a plan which will enable them to improve production to the point where they can become self-supporting at whatever minimum scale is tolerable through the principle of self-help and mutual help rather than have them lean on us to rebuild, on a long-term capital basis, their entire production machine. The latter, while desirable, cannot come into being for some years and we cannot support the drain of rebuilding Europe on a grand scale. In connection with this basic approach, we would emphasize the breaking of specific bottlenecks well known to them and to us. This overall tentative statement of Department's views will be held pending your comments on proposals submitted herewith.

(b) Since Clayton and Caffery have been out of touch with headquarters for some months and may not be wholly familiar with the work that has been done here and the difficulties any program must face, I would like to send George Kennan for a few days and Charles Bonesteel for a week to Paris Tuesday night carrying realistic proposals to Clayton and Caffery so that they can be of such assistance

as possible in giving aid to Caffery and Clayton for the Executive Committee in particular.

(c) As is common in all such conferences, I suspect that no real progress will be made in obtaining real concessions involving the abandonment of national prestige or transitory competitive advantages until the deadline for adjournment approaches. Therefore it seems wise to me to keep this pressure on the conferees but to notify Franks, the British Chairman of the Executive or Steering Committee, through Caffery, that we would be prepared to have the conference extended for two weeks in order to avoid having them bring out a shopping list report instead of a constructive program. I believe this can be done and that it would be welcome. It would not materially delay our over-all study of the program since Harriman's committee will not report on U.S. potentialities for aid until October first.

(d) We are preparing a summarized memorandum using portion of Kennan's report as background and adding some material developed in economic sections as a top secret report to keep the Secretaries of Treasury, War and Commerce posted on current developments in light of British crisis. They have been asking for detailed indications from Paris talks and we are anxious to inform them and insure their co-operation in our efforts to find solution. We would like to have this go only to the three Departments mentioned above plus the President, and think we can have it ready by Thursday.

6. While the present outlook seems gloomy, I am not one bit discouraged, as we are only now coming up to the point where we have something concrete to work on and where we can point out the unsatisfactory measures so far taken. If we can keep the conferees from getting crystallized into a bad plan, perhaps we can swing them into a good one, or at least a better one. This seems to us here to be well worth our best efforts. The British financial crisis, plus the virtual British walkout on the ITO at Geneva,⁴ were not foreseen by the conferees when their original time schedule was selected, and two weeks grace after September 1 may be the difference between failure and success.

Will you please authorize or amend the action outlined above at your earliest convenience.

All goes well here.

Best regards,⁵

LOVETT

⁴For documentation regarding the U.S. role at the Geneva conference, the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment, see volume I.

⁵In top secret telegram 68 from Petropolis, Secretary Marshall answered: "I concur completely in your views and action proposed in your 80. I consider it essential that our people show great firmness and be most emphatic in stating our requirements. I suggest that proposed message to Caffery and Clayton be repeated to Douglas and Dunn for their supporting advice to respective government seats. We should also furnish Forrestal a copy of the summarized memorandum of developments you are preparing." (840.50 Recovery/8-2547)

840.50 Recovery/8-2247: Telegram

The Acting Secretary of State to the Embassy in France

TOP SECRET

WASHINGTON, August 24, 1947—8 p. m.

URGENT NIACT

3158. For Caffery. Caffery's 3395 (147 to Geneva for Clayton's eyes only)¹ reinforces view here that there must be major changes in both content and conclusions of CEEC report prior to completion. Realistic and workable program more important than meeting predetermined deadline for completion of report.

Program presently indicated by above message and other reports from Clayton, Caffery, and Douglas, does not appear to meet following essential standards: (1) achievement of European economy capable of maintenance without indefinitely prolonged outside support; (2) maximum realization of opportunities for mutual aid within the area; (3) concentration of aid at points where it will have maximum immediate recovery effects.

Coming to you soon is overall summary of Department's view on essentials of a workable European recovery program. While we must not create impression that we are directing specific content of report or slowing down its preparation, publication of a report not meeting standards in para 2 above would do irreparable harm by evoking serious criticism in US and by further undermining confidence and hope of Europeans that they can help themselves.

Pending receipt of summary you should express to Franks and such others as you think necessary our grave concern as to character of presently envisaged report. If Conference procedure follows para 2 urtel 3327 of Aug 20 from Paris, you might suggest that Exec Comm, with help of technical committees, take the time necessary to direct report toward standards in para 2 above before discussing draft report with US representatives as envisaged in para IV Dept's 3209 [3029] of 14 Aug to Paris. Overall summary mentioned above will contain further suggestions re procedures for consultation with US representatives, etc. To provide fullest and most expeditious amplification of departmental views I am consulting Secretary about sending George Kennan to Paris for short stay, leaving Washington

¹ In telegram 3395, August 22, 1947, from Paris, not printed, Caffery noted that "Marris informs us that preliminary findings are that deficit of 16 participants plus western Germany for 1948-51 period will be in 26-28 billion dollar range order of magnitude decreasing from eight billion 1948 to four billion dollars 1951 the disturbing aspect arising not only from the magnitude of the sum but also from the fact that a viable economy would not result by the end of 1951." (840.50 Recovery/8-2247)

Tuesday night. Would appreciate your immediate thoughts as to utility this move.

Repeated to Clayton, Geneva, as 1068.

Repeated to Douglas, London, as 3664.

LOVETT

840.50 Recovery/8-2547 : Telegram

The Consul at Geneva (Troutman) to the Secretary of State

TOP SECRET

GENEVA, August 25, 1947—8:10 p. m.

US URGENT

NIACT

909. Lovett from Clayton. Reagan,¹ White and I spent over two hours with Sir Oliver Franks Saturday discussing very disturbing total requirements 16 nations and western Germany. Sir Oliver emphasized that this summation is not yet a conference document as there is still much work to do on it.

Total balance of payments deficit with USA for four year period '48 to '51 is 19.9 billion dollars and with rest of American continent 8.3 billion. Grand total American continent 28.2 billions ranging from 8.1 in '48 gradually downwards to 5.8 in '51. Latter figure most disturbing of all because indicates their expectation that they will be far from self sustaining in '51. Also indicated that the agreed basis for preparation of figures was not observed. That basis is a standard of living which they expect to be able to maintain without special outside assistance after '51.

Figures of requirements are divided between food, steel, transport and fuel in one total and other goods in another total. Latter is stated at 3 billion for each of the four years former 6.7 for '48, 6.6 for '49, 6.3 for '50, 6.1 for '51. This also disturbing as showing unsatisfactory progress in recovery production particularly food and coal. Exports to American continent are to be deducted.

Figures for rest of world are almost in balance showing a total deficit of 1 billion for the four years.

Of course I told Sir Oliver in my opinion the 28.2 figure was out of the question.

I again stated to Sir Oliver that I believed presentation of figures for '48 at higher level than these 16 countries and western Germany showed as deficit with American continent in '46 would create very bad impression at home and of course subsequent years should show scaling down to very low figures for '51. None of us knows exactly

¹ Daniel J. Reagan, Counselor of Embassy for Economic Affairs at Paris.

what this '46 deficit was but my impression is it was between 5 and 6 billion dollars. Sir Oliver stated that this would mean a standard of living below prewar and would raise grave political problems for most of the countries. I replied that the destruction to European economy by two world wars was so enormous that I seriously questioned if Europe could achieve in the next decade a standard of living equal to prewar even with all the help which had been provided by the US and with such additional help from the US as might be practicable. This especially true because for several prewar years Europe was living off its investments abroad to extent 2 billions annually, three-fourths being interest and one-fourth disinvestment and that practically all this capital now lost.

Sir Oliver said a quick examination of the supporting documents indicated that the total could be trimmed by probably 5 billion dollars because some of the requirements included capital equipment which should be financed by the International Bank; in other cases requirements clearly exceeded available supplies; furthermore indicated exports by and to the group substantially exceeded indicated imports from the same source hence there would probably be further exports available for American continent from this source.

Sir Oliver added if the total had to be reduced, say to 15 billion, he was sure this could only be done if we told them it had to be done.

I informed Sir Oliver of the concern expressed by you in 1043² to Geneva and inquired particularly regarding end use examination of requirements and whether the reports submitted by individual countries had been subjected to critical analysis.

Sir Oliver said that the work represented primarily an assembly of individual country estimates although some "shaking down" had been accomplished in cases where combined estimates were obviously greatly in excess of available supplies. As to end use examination this was impossible within the available time. He said it would take months.

Sir Oliver left me with the definite impression that he was very reluctant to open up in the conference the question of relative living standards current or prospective and that under its present system of procedures the conference was not likely to arrive at a program which would bring their actual dollar requirements much below the preliminary summation or which would give any assurance of a self sustaining economy by '52.

I think the trouble is that most of these countries have really not come to grips with their toughest problems. For example, Britain has not come to grips with the coal problem. I think we ought to tell

² Probably 1044 to Geneva, which was a repetition of 3596 to London of August 20, p. 367.

this conference and Britain and France that their plan must contemplate that Britain will again export annually 25 to 30 million tons of coal (exclusive of bunkers) by '51 and that France will again be practically self sustaining in bread grains by that time. If we don't tell them this, they won't do it. The French need agricultural workers and still they are sticky on receiving them from Italy where there is a great excess of such workers anxious to emigrate. France and Britain will not face the political hurdles they must take if they are to solve their coal and grain problems unless we make it clear that we will not consider assistance on any other basis. I am sure both problems can be satisfactorily solved but not if they think we will continue to furnish coal and grain in current volume. These are just examples of the situation we face.

I am convinced there is no other way to deal with this situation than to impose certain necessary conditions. If we fail to do so, we are going to be presented with a bill which I do not believe our people should or will meet. It will be much more difficult to take corrective measures then than now. I am repeating this to London and Paris for Ambassadors only with request that they wire you direct their comments.

My next meeting with Sir Oliver and perhaps his Executive Committee set for Paris Thursday morning. I am asking Ambassador Douglas come over if convenient and of course Ambassador Caffery will be present. Will appreciate receiving your instructions by that time.

Sent Dept 909, repeated London Ambassador's eyes only 89, Paris Ambassador's eyes only 82. [Clayton.]

TROUTMAN

840.50 Recovery/8-2547: Telegram

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

SECRET

PARIS, August 25, 1947—7 p. m.

US URGENT NIACT

3431. I have informed Sir Oliver Franks of the pertinent comments in your 3158, August 24, emphasizing that a realistic and workable program was far more important than meeting a pre-determined deadline for completion of the report. In reply Franks mentioned that he agreed all along the line but as any undue delay might have unfortunate psychological effects on the sixteen countries the reports should be available for publication not later than September 15. He also expressed doubt whether western Europe, under any set of reasonable assumptions, could in fact reach a completely self-supporting status

by 1952. A telegram follows of my views on this subject, with special reference to the considerations raised in your 3120, August 20.¹

I am to see delegates of several other countries tomorrow on this.²
Repeated London 670; Geneva for Clayton 157.

CAFFERY

¹ This was a repetition of telegram 3596 to London, p. 367.

² In this connection Ambassador Caffery reported in telegram 3452, August 26, from Paris that "I talked today with several other delegates about the necessity of a realistic and workable program, irrespective of inability to meet deadlines. They agreed. I also referred to the view prevailing in some quarters that the US would have to save Europe financially, irrespective of type of program. I emphasized that American people and Congress would only underwrite a program which made good economic sense." (840.50 Recovery/8-2647)

840.50 Recovery/8-2647: Telegram

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

SECRET

PARIS, August 26, 1947—7:41 p. m.

US URGENT NIACT

3451. Lovett from Caffery. I submit the following comments in regard to Department's 3120, August 20; 3158, August 24; Geneva's 909, August 25 and my 3431, August 25.

From day by day talks with members of various delegations and from an examination of CEEC documents I conclude that the following three basic questions confront us:

1. Why does the preliminary summation show such astronomical deficits and lack of adequate progress towards a viable western European economy?
2. Why is it unlikely that a satisfactory program will result from present conference procedures and attitudes?
3. What can be done about it?

I. The summary of the balance of payments work points to five conclusions:

- a. Western Europe before the war was consuming annually two billion dollars in goods and service more than it was producing at that time. The resources for financing this deficit have now disappeared.
- b. The commercial isolation of eastern Europe under Soviet controls has greatly reduced an important source for foodstuffs, timber and other materials which western Europe previously financed by the sale of its manufactured products to the same area. This has contributed to the shift in requirements to the western hemisphere with no correlative expansion in anticipated export shipments to dollar areas. (The anticipated 1948 ratio of exports to imports with the American con-

continent is 1 to 4 and in the case of transactions with the United States alone the ratio is 1 to 7.2.)

c. Conference planning to date has been largely an assembly job of country estimates which in the words of one delegate "were aimed at prewar standard of living, western Germany excluded."

d. These estimates pre-suppose a continuation of the basic economic pattern of the European economy with all the implications regarding low labor productivity and maldistribution of effort which derive from segregating 270,000,000 people into 17 uneconomic principalities.

e. There is no indication of a determined effort to utilize Europe's own resources where they could be substituted for dollar items. (As an example the planning calls for 43,000,000 tons coal imports from the United States in 1948 and as reported my August 23, major conversion to fuel oil, all of which must be imported, in substitution for coal.)

II. As Sir Oliver Franks indicated to Clayton, as much as \$5,000,000,000 might be taken off the preliminary estimates through elimination capital equipment items, downward adjustments to meet available supplies and redirection to American continent of certain export items. In the absence of a fundamental change in the conference's approach, it is unlikely that reductions will go further unless it is done through a "tinkering with figures" for purposes of improving presentation. The reasons for my pessimism are:

a. Some participants, such as the Scandinavian countries for political reasons, and Switzerland, because it does not need direct assistance, favor a program restricted to listings of net requirements. This attitude tends seriously to reduce the conference's policy-making function.

b. The conference's terms of reference and general procedures are such that the majority of the participants on any specific issue do not feel that they can require any single participant to adjust its national program to meet the needs of the group.

c. Home governments tend to act as a brake on the enthusiasms of some individual delegates who would be disposed to push through a bold constructive program. (The Italian Ambassador called on me today to say that one of the difficulties was that none of the delegates here had any real authority and that most of them lacked influence with their governments.)

d. The United Kingdom has been reluctant to permit the question of living standards to come to the floor on the conference, a procedure which would be essential if requirement were to be geared to possible production plus outside assistance.

III. I thoroughly agree with Under Secretary Clayton's observation that it has become necessary to impose certain necessary conditions. Although I recognize that the course of action contains an element of risk, I believe that the danger would be much greater if the conference

were permitted to continue its present course. It seems to me that in the light of the foregoing it is desirable:

a. To make a presentation of our views to the home governments through our respective missions at the same time the presentation is made to the conference here and,

b. That the presentations should be based on the points outlined in Section Three of Department's 3029, August 14, modified to eliminate any possible loophole which might permit a participating country to avoid its share of responsibility.

I have reviewed with Spiegel, Longstreet, Terrill, Bray and Moore¹ the six basic objectives outlined in Section Three of 3029, August 14, and we believe that they constitute a basis for a series of conditions on which the conference report must be based, modified along the following lines to take care of recent developments in the conference.

Point One. We suggest that the term "production of food and materials needed to fill their basic requirements" be changed to specify production of [garbled], coal, coke and major items essential to their production. The reason we suggest this change is that individual European countries regard a multitude of articles as necessary to fill their basic requirements and tend to disperse their labor and other means of production. We believe that the vital need is to concentrate their emergency productive effort on a few items which will mean direct dollar savings. We suggest the inclusion under this point of the following condition:

"Failure to achieve a satisfactory level of production will be ground for discontinuance of aid". Reference Embassy's Telegram 3122, August 6.

Point Two. We agree.

Point Three. Our only suggestion is that the word "must" be substituted for the word "should".

We believe that the retention of the term "as soon as practicable" leaves the necessary flexibility for situations such as Communist-inspired strikes which might prevent effective stabilization at any given moment.

Point Four will be discussed with Clayton on Thursday and our views telegraphed thereafter.

Point Five. In order to eliminate any reason for noncompliance by participating countries we recommend that this provision be reworded to read as follows: "The participating countries shall take steps to facilitate the greatest practicable interchange of foods and services

¹ Victor Longstreet, Associate Chief, Division of Investment and Economic Development; William H. Bray, Jr., Foodstuffs Branch, International Resources Division; Ben T. Moore, Assistant Chief, Division of Commercial Policy.

among themselves, adopting definite measures directed towards the eventual elimination of trade and other barriers among the participating countries".

Point Six. We agree.

We believe that the presentation of the foregoing should emphasize:

(a) That our views were being presented at this time because the conference had requested our friendly assistance in drafting its program and

(b) That final determination of what assistance, if any, will be forthcoming resides with the Congress and with the American people.

Finally the Department may wish to consider adding a statement to the effect that if the participating countries are willing to proceed with their work on the foregoing bases, the Department of State is prepared to recommend, through appropriate channels, to the occupation authorities that they assume an additional and final part [*sic*] behalf of western Germany, an active part in the formulation of the European program and that they undertake the same responsibility as the participating countries towards the principles outlined above.

Copies held for Clayton and Kennan, repeated London as 675.

CAFFERY

840.50 Recovery/8-2647: Telegram

The Acting Secretary of State to the Embassy in France

TOP SECRET

WASHINGTON, August 26, 1947—6 p. m.

URGENT

3195. For Clayton and Caffery. Following is basic portion of summary referred to in para 3 of mytel 3158¹ for your consideration pending arrival Kennan and Bonesteel Thursday. Additional portion relating to general political situation will be given you orally by Kennan. This summary is to be discussed with you by Kennan and Bonesteel in order to incorporate your views before it is firmed up.

A. FUNDAMENTAL OBJECTIVES

Department regards following features fundamental to U.S. concept of program:

1. Basic objective of program is to move entire area progressively from present condition to working economy independent of abnormal outside support, taking full account of basic changes in European conditions such as political developments in Eastern Europe, altered position of former colonial territories, and loss of overseas assets, merchant shipping and other prewar invisible exports.

¹ Not printed.

2. Participants must take concerted efforts to foster European recovery as a whole, and show genuine readiness to make national contributions to this common goal.

3. Program must realize maximum opportunities for self-help and for mutual help within the area and thus minimize outside aid requirements; program must therefore concentrate initially on elimination of bottlenecks and other opportunities for greatest immediate recovery at lowest cost in scarce resources.

4. Program must be directed primarily toward short-run recovery rather than long-run development; full use of existing or readily repairable capacity and restoration of normal domestic and intra-European intercourse therefore have priority, although not excluding longer-run capital development necessary to meet goal in 1 above.

B. ESSENTIAL ELEMENTS OF PROGRAM

Program submitted for U.S. consideration must contain these elements:

1. Concrete proposals for area-wide recovery of agriculture and basic industries—coal, steel, transport, and power—which are fundamental to viable European economy. Proposals must correlate individual national programs and individual industry programs and give priority to projects promising quickest expansion of output. Bizonal German area must be taken fully into account. Stopgap aid in coal, food, etc. pending European recovery must be minimized. Proposals must be fully justified through following steps:

a. Development of country requirements for food and end-products of basic industries (coal, steel, etc.) on realistic and defensible basis, with clearly stated standards, and intensive mutual criticism and screening.

b. Statement of specific national production goals in food and basic industries, with concrete proposed measures to attain those goals and specific stated requirements (if any) for extra-national aid in such items as fuel, fertilizer, mining and agricultural machinery, power, steel, or manpower. These requirements statements must be supported by justifications and must also be subjected to constructive mutual criticism and screening.

c. Development in concert of concrete proposals for mutual aid to meet requirements under (*a*) and (*b*) from sources within the area or under political control of the participants, including priorities in reactivation creating maximum mutual aid potentialities.

d. Adjustment of national agricultural and basic industry programs on area-wide basis, taking full account of mutual aid possibilities, and giving priority to bottleneck elimination and other opportunities for greatest speed in recovery.

e. Development of concrete and minimum requirements for outside aid as a residual of processes in (*a*), (*b*), (*c*), and (*d*).

DISCUSSION OF ITEM 1

Production recovery in agriculture and basic industries is cornerstone of entire program. Greatest hope lies in intensive attack on such problems as British and Ruhr coal production, French grain, railroad equipment repair, etc. Measures of planning, international allocations, and internal priorities to obtain promptest expansion are essential to speedy recovery with minimum outside aid at least while basic resources remain sharply limited. Such controls should be confined to fields of agriculture and basic industries and be progressively liquidated as output increases and normal economic forces come into play. As to U.S. public views on this item, note that NAM industrialists meeting with Ness² have expressed view that European program's main feature should be to set production goals for the basic industries and concentrate on their achievement.

2. Undertakings on domestic measures necessary for internal economic stabilization, efficient use of national resources to minimize outside aid, and fulfillment of mutual aid commitments. Proposals should recognize wide variations in need for remedial measures, which include:

a. Currency reform, correction of grossly inflationary fiscal practices, and price stabilization for essential commodities.

b. Collections, internal allocations and priorities, and rationing of essentials, during period of acute stringency.

c. Direction of supplies to fulfill mutual aid commitments, on priority equal to if not higher than internal use.

DISCUSSION OF ITEM 2

These measures complementary to Item 1.

Full restoration of economic fabric internally will be possible only after production has increased, although much can be done immediately to reduce currency in circulation, reform taxes, etc. Must be recognized, however, that breakdown in normal monetary exchange is to considerable extent symptom rather than cause, and that over-drastring monetary and fiscal remedies without foundation in increased production may actually retard recovery. Moreover political implications, including danger of widening cleavages among producer and consumer groups must be carefully considered. As to use of internal Government controls, hope that expanded production will permit early liquidation. However, normal price mechanism cannot function in face of present acute scarcities. U.S. cannot accept situation under which its aid goes directly into or replaces domestic supplies going into barter, compensation and black markets. U.S. also concerned as to

² Norman T. Ness, Director, Office of Financial and Development Policy.

internal political consequences of inequitable distribution of scarce vital commodities.

3. Comprehensive measures to foster multi-lateral intra-European trade, over and above any specific mutual aid arrangements. These measures should be directed toward:

a. Progressive replacement of bilateral trading arrangements by more effective multilateral arrangements for expanding intra-European trade, looking, if possible, toward an eventual European customs union. Bilateral trade and payments agreements within the group of participants in conflict with the mutual aid program should be abrogated. Possibilities of major trade barrier reductions, encompassing important commodity groups or smaller groups of nations, but short of general customs union, should be carefully considered. Recognize that partial measures of apparently preferential character may run counter to ITO principles. But in view short-run political and administrative obstacles to immediate commitment or rapid progress toward customs union, appears vital to explore means for European trade barrier reduction falling short of customs union.

b. Facilitating multilateral trade through foreign exchange clearing arrangements among the participants or other means for achieving currency convertibility and transferability. Conference may propose U.S. support of clearing system, under suitable safeguards, either through dollar fund or through direction of portion U.S. commodity aid to countries with export surpluses, although Department has as yet no appraisal of probable Congressional reaction.

DISCUSSION OF ITEM 3

While in many respects the long-run gains of European economic integration in terms of specialization of production and economic location—achieved ideally through both a customs and a currency union—would be the most beneficial consequences of a recovery program, these goals must be put in perspective in relation to more urgent short-run needs. Measures *a* and *b* above will contribute little to immediate restoration of production, but will grow in significance as production expands and domestic economies are stabilized. In first phase, therefore, Item 3 is subordinate to 1 and 2, although the groundwork must be laid immediately. In this connection Congressman Herter³ has stated to Department that program merely aggregating national deficits and committing participants to customs union would be completely inadequate and unacceptable to Congress.

C. FORMS OF POSSIBLE U.S. ASSISTANCE

Department regards formulation of program of maximum self-help and minimum outside aid requirements as primary Conference goal

³ Christian A. Herter, of Massachusetts, was vice chairman of the Select Committee on Foreign Aid, House of Representatives.

but recognizes importance to realistic program guidance on general form of possible outside assistance. In this connection:

1. Assumed that in any event major part U.S. aid would be specified commodities or commodity groups. Extent of possible untied dollar assistance, either to support clearing system or otherwise, should be left open for review on merits.

2. Program should minimize dollar aid for purchases outside U.S. It is not intended to satisfy entire world's appetite for dollars under guise European Recovery program. Efforts should be made to maintain existing commitments from other suppliers (such as Argentine and Canadian contracts for wheat to U.K.), with dollar aid being limited to increments beyond these commitments. This approach desirable both to limit total assistance requested Congress and to limit inflationary effects within U.S. of maintaining heavy export demands from other areas as well as Europe. Partial relief for dollar shortages outside Europe may of course be subject of negotiations apart from European program. Moreover, program should not exclude expenditures outside U.S. which would increase flow of essential goods to Europe and make real contribution to European recovery. A firm position on this point should not be taken until appraisal is possible of cost of financing extra-European trade and alternative means of securing and financing supplies for Europe from non-U.S. sources. Note press reports of possible large-scale Canadian loan to be floated privately in New York.

3. Distribution of aid by U.S. should take into account recommendations by continuing European organization or where appropriate by other international allocating bodies (e.g., coal and food). However, U.S. aid will not be provided in totals for subdivision by Europeans. UNRRA precedent will not be followed. U.S. would hope to be guided by European recommendations but must retain freedom to modify allocations to assure most efficient use of aid and to enforce any agreed conditions.

D. RELATIONS WITH EASTERN EUROPE

On trade and financial relations of participating countries with Eastern Europe, Dept recognizes necessity of existing trade between Eastern and Western Europe and desirability of its increase. Program cannot, however, include provision of U.S. direct dollar or commodity aid to Eastern Europe because of political inacceptability here. U.S. will consider international measures of help for Eastern European countries designed to aid Western European recovery, e.g. World Bank loan to expand production and transport Polish coal; and recognizes necessity expanding production in Western countries in lines furnishing exports to Eastern Europe, to be exchanged against

Eastern European exports of essential commodities to West. U.S. does not require abrogation bilateral agreements with Eastern European countries. Foregoing views obtain so long as Eastern Europe not clearly engaged in economic warfare against Western Europe.

E. PLACE OF GERMANY IN PROGRAM

On relation of Germany to program, Dept considers that three western zones, as unit or bizonal area plus French zone, be covered fully into program. Revised level of industry agreement should be basis for inclusion of bizonal area, with changes required in interest of European-wide recovery recommended by conference on same basis that conference makes similar recommendations for changes in Monnet or other national plans. Rates of and priorities in reactivation of German industry should likewise be discussed by conference as part of similar discussion of achievement of other national plans. U.S. desires earliest possible self-supporting German economy, but recognizes that German recovery does not have priority over similar recovery elsewhere in Europe, and that recovery in Germany should not receive special impetus at expense of wider European recovery. On other hand, Dept will not agree to system of allocations of German resources or U.S. aid which would postpone German recovery until full recovery other countries has been assured.

F. ROLE OF U.N.

Dept supports fullest practicable use of United Nations bodies and specialized agencies in carrying out of program. This includes continued international allocation of coal through ECE Coal Committee and food through IEFC Committees, and technical planning work in ECE Committees on transport and power. Sympathetic to assignment to ECE of additional functions related to program. But Dept recognizes that coordination of European program and integration of UN activities with needs of this special program will probably have to be retained in organization composed only of participants (including bizonal Germany). In view possibilities systematic obstruction to ECE effectiveness, special European recovery organization must be able to handle entire program and must be prepared to assume promptly functions assigned to other organizations if they prove ineffective.

G. CONTINUING ORGANIZATION

Dept recognizes that present Conference cannot possibly make complete blueprint for European recovery over next several years. Initial program must conform to all above elements, but many details of its application will remain for further study. Modifications are also to be expected during negotiations with the U.S. before acceptance and in

continuing development of any accepted program. Emphasis should be given to major role of continuing organization of participating countries (plus bizonal German area), both in implementing and in progressively refining any agreed program.

H. PROCEDURES

1. When the Conference has first draft of program, U.S. representatives in Paris should review it informally, presumably with Executive Committee. Review should cover both general policy matters and technical questions, and U.S. group in Paris should include technician qualified on all phases of program. Purpose of review is to afford U.S. representatives opportunity to seek explanations and clarifications of points that are not clear. In such discussions, U.S. representatives would be guided by above statements on essentials of workable program. This should be opportunity to guide both content and conclusions of Conference report. It should be made clear that U.S. representatives are taking this action to facilitate presentation of program to U.S. Government and that it is not final U.S. critical analysis of program looking toward approval.

2. When the Conference has completed report, it should be transmitted to U.S. Transmittal by Bevin as Conference Chairman to Secretary Marshall would be satisfactory. Desirable to have document physically in Washington prior to release to press in Paris so that copies can be made here for distribution. First impact on U.S. public should not be through newspaper accounts cabled from Paris.

3. After report has been received in Washington and given at least cursory examination, it would be desirable for Conference representatives, presumably Executive Committee, to discuss it in Washington with U.S. Executive Departments.

4. Drafting of multilateral and bilateral agreements would start simultaneously with submission of proposed legislation to Congress.

LOVETT

840.50 Recovery/8-2947

The Acting Secretary of State to President Truman

TOP SECRET

[WASHINGTON,] August 29, 1947.

MY DEAR MR. PRESIDENT: I am enclosing herewith three documents which represent certain preliminary work of the Department of State setting forth the problems of European Recovery.

The complexity of the subject is such that it has taken some time to formulate worthwhile specific views on this question. It has also been necessary in order to reach this stage to obtain some concept of the

developments in the Paris Conference on European Economic Cooperation. I feel now that progress has been sufficient to lay a basis for effective interdepartmental consideration of the policy issues involved in any European recovery program. It is especially necessary to have applied to this problem the best thinking of the interested Departments in order that a sound governmental position may be developed.

I should like to emphasize particularly the urgency of action on this question since the conference at Paris is expected to present a plan to the United States Government around September 15.

The documents enclosed herewith consist of:

(1) Memorandum entitled "Certain Aspects of the European Recovery Problem from the United States Standpoint." This is a background study prepared in the Policy Planning Staff of the Department during July.¹ It is outdated in certain respects by the rapid march of recent events, particularly in connection with the British dollar position.

(2) A summary statement of the Department of State's present views on the content of a European Economic Recovery Program, which has been communicated to Under Secretary Clayton in Paris, to guide him in his informal discussions with representatives at the Conference.² It should be noted that no U.S. representative has taken any part in the meetings of the Paris Conference, and that Mr. Clayton has at all times explicitly stated to representatives of other governments that he can in no way commit the United States Government to any course of action.

(3) A report, entitled "Problems of European Reconstruction"³ which the Department of State is considering releasing informally at the appropriate time as background material on the nature of the economic problems being faced by European countries.

I hope to send you shortly (4) a more detailed statement of the Department's present views and (5) a rough draft of possible required legislation.⁴

You will note that the documents enclosed do not touch upon the capacity of the United States to aid Europe since this is a subject for study by the Committees appointed by the President on June 22, 1947.

¹ See editorial note, p. 337.

² This information was communicated to Under Secretary Clayton in telegram 3029 to Paris, August 14, p. 356.

³ This document, prepared by the Economic Offices in the Department of State, is document D-4/19 of the Committee on European Recovery Program, not printed. A copy is in the Committee's records in Lot 122.

⁴ On September 5 the Department sent to the President two additional documents: (a) "Questions of Policy and Procedure Regarding U.S. Aid to a European Program of Economic Recovery", which was presumably document D-16a, prepared on August 25, and (b) an initial draft of possible required legislation, prepared by the Committee on the European Recovery Program as document D-18. These documents are in Lot 22, and letters of transmittal of copies sent to other departments are in the 840.50 Recovery file.

I trust you will agree with me as to the urgency of arriving at an interdepartmental position on the host of complicated issues raised by these problems. I should appreciate it if you would designate someone on your staff to work with representatives of the Department of State. I have appointed Mr. Charles H. Bonesteel to coordinate work within the Department of State on the problems of European Recovery.

It seems to me essential to have a first meeting toward the end of next week to discuss the problems presented in the three documents enclosed with this letter.

In addition to your views on the substantive issues, I should very much appreciate your guidance on questions of procedure, particularly on the time and manner of getting the views of the members of the Non-Partisan Committee on Foreign Aid (Harriman Committee) and those of the Congressional leaders.

At your request these matters are being handled for the time being on a Top Secret basis.

Faithfully yours,

[ROBERT A. LOVETT]

840.50 Recovery/ 8-3147: Telegram

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

TOP SECRET

PARIS, August 31, 1947—1 p. m.

3543. For the Secretary and Lovett from Clayton. With reference to your 3201 August 26 and Caffery's 3489 August 28,¹ Ambassadors Caffery and Douglas and I spent Friday and Saturday morning with Kennan and Bonesteel in a comprehensive review of the Paris Conference. This mutual exchange of ideas was most helpful and enabled us to agree on a common position which we stated orally to the Conference's Executive Committee yesterday afternoon.

Following is a brief digest of discussions in a three hour meeting with the Committee:

1. *Introductory remarks:*

We have now had an opportunity to acquaint ourselves with the general work of this Conference and to review the reports of its committees. We believe that these reports represent a valuable contribution and provide a basis upon which its work might be carried forward.

Nevertheless, the conclusions of the Conference as reported to us are, in our opinion, disappointing and might, if formally advanced, prejudice the success of the entire Marshall program.

¹ Neither printed.

2. *Objective:*

The objective of the European recovery program, as we see it, is to provide for the speediest possible reactivation of the European economic machine and for its restoration to a self-supporting basis, while at the same time meeting the essential consumption requirements of the people. It is our belief that once determined steps toward this end are taken and tangible results achieved, the latent resources of Europe will begin to make their contribution to recovery. Common European effort, initially assisted by special American aid, should give rise to a further liberation of trade and to the emergence of fresh supplies of capital and technology, both from within Europe and from outside sources.

3. *General comment:*

The Conference's preliminary estimate of dollars 29.2 billion of required outside aid would appear in the US as much too large. The size of the estimated deficit and the fact that it remains same at the end of the period reflect the unsatisfactory nature of the methods by which it was calculated and the assumptions on which it was based. The most important standards by which the program will be judged in the US are the purposes which it is intended to serve and the basis on which it has been prepared. Congress and the American public will have to be convinced that there is an urgent need for this program, that its fundamental objectives are sound and can be accomplished within a specified period of time; that it represents a considered and critically analyzed statement of requirements; that the program has been prepared with a view to reducing to a minimum the outside aid required; and that at the end of the period the European economy will be restored to a balanced condition in order that its long run expansion will be assured.

4. *Conditions:*

It is believed that the probability of widespread acceptance of this program by the American public will be enhanced if it meets the following main essentials:

- a. It must provide for the achievement within the four year period of a workable European economy independent of special, outside aid.
- b. It must provide for continuous and progressive reduction in the special outside aid required by the participating countries to the point where it will become eliminated by the end of the period.
- c. The participating countries must from time to time during the period of the program show convincing evidence that they have made substantial progress toward the scheduled goals of production of items essential to European recovery especially food and coal.
- d. Long run development projects should not be allowed to interfere with the reactivation of the most efficient existing productive facilities.

The latter must have first priority. The financing of long term projects must be obtained from sources outside this program.

e. The participating countries must mutually undertake the necessary internal financial and monetary measures to stabilize their currencies, establish and maintain proper rates of exchange, and generally restore confidence in their monetary systems.

f. The participating countries must take concerted steps to facilitate the greatest practicable interchange of goods and services among themselves, adopting definite measures directed toward the progressive reduction and eventual elimination of barriers to trade within the area, in accordance with the principles of the ITO Charter.

g. The participating countries must regard the conditions mentioned above as a common European responsibility and must therefore provide for a multilateral organization which from time to time will review and take stock of the progress achieved by participating governments under the program.

We made it clear that we are not attempting to dictate to the Conference, and that no commitment by US was involved, but that we were merely stating our view of essentials for winning approval of American people.

Two of the committee members, Sir Oliver Franks and Alphand, discussed at length essentials *a* and *b*. Franks said that he was doubtful whether the European economy would in fact have reached a point by the end of 1951 where it could sustain itself without special external assistance. It seems to him that by the end of the period the deficit should have been reduced to moderate proportions but that complete viability, as far as the United Kingdom was concerned, and probably for the entire area, could be expected only on three assumptions:

1. Complete convertibility of currencies so that export receipts from one part of the world could be transferred to other areas to meet dollar needs.

2. Ability to find markets for export surpluses.

3. A readjustment in the terms of trade which would correct in large part the present disparity, as compared with the war, between prices of imported foods and raw materials and prices of exports. In reply to my comment that historically the pendulum of price relationships following wars tends to swing in the other direction and then to reach a normal balance, Sir Oliver said that his investigations indicated a prolonged shortage of cereals, livestock, iron ore, lead, and possibly zinc and he was not convinced that the correction in relative prices would occur by 1952. In completing his comments on this general question, Sir Oliver said, "It is not yet clear as to how zero can be reached by 1952. We can get to a low figure. If zero, we will have gone from area of reasonable assumptions to paper construction."

Alphand said that his list of assumptions necessary to viability are as follows:

1. That targets of production would be reached.
2. That exports to dollar areas would reach their goal.

3. That some important trade with eastern Europe be established.
4. That there be effective internal financial stabilization which in the case of France could bring out hidden resources in commodities, gold, and foreign exchange.

Kennan said that this was a vital question and that if the possibilities of a balanced position by 1952 were actually remote it would call for a reconsideration of the problem and a frank discussion of the matter with our own people. Bonesteel inquired whether Frank's pessimism was fused [*based?*] on the inadequacy of the time period or on a fundamental disequilibrium. Sir Oliver replied that the big question marks were terms of trade and marketability.

The Scandinavian representative (Coel Bjoernsen of Norway) said that it must be assumed that after 1951 Europe would be a capital importing country in the broad sense. Bonesteel replied that this was recognized and that what we had in mind was an end to the need for direct assistance from the US Government.

In commenting on the foregoing observations we pointed out that an inflow of foreign capital from the International Bank and other sources was a reasonable assumption if western Europe could make itself a going concern and get out of its red-ink status. We emphasized that a prime condition of any plan is that it should accomplish its purpose of placing Europe in a balanced position by the end of the contemplated period, saying that any other approach would be disastrous in terms of public reaction in the US. It seems evident that Sir Oliver's expectation that deficits will persist is based on a higher standard of living than Europe's productivity will support. It will also be noted that, while Franks was talking in terms of developments outside the immediate control of the European group, most of Alphand's conditions relate to objectives the attainment of which primarily depends on the Europeans themselves.

In discussing Point *c* (production of items essential to European recovery), we emphasized that it seemed to us that reasonable goals would be prewar fuel output by France and Italy and British coal production at level which would again result in annual shipment to continent of 25-30 million tons. We also recognized joint US-UK responsibility towards the European group for high level Ruhr output.

Alphand emphasized that while most European countries were projecting programs equal to or in excess of prewar coal production, the figures submitted by bizonal authorities gave a target below prewar output. Ambassador Douglas said it was his understanding that destruction to the mines was greater in the case of the Ruhr. Hirschfeld² confirmed this and said, furthermore as a result it is now necessary to open five new mines a year whereas under the Hitler regime it was necessary to open only one.

² M.H.M. Hirschfeld, Netherlands representative on the Committee of Cooperation at the CEEC.

The balance of the discussion centered on Point *g*, regarding the need for a joint organization. We explained that it seemed implicit in the program itself and from the other conditions outlined that some continuing organization would be needed for the period of the program and that we felt there should be a joint responsibility by all members of the group as to standard of performance. Thus there should be periodic and critical reviews of the programs by the participating governments. It would be our intention to recognize this mutuality of interest and responsibility and to tie in with the multilateral undertakings any bilateral agreements which we might negotiate with the individual participants. The conditions specified in the bilateral agreements would thus include those undertaken by the members towards each other. Four of the members of the Executive Committee, speaking in personal capacities, agreed that the program would require this kind of continuing organization.

The Scandinavian representative stated that on behalf of Sweden and Norway he wished to make full reservations on this point. He then commented that those countries believed that there were already organizations such as the European Economic Commission and proposed international trade organization which had been formed to fulfill many of the economic functions envisaged in this new project. He inquired whether we had in mind a large organization with a large secretariat.

We said that the need for the organization arose from the essentials of the program: That its activities would be limited to that sphere; that we saw no need for a large bureaucratic setup; and that other international organizations were not in a position to perform this work, which was essentially a matter of implementing the joint responsibilities of the participating countries in this particular enterprise.

We told the committee that a survey of the preliminary work indicated that the individual national requirements and production goals set forth in the committee reports do not reflect a concerted effort to direct European production, trade, and manpower, in the most efficient and economic manner, taking account of existing productive installations. For example, in determining the requirements of coal for steel production, account should be taken of the relative efficiencies of available plants, and other related matters. The report on steel avoided this problem by assuming that all existing steel capacity in the 16 participating countries would be operated at its maximum, beginning in 1948, and that there would be sufficient coal and transportation for this purpose. Since realistic estimates of coal and coke supplies indicate that the committee's optimistic expectations will not be fulfilled, attention must be given to an initial selective utilization of productive capacity, without regard to national boundaries.

Alphand remarked that the French Government had definite views on the question of utilization of productive steel capacity. Franks said

that it was substantially correct that the basic approach to the Conference report had not been based on the establishment of standards or on the critical analysis of individual country programs. This was because:

(a) The terms of reference for the Conference made it clear that there would be no diminution of sovereignty and

(b) Lack of time prevented investigation of end use of required materials.

Nevertheless there had been scrutiny of the country reports and in two cases, pit-props and agricultural machinery, adjustments had been made. There were also one or two examples where country reports had undergone scrutiny because their stated requirements were out of line with their prewar consumption.

In closing we referred to the conversations which Ambassador Caffery had had during the week with individual members of the Committee regarding the necessity of coming up with a workable program even though it meant a major extension of the time period originally projected for the conference work. Sir Oliver replied that they had taken due note of this suggestion and had given up any idea of completing the report by September 1.

It is our understanding that Kennan will take up with you two matters of major importance:

(a) Our possible discussion directly at a high level of the objectives and conditions outlined above with the governments of certain countries and

(b) The question of full participation in the program by western Germany.

I am leaving today for a few days stay at St. Moritz, Palace Hotel, returning to Paris on September 6 or 7 where I shall stay until departing for London the evening of September 10.

Sent Department, repeated Geneva 162, London 690, Rome 223.

[Clayton]

CAFFERY

840.50 Recovery/8-3147 : Telegram

*The Acting Secretary of State to the Secretary of State at Petropolis,
Brazil*

SECRET

WASHINGTON, August 31, 1947—10 a. m.

URGENT

137. For Carter from Humelsine. Eyes Only for Secretary Marshall from Lovett. Message from Kennan and Bonesteel indicates after con-

ferences Friday and Saturday morning with Clayton and Embassy staff they attended with Clayton meeting with Steering Committee of Conference. They say[:] "We both feel that visit thus far has been highly illuminating and worthwhile. In light of impressions gained Paris we strongly endorse Caffery's suggestion that time has come to present our views to governments directly". Kennan expected arrive Washington Wednesday evening Bonesteel one day later. Decision involved in quoted portion above can safely await your return and report of Kennan and Bonesteel.

Presidential party left on schedule this morning. All moving along well here.

See 4730, Aug 31, noon from London.¹

Best regards,

LOVETT

¹ Not printed.

Policy Planning Staff Files

*Memorandum by the Director of the Policy Planning Staff (Kennan)*¹

SECRET

[WASHINGTON,] September 4, 1947.

REPORT

SITUATION WITH RESPECT TO EUROPEAN RECOVERY PROGRAM ²

I. PARIS

The representatives of the 16 European nations assembled at Paris have had the character of their work prescribed for them with considerable rigidity by the background of their meeting and the atmosphere in which it is taking place. By way of reaction to Soviet charges, there has been strong emphasis on national sovereignty (perhaps the only triumph of Molotov's visit to Paris). None of the delegates is a strong political figure domestically. There is none who could take any extensive liberties with the anxious reservations of the home governments. Finally, in the absence of the Russians the gathering has reverted, with a certain sense of emotional release, to the pattern of old-world courtesy and cordiality in which many of the participants were reared and for which they have instinctively longed throughout the rigors of a post-war diplomacy dominated by the Russian presence. This has practically ruled out any critical examination of the other fellow's figures—particularly as most of the delegates must have lively doubts as to the entire validity of some of their own, and cannot be eager to enter a name-calling contest between pot and kettle.

¹ Marginal notation: "Kennan Report on Paris Trip".

² Initialed "G.C.M."

It would be wrong to laugh at this gingerly approach or to put it all down to short-sighted timidity in the persons concerned. It reflects serious European realities which must be taken into account. Many of these governments are operating under formidable strains, internal and external. Some of them have internal economic problems with which they are politically too weak to cope. They do not want these problems spot-lighted and made critical issues by the Paris conference. Others, particularly the Scandinavians, are pathologically timorous about the Russians. Finding themselves somewhat unexpectedly in a gathering denounced by Molotov as politically wicked, they have the jumpy uncertainty of one who walks in pleasing but unaccustomed paths of sin. All of them are inhibited, I think, by the consciousness of what seem to them Herculean differences among the great powers over Germany and by the consequent feeling that the necessary center of any real European planning is beyond the effective scope of their activity. This conference reflects, in short, all the weakness, the escapism, the paralysis of a region caught by war in the midst of serious problems of long-term adjustment, and sadly torn by hardship, confusion and outside pressure.

In these circumstances, we must not look to the people in Paris to accomplish the impossible. That they can scale down their preliminary figure they have themselves admitted. That a further scaling down of that figure can be achieved by energetic pressure on the governments from our side, I think likely. That some sort of effort is being made to adjust the report in some measure to the suggestions advanced by Mr. Clayton on August 30 may be expected. As a result of all this, there will be a hopeful—and I think in large measure an honest—attempt to total up the cost of restoring production and of almost achieving “viability” throughout the region, in the light of such improvements of policy as the governments are now prepared to make. Perhaps a gesture or two will be made toward a reduction of the barriers to intra-European trade. A well-meant—and perhaps not entirely ineffective—appeal to the participating governments to put their financial houses in order may well be included.

But glaring deficiencies will remain. No bold or original approach to Europe's problems will be forthcoming. No startling design will emerge here for the removal of the pitiful dependence of much of this great peninsular area on overseas supplies for which it cannot pay. Worst of all: the report will not fulfill all of the essential requirements listed by Mr. Clayton in his remarks to members of the Executive Committee on August 30. And the total figure of aid required from outside will be considerably higher than it would need to be if it assumed the type of action by the governments, individually and collectively, which we would like to see.

II. CAUSES OF THE LIMITATIONS OF THE PARIS CONFERENCE

Before we attempt to draw conclusions from this state of affairs let us examine more carefully the causes of it. The main causes may be summed up as follows: (1) England, (2) Germany, and (3) general political conditions on the continent.

(1) *England.*

As late as September 3 the Committee was not intending to include in its report a breakdown by countries of the over-all balance of payments. I understand that the British opposed the inclusion of this item. The reason for this seems obvious: a breakdown would show the great extent to which western European viability, as a whole, is a question of the viability of the combined zones of Germany and even more of Britain itself. I do not have the exact figures; but I am sure it is no exaggeration to say that if these two areas could be eliminated from the calculations, the problem of most of the remainder would not be formidably difficult of solution.

Britain's position today is tragic to a point that challenges description. Her problems need no treatment here, except the reiteration that they are deep-seated and grave, and require for their solution all the coolness, the realism, the energy and the unity the British people can muster. In the face of this fact, as a body politic Britain is seriously sick. She is incapable of viewing her own situation realistically and dealing with it effectively.

This view is not confined to outsiders. It is admitted and even volunteered by individual Englishmen who have retained some clarity of vision; and it is coupled with an appeal to us, pitiable in the cost to national pride which it implies, to take responsibility, to find and announce the answer—to treat the British, in short, as a sick people and to tide them over until "they can recover their balance."

In these circumstances, it can be no great wonder that the largest component of the European recovery problem could not be treated on a basis which would satisfy our "essentials". The tragedy of the Labor Government lies in the fact that after waiting several decades for a chance to put certain principles into effect, it has finally come into power at precisely the moment when those principles became essentially inapplicable. It is too much to expect the leaders of that movement to recognize that, as an intellectual proposition, and to take the consequences out of their own logical deduction. Only the most dire practical necessity can push them to that point. But when they finally arrive there, they will have lost their justification for undertaking to rule the country; by that time conditions in England will have become quite intolerable; and the present leaders will be forced either to yield or to share governmental power with others. Only then, perhaps, will

England be prepared to take all the measures which she ought to take if she were to make a full contribution to European recovery. But by then, unless we have extended some further aid in the meantime, the deterioration may well have been so great that the cost of the problem will be greatly increased.

This deterioration is already progressing by leaps and bounds. It is exerting a cruel pressure on the government. This is probably desirable and necessary; and sensible Englishmen recognize this regretfully. But the usefulness of pressure has definite limits. It is incumbent on us to calculate those limits with the greatest of precision.

Meanwhile, we may hope that the British Government will come a certain distance toward a more realistic program and thus come closer to meeting our "essentials". But it is too much to hope that it can come all the way within the time allowed. A gap will remain—a gap in which British governmental behavior will be unrealistic, erratic, slap-happy.

It is our problem how to handle that gap. If we choose to hold the British Government fully responsible, as a rational body, and to treat it accordingly, we may have to despair of it—and of European recovery. If we choose to treat it as a sick man, then perhaps, by a judicious admixture of patience and pressure, we can string things out to a better state of affairs.

(2) *Germany.*

The bizonal administration in Germany answered the questionnaires submitted by the Conference in much the same way, I think, as did the other governments: honestly, against the background of present policies, and conceding to the Conference no authority whatsoever to change those policies. On the contrary, while the Conference was in progress, events continued to occur (failure to agree on the use of Benelux ports; failure to agree on purchase of European fish catch; level of industry talks) which made it evident that the chances of the Conference to influence the degree of integration of German economy into that of western Europe in general would remain meager indeed. It had no choice but to accept unquestioning the figures of the bizonal administration, as it accepted the figures of the other countries.

This is not to say that had things been otherwise—had the bizonal authorities participated in the Conference and shown a readiness to adjust their plans to the requirements of a European recovery program—the Conference would have tackled in a constructive and business-like way the working-out of an integrated program, making full and effective use of German economy. French inhibitions and fear of communist criticism would alone have prevented that. But the isolation of Germany from the effective scope of Conference action created an

a priori block to any genuine attempt to get at the ills of the area—through the major international bottlenecks—and relieved the participants of a responsibility they would otherwise have had at least to bear and to face. In this sense, we share perhaps a portion of the responsibility for the failure of the Conference to meet the demands we ourselves imposed.

(3) *Political conditions.*

The ability of the delegates at Paris to draft a recovery program is no stronger than the ability and readiness of their respective governments to cooperate by measures of internal policy and by the acceptance of new international engagements. These acts require, in varying degrees, resolution, courage, clarity of vision, and ability to enlist popular support. Yet most of these governments are afflicted just at this time with abnormal weaknesses, fears and prejudices. The illness of which the British Government suffers is endemic among all governments in one degree or another. Britain's is an extreme case. But it is not the only severe case among the sixteen nations represented at Paris. And the work of the Conference cannot logically be stronger than the political and psychological fabric of the war-torn, fear-wracked, confused and maladjusted area which is the object of its labors.

Now there is none of these three main difficulties which will not yield to well placed effort over a long period of time. And for that reason the long-term chances for European recovery should not be underrated in the light of present impediments. But, on the other hand, there is none of these three factors which can be corrected within the brief period of grace which still remains before European conditions deteriorate beyond the saving-power of present concepts.

III. HOW HAS EUROPE RESPONDED TO THE HARVARD SPEECH?

The suggestions contained in the Harvard speech were predicated on the underlying thought that unless Europe could make a real effort on her own behalf, she would not be able to make any effective use of foreign assistance. The Secretary's observations had the effect of putting that question to the test.

Today we are in a position to gauge the answer. The answer is that Europe is only partially capable of making on her own behalf and within the time which circumstances will allow the effort which the Harvard speech envisaged—the remainder of the effort she would like to make, and probably will make in large part, given time and opportunity. But she cannot make it now.

Meanwhile the economic situation of two of the leading countries, namely England and France, is deteriorating with terrifying rapidity. If nothing is done for them within two to three months, they both face

genuine hunger by winter, and other complications of unpredictable dimensions, with unforeseeable effects in other areas of the world.

IV. WHERE DO WE GO FROM HERE?

(a) First: as to the treatment of the report of the Paris Conference. Here we have the following alternatives:

1. We can let things take their course, receive a report which will not really be satisfactory, review it and reject it in due course, making no further effort to aid.

2. We can make efforts to have the report presented in such a way as to avoid any impression of finality; let it come to us on the understanding that it will be used only as a basis of further discussion; try to whittle it down as much as possible by negotiation; then give it final consideration in the Executive Branch of our Government and decide unilaterally what we finally wish to present to Congress. This would mean that we would listen to all that the Europeans had to say, but in the end we would not *ask* them, we would just *tell* them what they would get.

This last is what some of the more far-sighted of the Europeans hope we will do. They recognize that their report will inevitably be padded. They know that they themselves cannot pare it as it should be pared. As one of them said to me: "You people go ahead and cut it down. We will squawk over every cut. Never mind that. Most of your cuts will be justified, and we will squawk anyway. If any of your cuts are really unjustified, we will set up such a genuine and unmistakable howl that you will know you have made a mistake and you can then correct it." I know of nothing that better illustrates Europe's pathetic weakness, and Europe's consciousness of that weakness, than this remark.

Unquestionably, if we are prepared to recognize that Europe should be aided in spite of herself and if we wish a general aid program put in hand promptly this fall, then this second alternative is the one we should adopt.

(b) Secondly, as to the question of timing.

1. We can try to get an aid program through the next regular session of Congress, leaving ourselves plenty of time to thrash it out, giving Europe no other aid in the meantime, and hoping that it will not come apart at the seams before the aid becomes effective.

2. We can hold a special session of Congress before Christmas and try to jam through it a general aid program, the final dimensions of which would probably have to be determined unilaterally by ourselves as discussed under IV(a)2. Here again we would have to bet on Europe's holding out until the program could be effective.

3. We can attempt to evolve and implement voluntarily and without solicitation from the Europeans, an immediate or early emergency aid program to be administered by ourselves, along the lines of "Food and

Fuel for Europe" or some such slogan, leaving the general program to be dealt with expeditiously but in due course.

My own appraisal of the urgency of Europe's plight leads me to reject alternative No. 1 as giving us no plausible guaranty against a catastrophic deterioration of the world situation.

The choice is between No. 2 and No. 3, and there is much to be said for and against each of them.

On balance I favor No. 3. To evolve a really sound approach to Europe's problems is going to take time. The problems are so grave, so complex, so far-reaching, so critical for the future of our people and the world at large, that they should be dealt with in most orderly and considered manner. This cannot be done if we have the consciousness that people are starving while we deliberate. It cannot be done if the general atmosphere is one of panic and collapse. A short-term aid program would buy us time in which to deal deliberately and carefully with the long-term program. It could be publicly justified on this basis. Put in hand spontaneously by us, without request from Europe, it should do much to offset the vicious propaganda current in Europe as to the motives of our policies toward Europe. It need not constitute a violation of the principle of "no more piece-meal aid", because it could easily be so arranged that it would eventually either be absorbed into any general aid program which Congress might approve or terminate at once if Congress turned such a project down completely.

V. THE BASIC PROBLEM

The main consideration which inclines me to this last alternative is the impression which I am carrying back from Europe with me of the immense seriousness and complexity of the basic problem with which we are dealing. I am not sure that we have come anywhere near to finding the real answers within the scope of our present thinking. At last Saturday's meeting of Mr. Clayton with representatives of the Executive Committee, Sir Oliver Franks stubbornly insisted that he and his colleagues would not be honest, in the light of the data they had before them, if they did not show a small continued deficit at the end of the four-year period. Some of the members of our official family saw in this a violation of the principles on which the Europeans had been asked to approach this matter, and thus a cause for indignation. I could not share this feeling. What Franks was saying was simply that he and his colleagues were not sure that the area in question could really be made "viable" within the four-year period which they had selected for a program of aid. They felt that they were in honesty bound to face this fact.

I think this doubt legitimate. It arises primarily from the component doubts concerning the full efficacy of the present approach as a solution of the problems of England and Germany. In neither of these cases am I sure that we have faced the facts. The replies which were submitted by the bizonal area to the questionnaire sent in by the Paris Conference showed a future German economic development based on several optimistic assumptions. A key assumption, for example, was that the output of steel could be brought within four years to a figure of ten million tons per annum. Another was that adequate export markets would exist and that the terms of trade would develop in Germany's favor. Nevertheless, this reply, too, did not show complete hope of "viability" at the end of the four-year period.

In the case of England, the situation is similar. On the same sort of optimistic assumptions, people in Paris can see Britain at the end of the aid program almost self-sufficient, not quite. If these assumptions should prove to be unsubstantial, the gap would be greater.

But in the case of Britain things are complicated by the process of internal adjustment which is now wracking the British people and Government. We have seen that only the pressure of painful necessity can force a development in the right direction. But we have also seen that if the pressure of necessity gets too great, the result can be a breaking instead of a yielding—a catastrophe instead of an adjustment. For us to attempt to calculate with precision, on a day-by-day basis, the exact position of this point-with-no-return and to utilize the pressure of our foreign aid program to keep the British just close enough to this point without letting them go beyond it, seems to me to demand of us an operating flexibility which we do not enjoy, and therefore to involve tremendous political risks. I am afraid that in this case the whole process of adaptation which the British people must undergo will become fouled up with inevitable psychological by-products of a protracted relationship with us an [*as*] an object of charity.

And again, I see no guarantee of success. With many of England's traditional sources of income lost I think there is for her no satisfactory economic future, in the long run, which does not include (1) a long-term spontaneous flow of private capital from this country to England, and (2) a considerable freedom of labor and population to emigrate from areas in Britain where their presence is no longer economically justified to other continents, particularly our own. In other words, the problem of England's long-term economic future is one of flexible and fluid adaptation to the economies of this country and Canada.

I do not believe that this process can be successfully brought about by inter-governmental negotiations across the barriers which now divide these countries as independent and sovereign nations. For this

reason I am more and more inclined to the feeling that there is no satisfactory solution for England's long-term problems, from the United States standpoint, than some closer form of association between England, Canada, and our own country: something which would involve a sharing of certain of the powers of sovereignty among the three countries. There is no necessity that a move in this direction should take the form of any sudden or abrupt act. It can well be planned as a gradual process, to be completed through a five or ten year program. But whatever it is, it should be threshed out and determined in this immediate period that lies before us, as part of the long-term problem of European recovery. And this, again, requires time for study, time for the preparation of public opinion, and time for careful and highly complicated negotiation.

VI. SUMMARY

In short, the long-term problem before us seems to me to be a deeper, more far-reaching, and more complex one than any of us have realized. We cannot deal successfully with a program of this nature on the spur of the moment or under the abnormal pressure which would be caused by a further deterioration of conditions in Europe.

For this reason, we must undertake at once an interim aid program with which to buy time. If we do this, then both problems—the short-term one and the long-term one—may still be solved. If we do not do it, we shall solve neither the one nor the other.

840.50 Recovery/9-547: Telegram

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

TOP SECRET
US URGENT

PARIS, September 5, 1947—8 p. m.

3610. For Lovett, Thorp, Ness and Nitze from Department Economic Advisers. 1. Present information re conclusion of Conference of European Economic Cooperation work in Paris indicates that technical committee reports will be considered by Executive Committee and approved early next week and general report by end next week. CEEC will probably be convened about September 15 for final action on reports. Some CEEC delegates may not have necessary authorization to approve reports on behalf their governments and transmit to Secretary Marshall. Accordingly, it might be expected that reports will be transmitted to participating governments for consideration and action.

However, present working of general report indicates it is intended for Secretary Marshall. Moreover, Franks and Marris¹ have expressed their hope and expectation that reports will be approved promptly by participating governments in substantially present form and formally transmitted to Secretary. Therefore, Department should not overlook possibility of this outcome and should, in our opinion, consider appropriate course of action. Several possible courses discussed below.

2. Publicity now being given to technical subcommittee reports. Press conferences have been held regarding reports on fuel and energy, and maritime transport. It is apparently intended to hold press conferences on other reports in near future. Franks and Marris have expressed opinion that publication of reports, presumably upon transmission to participating governments or to Secretary, would be desirable. It appears reasonably certain that key CEEC individuals in Paris intend to give widespread publicity to reports.

3. Our present information is that figure for total deficit for entire period is being revised downward from \$29.2 billion figure previously reached and mentioned in newspapers. Franks has already indicated aggregate deficit could be reduced by about \$5 billion through elimination of capital expansion items. Information is not yet available as to extent of ultimate reduction in aggregate deficit figure or basis on which this reduction will be calculated. We are fairly certain reductions made to date have not thus far been reflected in substantial revision of technical subcommittee reports on net commodity requirements.

We are informed that reductions are being made in aggregate net requirements for food, coal and timber without regard to revision of each country's annual net requirements for those commodities. Adjustments are also being made in dollar price co-efficients for some of these commodities in order to reduce aggregate estimated deficit.

According to present information, balance of payments summary will be for sixteen countries in aggregate without individual country breakdown although it is inconceivable that net deficits by individual countries will not be presented at some point.

4. It is belief of Department Economic Advisers that reports in their present form, and as they will probably be approved by Executive Committee, do not constitute acceptable basis for recommendation to Congress and do not meet US conditions as presented by Clayton August 30 (Embtel 3543, August 31). Reports of technical committees are merely compilations of individual country statements of commodity requirements from outside sources. (These committee reports are now largely unrelated to latest adjusted estimates of aggregate

¹ Adam D. Marris, deputy leader, United Kingdom Delegation, CEEC.

dollars deficit and of aggregate net commodity requirements.) These reports reflect little or no mutual criticism and screening. They contain no signs of cooperation by sixteen participants to provide maximum assistance to each other. They evidence insufficient attempt to provide for most effective use of critically scarce resources particularly coal, coke, timber and transport facilities. They indicate no acknowledgement of probable necessity of adjusting standards of living to realities of European situation including capability to produce and possible aid from abroad. Reports fail to distinguish between capital requirements for reactivation of basic industries from capital requirements for longrun projects which should be financed outside of program.

Financial report contains no assurance that effective steps toward internal financial stabilization will in fact be taken.

5. Some CEEC technical experts have acknowledged to us that reports are generally unsatisfactory and also fail to meet US conditions. It is evident that CEEC delegations do not feel their terms of reference permit them to prepare reports along lines which meet US conditions. This situation can be remedied only by new instructions from sixteen governments to their delegations in Paris. Such new instructions will come only, if at all, as a result of vigorous and direct representations by US Govt to other govts concerned.

6. Immediate problem is action, if any, to be taken by US Govt with respect to: (a) formal submission of CEEC reports to US Govt and (b) formal publication thereof. If US Government takes no action, prospects are that reports in substantially present form will soon be submitted to Secretary as final program of sixteen participating governments in response to his Harvard address. This might conceivably jeopardize acceptance in US of aid program for Europe because it could lead to impression in US of inability of sixteen govts to formulate realistic and defensible program. Consequences of US rejection or prolonged debate might be to embitter European peoples with resulting unfavorable political and economic repercussions. If for these reasons Department determines that positive action respecting (a) or (b) above is required, immediate approaches to top officials of UK, French, Belgium, Netherlands, and Italian Governments would seem to be necessary in order to assure desired results by tentative September 15 deadline.

7. Most effective way of avoiding consequences outlined paragraph six above would be to take action designed to prevent formal transmission of present reports to US Government and possibly also their publication. Department may accordingly wish to suggest to key governments that reports of CEEC should be submitted to participating governments for consideration rather than directly and formally

to US Government. If steps to assure this result are taken, participating governments should also be urged to issue new instructions to their delegations in Paris enabling them to prepare reports consistent with US conditions. This would have to be done immediately to permit delegations to prepare new reports, preferably by November 1, so as to leave time for examination of reports in Washington prior to submission to Congress. If such developments were assured, present reports could be published as preliminary documents to serve as working papers for second phase of CEEC work. It is believed by Department Economic Advisers that publication under these circumstances would be much less damaging than otherwise. Course of action outlined above would involve vigorous confidential representations to participating governments at this time but would avoid subsequent public rejection by executive branches US Government of unsatisfactory, but European approved program. If completion of program consistent with US conditions extends beyond November 1, or if prolonged Congressional consideration after January is required, Department must of course give immediate attention to question of interim aid.

8. Department may not wish to make representations to participating governments along lines suggested in paragraph seven above since this might appear to violate principle of Marshall address that program should be prepared on European initiative. In that event, US Government should strongly urge participating countries to label reports as tentative and as basis for further exploration of problem by participating countries themselves. This action would at least make subsequent reconsideration easier than if faulty reports are published as final program but would not avoid danger that their formal submission and publication might conceivably prejudice success of entire project.

9. In urging participating governments to adopt new approach and issue new instructions adequate to meet US conditions, US Government should state to them that it is prepared to instruct US military authorities in Germany to cooperate with CEEC countries on same basis and to same extent as participating governments. This would greatly strengthen US position in urging new approach. US control over final distribution of aid (as outlined in Deptel 3195, August 27, 1947²) will enable us to protect position of bizonal area.

Sent Dept 3610, repeated Geneva for Clayton 165, London for Douglas 707.

CAFFERY

² Telegram 3195, August 26, p. 333.

840.50 Recovery/9-547: Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, September 5, 1947—11 a. m.

US URGENT NIACT

3841. For Ambassador. War and State have agreed that economic plans of bizonal area should be discussed with CEEC with view to integrating bizonal area into a European recovery program.

Before making any announcement to CEEC, agreement with British obviously necessary. Pls take this matter up with Brit urgently to obtain their approval of joint statement to be made to CEEC substantially as follows:

"Answers have already been furnished to CEEC questionnaires covering the bizonal area of Germany administered by the US and UK. In addition, the CEEC has received the revised level of industry plan agreed between the US and UK for the bizonal area.¹ The US and UK recognize that the CEEC, in developing a program for economic recovery, will discuss the various national plans and requirements of participating countries with a view to achieving the maximum European self-help and the most efficient use of existing facilities. The bizonal area in Germany potentially can make a substantial contribution to European recovery. Integration of the bizonal area into a European recovery program carried out by all participating countries will facilitate the contribution which the bizonal area can make while at the same time further the self-support of that area, which is a necessary part of European economic recovery.

The US and UK are therefore prepared to discuss with the CEEC the economic programs of the bizonal area to the same extent that CEEC discusses the plans and requirements submitted by the participating countries. The purpose of such discussions would be to develop recommendations as to the use of facilities in the bizonal area, the priorities in industrial reactivation and in the use and allocation of scarce materials in the same manner as CEEC is considering the same subjects with respect to the participating countries, all with the purpose of achieving an integrated recovery program covering both the participating countries and the bizonal area. The bizonal area cannot fulfill its potential of assistance to European recovery unless the needs of its presently depressed economy are recognized. It is to be understood that such discussions will be on a technical basis. Furthermore, the US and UK must always take into account their special responsibilities as occupying powers and the very large expense now involved in maintaining the bizonal area. Within the above principles, the US and UK are prepared to give careful consideration to recommendations made by CEEC with respect to integrating the bizonal area into a broader recovery program. The US further wishes to emphasize that its participation in such discussions is not to be construed as US Govt approval of any program that may be developed nor as

¹ See footnote 3, p. 332.

any commitment with respect to US aid to carry out any recovery program."

If Brit agree to joint statement,² it is proposed that OMGUS representatives who are familiar with level of industry plan and economic situation in bizonal area would immediately join US representatives now attached to Paris Embassy to work on CEEC matters, with perhaps additional staff from War and State. Statement would be delivered to CEEC and arrangements made for prompt consultation.

Will Clayton and Ambs Caffery and Murphy pls send London urgently any comments repeating to Dept. War has agreed to this message.³

Sent London, rptd Paris, Geneva for Clayton, Berlin.

MARSHALL

² See last paragraph, telegram 4951, September 12, from London, p. 429.

³ Ambassador Murphy on September 8, replied in telegram 340 from Frankfurt as follows: "I concur in text of proposed statement to CEEC. It seems unquestionable to us here that Anglo-American zones of western Germany can and should make substantial contribution to European recovery and without such contribution recovery program is obviously jeopardized. We are also glad to note that alongside question of priorities in industrial reactivation emphasis is also laid on needs of Germany's presently depressed economy. You of course recognize inherent risk in this approach of temptation on part of European countries to obtain indirect financing from US and possibility of an easy tendency to interpret military government commitments in this connection as US Government commitments." (840.50 Recovery/9-847)

840.50 Recovery/9-847: Telegram

The Acting Secretary of State to President Truman

TOP SECRET
US URGENT

WASHINGTON, September 6, 1947—noon.

1025. Eyes Only for the President¹ from Secretary of State. There is every indication that the economic situation in Europe is deteriorating rapidly and seriously. It is now apparent that some of the more important countries, notably Italy, France and England, and possibly some of the others, will be in a dangerous position before the end of the year. This has resulted in part from the factors with which you are already familiar; but the process is being materially aggravated and hastened by the crop failures in Western Europe and by the emergency measures recently taken in England.

Reports along this line are already increasing in Washington, and press and radio are full of comment and speculation about our reaction. As you have seen, Lovett was closely questioned on this subject at his press conference on Wednesday and, while he refused comment on special session or other form of Congressional hearings before end

¹ President Truman on a state visit to Brazil had addressed the closing session of the Inter American Conference for the Maintenance of Continental Peace and Security at Petropolis, Brazil. For documentation regarding the Conference, see vol. VIII, pp. 1 ff.

of year, there is no doubt questions at my press conference next Wednesday will continue to center on this point. In the circumstances I feel I should make some type of statement.

There follows text of statement to be made if it meets with your approval:

"We have been following carefully the reports of the economic situation of the various European countries.

"We see the requirements of these countries as falling into two phases of one program: first, some form of interim assistance to meet the immediate threat of intolerable hunger and cold; and second, the general program for rehabilitation of the respective economies.

"The nature of the long-term problem of European reconstruction and our attitude toward it remain basically unchanged. But the short-term problem has become more immediate. Bad droughts, following an unusually severe winter, increasing crop shortages and restrictive financial measures which certain European governments have already been obliged to take, have had serious repercussions and have accelerated the need of some European countries for assistance in reducing hunger and cold this winter.

"In these circumstances this phase of the requirements will clearly have to be given our urgent consideration and cannot await the completion of the broader study which the over-all program demands.

"We expect that, by the latter part of October, we will have available working papers on the basis of which the appropriate Congressional committees could undertake consideration of means to supplement European supplies of food and fuel for the coming winter where it can be shown that every effort has been made locally to meet the critical needs. The majority of the Congressional committees visiting Europe will have returned by that time. We hope that shortly thereafter the complete data for the European Recovery Program can be screened and made available in order that the problem may be faced in its entirety and that any action taken to meet immediate needs may be correlated into the general program.

"The question of how the necessary Congressional authority is to be obtained must await developments of the next few weeks."²

[Marshall.]

LOVETT

² The text of this statement by the Secretary of State was released to the press on September 10.

840.50 Recovery/9-647: Telegram

The Ambassador in France (Caffery) to the Embassy in the United Kingdom

SECRET

PARIS, September 6, 1947—1 p. m.

NIACT

[711.]¹ For Douglas from Caffery. As indicated last paragraph my 3451, August 26 to the Department, repeated to London as 675, I be-

¹ The text printed here is from telegram 3617 to the Department of State, a repetition of telegram 711 to London.

lieve that program European economic recovery will be greatly strengthened by full participation western Germany. I therefore concur in proposed US-UK statement for bizonia as outlined Department's 3841, to London, repeated Paris as 3336, Berlin as 1809. I suggest that it would be desirable, in order to assure participation all of western Germany, to ask French Government whether it is disposed to issue a collateral statement re French zone. Department's instructions by telegram requested.²

Re foregoing, Benelux representative Executive Committee told me this morning that he believed participation western Germany would strengthen efforts being made to convince Switzerland and the Scandinavian countries that all countries should participate in customs union study group and that conference report should make adequate provision for a continuing organization. In view of fact that conference report is nearing completion, I believe announcement should be made at earliest possible moment.

Sent to London for Douglas as 711; repeated Department as 3617; USPolAd Berlin as 344, copy held for Clayton.

CAFFERY

² The Department replied in telegram 3365 of September 7, 1947 that once the British agreed to a joint statement, it was "desirable to notify French and inquire whether they wish to issue parallel statement re French zone." (840.50 Recovery/9-747)

840.50 Recovery/9-747 : Circular Telegram

*The Acting Secretary of State to Diplomatic Representatives Accredited to Countries Participating in the Conference of European Economic Cooperation and to the United States Political Adviser for Germany (Murphy)*¹

TOP SECRET
US URGENT

WASHINGTON, September 7, 1947—1 a. m.

To certain American diplomatic officers. 1. You are requested soonest and not later than Tuesday to present orally to FonMin or at your discretion to FonMin and Prime Minister substance of following:

2. Admittedly incomplete info received by US Govt as to present content proposed report by Conference on European Economic Cooperation, which they now expect to complete about 15 Sept, is that it has numerous deficiencies which if publicized as final report by Europeans in response SecState's Harvard speech would make it unacceptable to State Dept, would undoubtedly evoke strong criticism in

¹ The telegram which went to Paris was addressed to both Ambassador Caffery and Under Secretary of State Clayton.

US and consequently endanger US support of any more reasonable or more realistic European aid program.

3. Indications are that CEEC report may state requirements greatly exceeding potential aid available and that whole program shows little more than lip service to principles of European self help and mutual help.

4. US recognizes political difficulties of participating Govts in conforming national programs and objectives to a cooperative program and subordinating separate national aims where necessary. US believes, however, that recognition this principle essential to US acceptance of program and that political consequences of rejection by US of any aid program immeasurably worse. It was US hope that concept and practice of cooperation would arouse response in European countries as positive approach toward defeating difficulties against which participating countries have been trying to defend selves. As to food, US recognizes political difficulty of Govt's planning for less than satisfactory feeding, and that trimming of program to fit realities of supply situation will come after program submitted and checked against supplies available and possible. Reducing this trimming to minimum, however, should be one objective of drafting program.

5. Under Sec. Clayton is being asked by Dept to take up at once with Exec. Comm., CEEC, a suggested course of action and time schedule aimed at deferring completion present CEEC report by ten days to permit participating Govts to instruct delegates their views as to recasting of report to have it concentrate emphasis on principles, clearly indicate that report is not final but represents completion initial steps of preparing document useful as basis of further discussion, and that initial technical reports require further work by technical committees to correct original deficiencies. (Note: Cable to Clayton being repeated to you for info and background. Please avoid implying interim aid or special session.)²

6. US reps at Paris have already communicated to Exec. Comm. of CEEC main essentials which are believed necessary to make program workable and to enhance probability of acceptance. Technical experts of participating countries at Paris possibly may not have communicated these fully to their Govts, and instructions of participating Govts to their reps at Paris may not permit appropriate weight being given these essential aspects in Paris. Hence, US Govt is communicating them directly to participating Govts.

7. Main essentials follow:

a. The achievement within the four-year period of a workable European economy independent of special, outside aid.

² Circular telegram of September 7, 1947—2 a. m., *infra*.

b. Continuous and progressive reduction in the special outside aid required by the participating countries to the point where it will become eliminated by the end of the period.

c. The participating countries must from time to time during the period of the program show convincing evidence that they have made substantial progress toward the scheduled goals of production of items essential to European recovery, especially food and coal.

d. Long-run development projects should not be allowed to interfere with the reactivation of the most efficient existing productive facilities. The latter must have first priority. The financing of long-term projects must be obtained from sources outside this program.

e. The participating countries to undertake the necessary internal financial and monetary measures to stabilize their currencies, establish and maintain proper rates of exchange, and generally restore confidence in their monetary systems.

f. The participating countries to take concerted steps to facilitate the greatest practicable interchange of goods and services among themselves, adopting definite measures directed toward the progressive reduction and eventual elimination of barriers to trade within the area, in accordance with the principles of the ITO Charter.

g. The participating countries must regard the conditions mentioned above as a common European responsibility and, therefore, should envisage use of some continuing multilateral organization which from time to time will review and take stock of the progress achieved by participating Govts under the program.

8. In communicating these views, US reps made clear that they were not attempting to dictate, and that no commitment by US was involved.

9. US believes that genuine acceptance and vigorous application of foregoing principles and maximization of inter-European cooperation in restoration of production and economic patterns of trade and finance will make possible dynamic program in which Europe, with minimum external aid, can start on path toward healthy economic recovery. When this recovery begins, resources, now latent or hoarded, should emerge and become part of productive effort and further reduce necessity for external assistance.

10. US recognizes that problem of workable European economy independent of special outside aid at end of four years divides into problems of 1) Europe's ability to produce goods and services; 2) Europe's ability to market such goods. While existence of latter problem is recognized, its immediacy is far less than former. First problem and immediate concern of US is production.

11. From point of view of public reaction both in Europe and US, our view is that report should put primary emphasis on positive steps being taken by Europe; the manner in which commodity aid from US can assist positive steps rather than plea for continuing flow of US dollars.

12. In closing presentations to FonMins, points should be made that 1) CEEC to date has perhaps been too much on technical level with delegates unable to cut through instructions so as to concert on and actually apply principles of maximum production and cooperative self-help; 2) opponents of program in US will magnify any indication aid is being requested from US to take up slackness by Europeans; 3) basic chance for success of European recovery program depends on popular European desire to make it work, to which end national approach solely through little understood technical planning will not suffice.³

13. For your info, we are now trying to get British concurrence to our proposal to make joint announcement that we will discuss at once bizonal German plans in CEEC with view to integrating into area recovery program. Will advise as soon as cleared. If you receive word before seeing FonMin, it should be incorporated in your oral statement, but you should not delay presentation to await such word as it can be made subject of separate approach.

LOVETT

³ Replies from the American missions indicated that these views received sympathetic consideration by the various foreign ministers. The replies are in file 840.50 Recovery.

840.50 Recovery/9-747: Circular Telegram

The Acting Secretary of State to Diplomatic Representatives Accredited to Countries Participating in the Conference of European Economic Cooperation and to the U.S. Political Adviser for Germany (Murphy)

TOP SECRET

WASHINGTON, September 7, 1947—2 a. m.

US URGENT

To certain American diplomatic offices. For Clayton and Caffery.

1. Have given careful consideration to action to be taken in light of (a) prospect Paris Conference report will be unsatisfactory as now being drafted, and (b) rapid deterioration of situation France, Italy and U.K. probably requiring action by US before end of year.

2. Department sending instructions (See circletel of this date repeated to you) to U.S. missions in each of participating countries with view of bringing pressure directly on participating governments in effort to secure (a) improvement present draft for issuance as preliminary report, and (b) continuance of conference after such issuance to develop more concrete proposals for mutual and self help and more accurate and thoroughly screened statistics than would be possible in short period of time. Circletel gives Department views on defects of

Paris operation to date and line we assume you will continue to press on Paris conferees.

3. Propose that with aid of this pressure you and staff available in Paris continue to work with Paris Conference in effort to secure report by about September 21st, correct at least as to major policy lines. Department view is that this report be submitted to governments and to US with clear indication that it is preliminary, is intended as basis for further discussions, and is subject to future supplementation and amendment, particularly as to data and concrete implementation of principles. Department believes that it is not feasible to prevent publication of report, but it must contain such covering language as will make its tentative character clear.

4. Department proposes that agreement of Paris Conference and governments of participating countries be secured to a continuance of Paris Conference after publication preliminary report with purpose of screening and coordinating statistics and of translating general policies of self and mutual help into concrete implementation. Understand from Kennan and Bonesteel that you are thinking along same lines.

5. Such continuation also necessary to (a) supply the detailed information we shall need for screening here in light of U.S. availabilities and justification before Congress as outlined 7 below, and (b) permit conference to consider and perhaps adjust its program in the light of results of such screening. As part of this process it will be necessary that data be available on country by country basis. To make continuation effective, conference must give new instructions to working committees. To assist working committees to understand our requirements for screening, presentation and justification purposes, U.S. representatives should be available to sit in with Committees on informal advisory basis.

6. Propose that this process of revision and refinement be conducted on time schedule, agreed to by Conference, which will make available final supporting evidence for 1948 and at least revised skeleton presentation for entire period for key items by Nov. 1, 1947, and complete revised presentation for entire period by Dec. 15, 1947. This is for use by U.S. in presentation and does not prevent further revisions as new good or bad conditions arise.

7. Department envisages that program submitted to Congress will in any event have to be retailored from even best probable Paris presentation in the light of potential availabilities in the U.S. which will be far less, particularly as to food, than the minimums which the governments of the participating countries can support domestically as being their requirements.

8. In order to make task outlined in 4 fully effective, it is proposed to announce, subject to favorable response from Douglas on British reaction (See Deptel 3336 to Paris¹), that Bizonal area of Germany, including U.S. governmental representatives, will take full part in continuing effort to produce integrated program containing maximum mutual help. To aid you in these discussions Clay expected to send personnel from Germany and Department will send representative soon.

9. This schedule for work in Paris is based on tentative thinking that Congressional Committees be called about November 15, and possibility that special session might be called for about December 1-15. If interim assistance is required, as now seems likely to Department, it must be presented to special session as interim installment of Marshall program and be substantiated as directly as possible by data contained in Paris Conference Report and its revisions. Therefore necessary to interim aid not only that report referred to in 3 be available, but that the progress looked for in 4 be on schedule so that presentation can be made to Congress along following lines:

10. Conference completed report correct in principle but inadequate in detail due to short period of time available to date for preparing and analyzing data of great complexity. Though report inadequate in this respect, satisfactory revision and supplementation is in process as evidenced by progress reports received as result of work described in 4. More time is necessary to complete this work, to screen the program in the light of U.S. availabilities, and to permit adequate Congressional review. This fact combined with unexpectedly rapid deterioration of economic conditions in several European countries makes it necessary to adopt an interim assistance program as a first element in the Marshall plan for aiding the recovery of the European economy. This first step can be taken in full confidence that completed program with full details will be available for U.S. action shortly.

11. Believed here that even moderate success for proposed plan of action largely dependent on U.K. attitude. Realize difficult character of decisions involved for U.K. in committing herself to European approach, and difficult internal problems of present government, partly deriving from its own makeup. Would appreciate yours and Douglas' suggestions as to any further steps which might be taken to secure full U.K. cooperation along lines we think will be most conducive to success both in Europe and in U.S.

LOVETT

¹ Not printed.

840.50 Recovery/9-847: Telegram

The Secretary of State to the Embassy in the United Kingdom

TOP SECRET

WASHINGTON, September 8, 1947—9 p. m.

NIACT

3903. For the Ambassador. British opposition, reported by you by phone to Bonesteel,¹ to discussing bizonal area economic program in CEEC with view to coordination with a broader CEEC recovery program focuses attention on problems of utmost seriousness. As stressed in all US communications with CEEC, essence of Secretary's proposals was preparation of program based on maximum European self-help and mutual aid and that such a program could only be prepared if the separate national programs and requirements statements were examined and coordinated so as to produce the greatest European contribution to recovery at earliest moment. Most recent US action along this line is contained in Dept's circletel, Sept 7 (1 a. m.) in which heads of missions to CEEC countries requested to make oral representations stressing that a program developed by CEEC which did not emphasize and show tangible evidence of application of the principle of mutual aid would run serious risk of being unacceptable to US.

Dept's impression as confirmed by reports from Conference and all senior US reps who have had contact with Conference activities is that element of mutual aid and subordination of separate national aims to cooperative approach has been generally lacking.

The force of US pressure to achieve this cooperative approach is seriously weakened if the one European area in which the US has direct responsibility abstains. As pointed out in London's 4552 (repeated to Paris as 469), holding ourselves aloof from mutual discussion of separate programs will only encourage other participants to subordinate the cooperative approach to their individual national objectives. In recognition of this fact, Dept had hoped to include in the oral representations made pursuant to Dept's circletel Sept 7 (1 a. m.) the offer to consider bizonal German plans in CEEC. If British position prevails and we withhold discussion of bizonal area, we can hardly expect to be successful in opposing a French desire to protect Monnet Plan, Scandinavian tendency to withdraw from full participation and other centrifugal forces working against a coordinated area approach.

Dept questions Bevin's statement that bizonal area being adequately discussed. Dept has no evidence that appropriate discussion has taken place and reports from Conference have indicated that Conference

¹ In addition to his duties as Special Assistant to Under Secretary of State Lovett, Colonel Bonesteel in September became vice-chairman and executive secretary of the newly-formed interdepartmental Advisory Steering Committee on the European Recovery Program.

considered discussing Germany outside its jurisdiction. (Paris' 3325² and 3327 to Dept, rptd London as number not known and 649) London's 4552 (repeated to Paris as 469) expresses view that in absence of US delegate, UK representatives not considered by CEEC adequate spokesmen for bizonal area.

Provision in CEEC II report³ of mining machinery exports from bizonal area of only \$13 million 1948-51, rough bizonal output expected to reach \$1,000 million, suggests lack of adequate discussion of bizonal figures in CEEC. Similar impression from absence in CEEC III report³ of any net steel exports from Germany after 1947.

Dept analyzes Brit position as reflecting Brit reluctance to coordinate its recovery program with that of western Europe. So long as bizonal area, for which US has direct responsibility, is not correlated with CEEC program, US sanctions exclusion of certain areas of western Europe from program, and this justifies Brit excluding themselves. It appears to the Dept that Brit wish to benefit fully from a European program as suggested by Sec State while at the same time maintaining the position of not being wholly a European country.

Thus the offer of appropriate discussion in CEEC of bizonal program in effect raises question of whether Brit program must be subject to same discussion. Dept does not desire to use bizonal offer as occasion to force the issue with Brit on this matter.

Dept therefore recommends that in your discussion with Bevin and Franks, you explore the Brit position on both the UK and the bizonal area relation to CEEC, that you point out that failure of bizonal area to participate genuinely in CEEC in preparation of program along the line described in Dept's Circular of Sept 7 (1 a.m.) may seriously prejudice the achieving of such a program. You should point out the difficult position of the US if it urges cooperative approach to sixteen nations while withholding cooperation on behalf of the bizonal area. You should urge the Brit to consider the consequences of their reluctance to join with the US proposal regarding the bizonal area and to make every effort to evolve a position which would permit the carrying out of the line of action suggested in Dept's 3841. You might point out that proposed offer to discuss bizonal program is subject to conditions in Dept's 3841 and, pursuant to schedule foreseen in circlet Sept 7 (2 a.m.) would presumably take place in course of revisions to be made after publication initial CEEC report.

Repeated to Paris as 3393.

MARSHALL

² Not printed.

³ Reports prepared by CEEC technical committees and circulated as conference documents as basic material for preparation of the final report of the conference.

840.50 Recovery/9-947 : Telegram

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

TOP SECRET

LONDON, September 9, 1947—7 p. m.

NIACT

4888. This afternoon I called on Bevin, Hall-Patch, and Makins¹ present, at the Foreign Office and took up with them the contents of Deptel circular September 7, 1 a.m.

They pointed out that the seven main essentials were not new to them, and that they were trying to incorporate them in the final report of the CEEC. However, they feel that any further attempt at screening now would only tend to slow up the report and that they cannot change the time-table. Bevin feels that it is impossible to postpone the meeting of the Ministers already publicly called, and announced for September 15, to receive the conference report. To do so, the British thought, might cause such dismay that the work of the conference so far made might come to naught. Sir Oliver Franks had, they thought, carried the participating countries as far toward a cooperative effort as is possible. Any effort to press further would, they feared, so impair national sovereignty that many countries would rebel, particularly since the Soviet had already threatened some with withholding coal if they proceeded.

They suggest that the report will give Franks authority to call Committee on Cooperation into session for further discussion and additional work if it seems advisable.

Bevin has not had opportunity to acquaint himself with details of report, but is sending Hall-Patch to Paris with me tomorrow.

In view of the foregoing, it would have been futile to press for a decision on the bizonal statement until after I have had an opportunity to discuss matter with Clayton in Paris and to determine arrangements for continuing work of conference which report may announce. If continuing work is provided for, I will then take up again matter of bizonal participation.

Clayton will attempt to meet with Executive Committee tomorrow at five if he hears from Franks that all members will have heard from their Governments by that time. If not, Executive Committee will meet on Thursday morning.

Sent Dept as 4888, repeated Berlin 429, Paris (for Clayton and Cafery) 506.

DOUGLAS

¹ Sir Edmund Hall-Patch, Deputy Under-Secretary of State, and Roger M. Makins, Assistant Under-Secretary of State, in the British Foreign Office.

940.50 Recovery/9-1147 : Telegram

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

SECRET

PARIS, September 11, 1947—5 p. m.

US URGENT

3696. For the Secretary and Lovett from Clayton, Caffery, and Douglas. We met yesterday evening with the Executive Committee to outline the key points of the Department's circular telegram of September 7, 2 a. m.

We told them that we considered it highly desirable that the formal conference meeting be postponed pending further work on the report. In view of fact that meeting of Foreign Ministers had already been called for September 15, individual delegates had indicated to us that it would be politically impossible to postpone conference consideration (and probably adoption) of the report.

We then said that our examination of the draft report, plus Departmental scrutiny of conference documents, lead us to conclude that the report in its present form would, if adopted as final, produce an unfavorable impression in the United States and jeopardize the entire program. We strongly urged, therefore, that if it were necessary to issue a report on September 15, it should be so phrased as to clearly indicate that it was of a preliminary or tentative character. If transmitted in its present form, without clear explanation that there would be further work done on it, it was extremely doubtful whether the report could be regarded in the US as a workable program for European economic recovery. As a few examples of weaknesses in the proposed presentation we outlined the following:

1. The balance of payments calculation included large financial provision for capital equipment. From the technical reports we had found that these totalled approximately \$2 billion for such items as steel plants, power installations, oil refining and railroad equipment. These items appeared to be outside of the range of such short-term capital equipment as farm and mining machinery and they were properly the subject for consideration by the International Bank or private lending agencies but should not be presented in a form which carried the implication that the United States Government was expected to finance their cost. There were also capital equipment items under category of non-programmed items, outside the work of the technical committees, (approximately \$2.5 billion) which had been included in balance of payments estimates submitted by individual countries.

2. The petroleum estimates were prepared on the assumption of no gasoline rationing in Europe. Opponents in the US to the Marshall proposal would be certain to emphasize that the American taxpayer was being requested to pay for European "joy riding".

3. The food and agriculture report had failed to segregate commodity import requirements by sources of supply.

4. The provisions regarding trade liberalization and financial stabilization were in vague form and needed to be "sharpened up" in order to clearly set forth that the participating countries were directing their efforts toward the objectives we had outlined. Chapter on financial and fiscal reforms indicated that no steps could be taken until aid from US had been extended and until production had been substantially increased. This we said was quite unsatisfactory. Franks, after the meeting, told us that our comments in this respect had been most helpful since they strengthened his hand in having the chapter re-written with wholly different emphasis.

The five Executive Committee members then spoke individually and it became apparent that they had previously reached agreement on a joint position which may be summarized as follows:

1. It is not possible to label the report as tentative or preliminary. Such an approach would indicate that the conference was a failure and political repercussions in Europe would be serious.

2. The committee was prepared to indicate in the text that the report was "provisional" in some respects which could indicate that it was expected that some adjustments would be made but would not create the implication that it was to be replaced by a new report. In this connection it was necessary to keep in mind the importance of public reaction in Europe as well as in the US. The Scandinavian delegate (with Russia in mind) emphasized the political as well as the economic difficulties which had faced the conference in its work.

3. A short period of delay would not permit a fundamental change in the structure of the report. It is recognized that the measure of agreement falls short of US essentials in some cases. The difficulties in part arise from the terms of reference of the Conference and in part from national decisions at a Cabinet level. To meet entirely the US conception of a program would require a change in the terms of reference and this would mean a new conference which might not include all of the countries participating in the present work.

4. The Conference during the next few days is prepared to make such adjustments as appear desirable in the report short of major policy changes which would require decisions by the home governments. It is believed that these adjustments can meet some of our criticisms but there is no possibility of the present Conference agreeing on an integrated plan. In this connection, Sir Oliver Franks remarked that some people in the US Government apparently had in mind a form of "dirigisme" under which an overall control agency would plan and regulate the basic economic activity of the individual countries.

5. The Conference was ready to prepare its report in a form which would clearly set forth that the Executive Committee, supported by groups of technicians, was prepared to go to Washington to mutually review the program with us and that the chairman be authorized to reconvene the Conference in the light of the Washington conversations.

6. Sir Oliver Franks told us separately that it had been impossible to obtain agreement on a specific undertaking for the formation of a multilateral organization. He had, however, been able to bring the delegates to the point of agreeing on a statement recognizing that if

the necessary means for carrying out the program are made available, it will be desirable for the participating countries mutually to consult together in order to review the plan's execution and to insure an economic development leading to the realization of the general objectives to which they had pledged themselves.

We made two additional observations re unsatisfactory character of present report:

a. The participants in calculating their requirements had failed to adhere to their agreed assumption of presentation on the basis of a standard of living which they expected to be able to maintain after 1951 without special outside assistance.

b. The report indicates a considerably larger dollar deficit in 1948 than the actual deficit in 1946 and this would be viewed adversely in the US.

On the first point Sir Oliver said that part of the discrepancy had been corrected through elimination of mistakes and adoption of a more reasonable assumption regarding future terms of trade. On the second point he stated that the United Kingdom in 1946 was living on stocks; that it was a period of low industrial activity; and that prevailing commodity prices are much higher than those of 1946. We replied that in some continental countries stocks were being replenished in 1946 and that, in view of fact that we were talking about balance of payments, increased industrial activity should mean larger exports as well as larger imports.

Last night our Department advisers met with conference technicians to review in detail other technical weaknesses in the report.

Separate telegram follows of our conversation this morning with Franks and Hall-Patch.

Sent Department as 3696, repeated London as 722. [Clayton, Caffery, and Douglas.]

CAFFERY

840.50 Recovery/9-947: Telegram

The Secretary of State to the Embassy in London

TOP SECRET

WASHINGTON, September 11, 1947—7 p. m.

3950. For Ambassador Douglas. Reurtel 4888, 9 Sept, it appears that Bevin may have some misconceptions as to the intent of Depcirtel Sept 7, 1 a. m. Read in conjunction with Depcirtel Sept 7, 2 a. m., it will be noted that, in effect, Dept welcomes meeting in Paris of high level representatives of participating countries on or about Sept 15, provided they do not meet for the sole purpose of rubber-stamping initial CEEC report and accepting it as final document. Hope is that

final conferring in this phase of CEEC work will permit improvement of report by acceptance in greater measure of major principles involved in "essentials" already given participating governments. If some days' delay in submission of report for this purpose necessary, Dept endorses delay (see paras 3 and 4, Depcirtel Sept 7, 2 a. m.). Most useful course of action by CEEC would, to our mind, be as follows:

a. CEEC composed of Ministers or other top reps meets Sept 15 and revises, so far as is possible or necessary, general report to accept the "essentials".

b. Phraseology of report is changed to make it clear that report is preliminary, intended as basis for further discussion, and will be subject to further amendment, particularly regarding the technical committee reports.

c. If possible, although admitted unlikely, technical reports might be further improved along lines of principles accepted in revised general report.

d. The revised report is published (we suppose about 21 Sept, but earlier if possible) and submitted to participating governments and to US simultaneously.

e. Main CEEC then adjourns but leaves technical working groups, with US technical reps offering friendly aid, in session to take such further action as possible to apply to technical reports the principles agreed in revised general report. This involves screening. In this connection, we hope to have US governmental screening of initial report under way at same time and can soon furnish constructive guidance to US technical reps giving friendly aid. Possible also that we can be using Harriman Committee to check European requirements against US availabilities and make more realistic the guidance offered US reps in Paris. Main CEEC will reconvene at some later date, say Oct 10, to approve and forward final report.

The reaction to Depcirtel Sept 7, 1 a.m., from other governments has in general been very satisfactory and indications are that most reps at CEEC will support US suggestions. Therefore, we are hopeful that if higher level representatives of participating governments meet in Paris on 15 Sept there will be considerable support to the concept expressed above. As for Bevin's remark reference impairing national sovereignties by urging continuing action, replies from other Missions do not seem to have substantiated Bevin's fears.

As for Bevin's remarks that Soviets have threatened some countries with withholding coal, would appreciate any specific information British have in this regard. Department has no knowledge of any specific threats of this nature.

Magowan, British Embassy, queried Dept yesterday at FonOff direction, as to intent behind US activity both as to cirtels and Bizonia offer. He was given full background as to our fears of receiving a final report at this time and, re Bizonia, our belief that by offering Bizonia for limited screening we would induce other nations to submit also. He

said he appreciated and understood motives in both cases and his only fears were, on direct approach to govts, that US was embarking on course lessening importance of multilateral Paris meetings. On this point he was reassured and it was explained that we merely wanted govts to reconsider instructions to Paris delegates. His fears on Bizonia were that we were inviting difficult time with French and might be jeopardizing November CFM.¹ These arguments seemed unconvincing in view London discussions on Level of Industry, French interest therein (see Paris Embtel 3650, Sept 9; ² Paris, please repeat to Douglas if he has not seen), answer given Soviets when they complained London talks and fact that revised Level Industry has been published.

Suggest you approach FonOff again soonest to explain further the broad intent of the cirtel approaches and ask for further sympathetic consideration. As for Bizonia, you should urge agreement on general lines of our offer. If Bevin still is unable to agree inform Dept urgent, since in that event basic reconsideration of bilateral offer must be undertaken.

Repeat to Paris for Clayton and Caffery.

MARSHALL

¹ The Fifth Session of the Council of Foreign Ministers met in London from November 25 to December 15; for documentation, see vol. II, pp. 676 ff.

² *Post*, p. 736.

840.50 Recovery/9-1247 : Telegram

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

SECRET

PARIS, September 12, 1947—1 p. m.

US URGENT

3709. For the Secretary and Lovett from Caffery. After Wednesday's unsatisfactory meeting with the Executive Committee, Clayton, Douglas and I held a series of informal conferences with key leaders, including Sir Oliver Franks, Hall-Patch, Ramadier, Bidault and Hirschfeld. Our immediate objectives were:

a. To secure a first report, which would be "correct at least as to major policy lines," Section 3. Dept's circular telegram, September 7, 2 a. m.

b. To obtain, if possible, a short postponement of the conference meeting of Foreign Ministers so that present draft of report could be materially improved.

c. To obtain agreement that original report would clearly indicate that further work was to be done on it.

Our efforts in this direction were aided by the fact that by yesterday delegates were receiving from their home governments information

regarding representations made by our missions in pursuance Dept's September 7, 1 a. m. circular.

At a meeting with Franks and Hall-Patch we told them that report fell far short of a program which would prove acceptable to the American people but that we would suggest the following changes which, if adopted, would, we thought, improve their case in the United States:

1. Statement that individual countries should obligate themselves to the group to attain the production targets they had set for key commodities.

2. Revision of financial section to remove threat of thought [*sic*] that effective stabilization measures could only be adopted after external aid commenced and production substantially increased.

3. Greater emphasis on and sharpening of principles, including commitment to reduce and eventually to eliminate trade barriers among the participating countries.

4. Segregation of capital equipment items (agricultural and mining machinery excepted), with clear indication that conference will look to International Bank and other lending agencies for financing these items.

5. a. Agreement to "recess" rather than "adjourn" the conference.

- b. Postponement of formal conference session to September 20.

6. Firm commitment by participating countries that, if assistance is assured, they would form a multilateral organization with powers to review performance of each country.

Franks then consulted with the Executive Committee regarding the foregoing, after which we met with the Committee at its request. Hirschfeld had previously informed Franks that neither Holland, Belgium nor Luxembourg would sign a report which we said would prove unacceptable. At the opening of the meeting Alphanand made it clear that the French Government's position had changed from that of the previous day and that it was prepared to proceed along the lines suggested by US. The Scandinavian representative suggested that the conference reach agreement on as many points as possible within 10 days and then issue a final report, leaving other matters of bilateral arrangements between the US and individual participating countries. He said that United Kingdom coal production was something that Norway could do nothing about and that he did not believe that Norway should enter into any obligations concerning such production. Clayton made it clear that the obligation we had in mind was one which the United Kingdom would have towards its fellow participants in return for obligations which they would hold towards it for standards of performance in other matters. There was a mutuality of interest among European nations in economic matters and if this common interest were not recognized, it was difficult to see how progress could be made.

The Benelux representative then proposed the following:

1. The next week would be devoted to making as many improvements in the report as possible.
2. The report would be issued as a "first report".
3. Paralleling US analysis of the report, a number of conference groups (including those on freeing trade barriers, financial experts and several commodity groups) would continue their work.
4. A group from the conference would then meet with representatives of the US to discuss possible revisions.

In view of the fact that this proposal appeared to closely parallel the Dept's timetable suggested its circular telegram September 7, 2 a. m., we concurred in this proposal. The Italian delegate also stated his concurrence.

The understanding which we reached with the Committee was as follows:

1. The Committee would immediately take up the question of postponement of the meeting of Foreign Ministers with a view to informing us of the decision on September 12.
2. The 6 points outlined above would be communicated to the home governments immediately.
3. On or about September 16 we would again meet with the Committee to consider progress made on the 6 points.
4. Our technical experts would continue to meet with the conference people with a view to making other improvements in the first report. Franks indicated that within the time limitations indicated they would give consideration to our further suggestions, pointing out, however, that the new timetable would prevent adjustments in the first report on any additional policy questions, other than those already discussed, which would require consideration by home governments.
5. The future course of action would be mutually decided at the time of the issuance of the first report.

Franks had previously informed us that he believed that points 2 and 4 could be accepted and that he was hopeful that the Executive Committee would agree to point 1. Point 3 had been the subject of concentrated negotiation for 2 weeks and he did not believe that further progress could be made. Points 5 and 6 were political in character and decisions would be based largely on the views of the home governments.

We have checked over the draft of the first report. Assuming that most of our suggestions are adopted, the final draft should appear to the public as neither black nor white but rather as a grey of a shade dependent on whether it is being analyzed relative to our basic essentials or in the perspective of the history of western Europe with its strong emphasis on national sovereignty and the European political situation generally. In any event a beginning has been made and the

important consideration is to keep this group moving as rapidly as possible in the direction of our basic objectives.

Sent Dept as 3709, repeated London for Clayton and Douglas as 728.

CAFFERY

840.50 Recovery/9-1247: Telegram

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

SECRET

PARIS, September 12, 1947—4 p. m.

US URGENT

3714. At a meeting last night of the entire Committee of Cooperation the delegates were informed by Franks of the results of our meeting with the Executive Committee, reported my 3709, September 12, 1 p. m. The Cooperation Committee decided to postpone the formal meeting of the conference called to receive the report until September 20-22, the exact date to be determined later.

Sent Department 3714, repeated London for Clayton and Douglas 729.

CAFFERY

840.50 Recovery/9-1247: Telegram

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

SECRET

LONDON, September 12, 1947—8 p. m.

NIACT

4950. For the Secretary from Douglas. At meeting with Bevin he orally asked me to transmit to you the following message:

"As Chairman of the Paris Conference, I am much disturbed by the public consequences of the discussions in Paris between the Executive Committee and United States representatives, leading to the postponement of the report pending the consideration of certain points which the United States Government have raised. I fully understand and appreciate the intentions of the United States Government in making this intervention, but the impression has been created that the work of the conference has been unsatisfactory and is now having to be done again under American pressure. This is, of course, not the case: but if the impression is allowed to persist it will do untold harm in the European countries and in the United Kingdom. It will provide an opportunity for critics, in Europe and elsewhere, to undermine the progress which the conference has been able to achieve. It may prejudice the final outcome of the conference. This unfortunate result appears to be out of proportion to the advantages which will doubtless flow from the improvement of the report on the points raised by the United States Government.

"There is little I can do here to put this right. The impression can only be corrected from Washington. I therefore hope very much that you may find it possible, by some reassuring statement, to restore the confidence, which has now been shaken, in the work and outcome of the conference and the United States attitude towards it.

"Secondly, I earnestly hope that the United States Government, having made its views known, will not [*now*] allow the Conference to work upon them and complete its report in an atmosphere of calm and without any feeling of external pressure."

I understand what he means is that the accounts in the press have produced the impression of the situation which he describes and that this public impression can be best rectified by a statement from you in Washington.

Moreover, I do not understand that the last paragraph of this message is intended to imply that during the remaining ten days of this phase of the conference "friendly assistance" should be withdrawn.

DOUGLAS

840.50 Recovery/9-1247: Telegram

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

SECRET

LONDON, September 12, 1947—8 p. m.

URGENT NIACT

4951. For the Secretary. 1. Spent Wednesday afternoon and Thursday in Paris with Clayton and Caffery (Deptel 3950, September 11). Two meetings with the Executive Committee of the CEEC were held; the first on Wednesday afternoon, the second on Thursday afternoon. Also two meetings with Sir Oliver Franks and Sir Edmund Hall-Patch, the first prior to the Executive Committee meeting on Wednesday and the second prior to the Executive Committee meeting on Thursday.

2. You should have by now received full cables from Paris reciting the results of these meetings. Nevertheless, the following is a brief résumé of the results of the final meeting with the Executive Committee:

a. Six fundamental considerations inadequately dealt with, or omitted entirely, in the tentative draft report, which we received in Paris, were discussed and emphasized. (These six basic points you should have received from Paris by the time they arrive).¹

b. Since there was not sufficient time to recast the report along the lines indicated, the members of the Executive Committee agreed, subject to the approval of their governments that the meeting of the

¹ See telegram 3709, September 12, from Paris, p. 425.

Ministers on the 15th to receive the report would be postponed until the 22nd.

c. The report when submitted on the 22nd to the Ministers will be labeled "provisional" or alternatively "a first report".

d. After the report has been submitted to the Ministers on the 22nd, the conference will, subject to the approval of their governments, recess and not terminate. Sir Oliver Franks will be given the authority, after the report has been more carefully analyzed by the US, to reconvene the conference for such further work as may be necessary.

3. Bevin indicated this morning when I saw him this procedure was entirely satisfactory to him.

As to the inclusion of bizonal areas—after discussion with Clayton, we concluded that in the light of the difficulties that we had had in persuading the Executive Committee to follow the procedure outlined above, it would only at that time have confused the major issue to bring up the inclusion of bizonal area. Moreover, we felt that it would be more appropriate to ask for the inclusion of the bizonal areas when the conference is reconvened after the submission of the "provisional" or "first report" and press for inclusion during the remaining 8 days of the present phase of the work of the conference.

DOUGLAS

840.50 Recovery/9-1247 : Telegram

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

SECRET

WASHINGTON, September 13, 1947—1 p. m.

3987. For Douglas from the Secretary. With reference to Bevin message (urtel 4950), we give you our views below. You are authorized to express orally such portions as you may consider adequately responsive to Bevin's comments.

Bevin's concern is fully appreciated but in light of press stories both here and from Paris quoting Franks and FonOff spokesmen that CEEC will complete "first report" on September 22 (AP and *Times* from Paris, 12 September) there seems little use in a statement from Washington at this time. Dept can not fully endorse CEEC report to date or even projected "first report" of September 22 and, since it is likely that initial report will need some further revision, at least in part, any optimistic comments would be contrary to facts, might take heat off conferees, and would most certainly do harm here. Our understanding is that CEEC has agreed that it will reconvene if necessary to consider further friendly aid suggestions from US after first report is reviewed in Washington (where substantial cuts, particularly

in food, may be found necessary). This seems to us desirable way to achieve end result both we and participating nations hope can be achieved.

Dept believes CEEC under Bevin's and Frank's leadership has made much progress in short time it has been at work and taking into account limiting terms of reference. Our friendly aid activities have been motivated solely by genuine desire to help CEEC help itself and in response to appeal from CEEC for our views as to form of report.

All the above may be unnecessary in view of later word on Bevin's attitude contained your 4951 September 12, paragraph three.

If Bevin still concerned we would see no objection your making appreciative statement in London if in your judgment this is wise.¹ In this connection you should give consideration to probable substantial revision of program which must be made here before it can be recommended by us or approved by Congress.

LOVETT

¹ In telegram 5129, September 23, Ambassador Douglas stated: "In my judgment it is not now necessary for me to make a statement." (840.50 Recovery/9-2347)

840.50 Recovery/9-1447 : Telegram

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

SECRET

PARIS, September 14, 1947—noon.

3752. In pursuance of the understanding reached at the Executive Committee meeting reported my 3709, September 12, 1 p.m., I reviewed yesterday with Marris details of our working arrangements for the last week of the Conference. The following procedures were established:

1. Departmental advisers are reviewing with Conference people several of the technical reports. New adjustments will be limited (because of the time element) to those which can be made without referral to home governments.

2. Tomorrow Embassy will review with Conference group the entire general report, with a view to recommending revisions of a nonpolicy character.

3. On Tuesday evening Conference will discuss with Embassy the progress which has been made in meeting the six-policy points reported my 3709, plus the two other adjustments, (gasoline rationing and segregation commodity import requirements by sources of supply) reported my 3696, September 11, 5 p.m. A ninth point, commitment re establishment and maintenance of proper rates of exchange, will also be discussed.

4. It is hoped that Clayton and Douglas can join me in Paris on Wednesday for (a) joint review of situation relative to one, two and three above, followed (b) by a meeting with the Executive Committee.

Sent Department; repeated London for Clayton and Douglas as 740.

CAFFERY

840.50 Recovery/9-1447 : Telegram

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

SECRET

PARIS, September 14, 1947.

3758. Conference yesterday took up with me questions relative to presentation and publication of first report. (Am informed British Embassy Washington is discussing this matter with Department). Provisional plans are as follows:

1. Formal meeting of conference afternoon September 22 to adopt report.

2. 1500 word press release summarizing report on same date. This statement would be made available to Embassy several days earlier for telegraphic transmittal to Department for simultaneous release in Washington.

3. Copy of report signed by sixteen (it is hoped) delegates and addressed to Secretary Marshall would be sent to Washington by courier leaving evening September 22.

4. Simultaneous release Washington and European capitals of entire report for publication morning newspapers September 28.

5. The question raised with me is whether we prefer that presentation of report to Secretary Marshall should be (a) through British Embassy Washington on behalf of President of conference (Bevin) or (b) by conference in Paris (presumably Executive Committee or Cooperation Committee) to me for transmission to the Secretary. British have suggested procedure (a), while some other delegations believe presentation should be by larger conference group to me.

Dept's telegraphic comments requested, with special reference to 5 above.

Sent Dept as 3758; repeated to London for Clayton and Douglas as 745.

CAFFERY

840.50 Recovery/9-1547 : Telegram

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

SECRET

PARIS, September 15, 1947—8 p. m.

3780. For the Secretary and Lovett from Clayton, Caffery and Douglas. Some of the criticisms of the program which is being form-

ulated by the Paris Conference arise, we believe, from the opinion held by a few that the European participating countries should designate without regard to national frontiers the productive facilities that should first be brought into production. This view sounds plausible enough at first but its implications, we think, are far-reaching. First, it inevitably requires for its execution an international organization to select the plants that will be given priority; second, it inevitably requires an international organization to allocate the necessary raw materials for the operation of plants enjoying priority; third, it inevitably requires an international organization to allocate among several or all of the participating countries the products of plants facilities to which priority has been given. The evidence is clear, we think, that the 16 participating countries would not accept this sort of system and organization. Moreover, even if they were prepared to agree to such a system, organization, and procedure, in our opinion, interminable arguments would ensue among many of the participating countries as to which plants would be first brought into production, how raw materials and in what amounts should be allocated to them, and to which countries the products of these plants would be allocated. Finally, such a procedure and organization would, we think, in effect result in a planned economy to a dangerous degree. It is almost certain to lead to international cartels which would stimulate nationalism and tend to frustrate the ultimate restoration of natural economic forces. We believe it much more prudent and much wiser to seek from the participating countries or most of them commitments among themselves and later with US to reduce trade barriers including the establishment of appropriate exchange rates. This course will, in our opinion, more effectively bring about a community of economic interest and responsibility based on natural economic forces.

We realize, of course, that a very limited list of commodities are now being allocated, and must during the period of shortage continue to be allocated, such, for example, as coal and food, but to enlarge the present limited list would, we believe, be impossible to achieve agreement upon and ultimately might produce the situation which we have described.

As to screening of the various nationalistic programs, we think, that not as much has been done by them collectively as might well have been done. We are, however, disposed to the view that the requirement when measured against the available supplies of essential materials inescapably produce[s] the necessary screening.

In our opinion, the most important considerations are those involving the basic principles to which we have referred. [Clayton, Caffery, and Douglas.]

840.50 Recovery/9-1747 : Telegram

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

SECRET

PARIS, September 17, 1947—3 p. m.

NIACI

4015. For Lovett and Bonesteel from Caffery. CEEC has met or is in progress of meeting points 1 to 5 inclusive, reported my 3709 September 12, 1 p. m. New provisions are satisfactory and in some cases exceed, from the standpoint of the firmness of commitments, our expectations. On point 6 Franks met yesterday evening with Swedish delegate who had just returned from Stockholm. On basis this conversation Franks redrafted multilateral organization provision in a form which is slightly weaker but still meets our condition. He is hopeful that both Swedish and Swiss delegates will approve this new formula, which Clayton, Douglas and I have indicated as satisfactory, but is not certain whether their two governments will approve. Should have definite information this point by tomorrow. Follows summarizing our discussions of yesterday with 18 delegates which was mutually satisfactory and did much to clear the atmosphere.¹

Sent Dept as 4015, repeated London as 753.

CAFFERY

¹ Text as in original record copy; the reference is presumably to telegram 4025, September 17, from Paris, p. 435.

840.50 Recovery/9-1747 : Telegram

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

TOP SECRET

LONDON, September 17, 1947—5 p. m.

5033. For the Secretary and Lovett. 1. Have not answered in detail because course of action reported after meeting with Clayton in Paris and the Executive Committee CEEC on the tenth and eleventh seemed to meet all the points raised. Moreover your cable not received until the twelfth after return from Paris. (Deptel 3950, September 11; Embtel 4888, September 9).

2. As previously reported, Bevin satisfied with course of action and procedure agreed to as result of the meetings referred to in paragraph one above.

3. As to Bevin's remarks that Soviet had threatened to withhold coal from some countries, details are as follows:

About ten days ago, when the Scandinavian countries were meeting to consider a customs union, the Soviet threatened to withhold from

them deliveries of coal if they proceeded with their discussions. This information given me from two sources in the Foreign Office and confirmed in conversations Paris yesterday.

4. As a result of several conversations with Bevin and other members of the Foreign Office, am convinced Department's feeling that the British have been "sticky" at the Paris Conference was due to following consideration.

Emphasis which they thought we would place upon a continuing organization for purpose of indicating, without regard to national frontiers, the plant facilities which would first be brought into production necessarily entailed, in their view, the allocation of a relatively large list of raw materials and of the finished products among at least several participating countries. This sort of an undertaking, the British felt, would necessarily mean an impairment of sovereignty and as a result the withdrawal from the conference of several of the member countries. Thus, the British felt the schism in Europe would be broadened and deepened at a particularly inopportune time. Several of the participating countries expressed the same view.

5. Now, however, that the above procedure is not being pressed by the Department, Bevin and the British are completely satisfied and have, I am confident, exerted every effort to persuade the conference to meet, as nearly as is possible among sixteen participating countries, all of the basic principles which have been suggested by us to the conference.

6. Believe it much preferable to press for the inclusion of the bizonal areas after the "first report" has been received and when, should it be necessary, the conference is reconvened for the purpose of either modifying the first report or preparing a second. Can explain this to you fully when we meet in Washington.

DOUGLAS

840.50 Recovery/9-1747 : Telegram

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

SECRET

PARIS, September 17, 1947—7 p. m.

4025. After reviewing latest draft general report yesterday morning, Clayton, Douglas and I met with Sir Oliver Franks to discuss in detail revision sections of report concerned with balance of payments, internal financial stability and freeing of trade barriers.

Subsequently we attended informal meeting Committee of Economic Cooperation September 16, afternoon, arranged to permit discussion with all 16 delegates. Franks opened meeting by referring to draft changes in general report points made by Clayton September 11

(reported Embtel 3709, September 12). French draft proposals (reported Embtel 3762 September 15¹) were summarized by Alphand, who indicated they had been generally agreed upon except as regards point six respecting continuing organization. With reference point six, Alphand indicated Swiss had reservations (Swedish delegate arrived later during meeting and later indicated privately to Clayton his government likewise had some reservations respecting French draft on this point).

Clayton on behalf of the three of us congratulated committee on report, referring to magnitude of task and tight time schedule. He indicated that "in their work the representatives of the 16 European nations have blazed a new path in the history of Europe, if not in the history of the world". He expressed appreciation for work done in preparing recent changes in general report, and indicated he had no substantive comments as regards new drafts on points (1) to (3) inclusive. (These points in order given by Alphand were: (1) undertaking on internal stability, (2) undertaking concerning production program, (3) pledge to cooperate). As regards point 4 (measures relating to reduction of trade barriers), Clayton stated he had been informed final draft not ready but indicated his understanding that generally acceptable formula on this point would be reached. With reference point 5 (requirements for equipment), Clayton stated he had been informed final draft not ready but that he understood matter would be taken care of when replies were received to telegram recently sent out requesting information from participating governments as to amount of equipment included in requirement figures submitted on non-programmed items. With respect point 6 (continuing multilateral organization), Clayton stated that paragraph 103 of general report (point 6 Embtel 3762) would, if approved, take care of matter.²

Clayton cautioned that while he had no further comments, Washington might have additional suggestions. He emphasized fact that his remarks could by no means be taken as implying any commitment by US Government respecting any part of report, particularly total figures indicated therein. Clayton stated his personal view that report as finally drafted should make favorable impression in US and added that public discussion in US and in participating countries might result in good suggestions being advanced which would merit incorporation in report. It was, therefore, fortunate that first report was to be

¹ Not printed.

² The material transmitted as point 6 of telegram 3762, September 15, 1947, from Paris, not printed, is substantially that found in paragraphs 111, 113, and 114 of Chapter v, *Committee of European Economic Cooperation*, vol. I, *General Report*, Department of State publication 2930 (Washington, Government Printing Office, 1947).

of a preliminary character. He concluded by stating he expected to see some members of committee in Washington relatively soon.

Upon invitation by Franks for comment, Danish delegate Vestbirk expressed appreciation and thanks to US Government representatives for opportunity to discuss questions of concern to committee. He indicated that Denmark was primarily interested in utilizing its agricultural capacity to fullest extent but for this purpose needed feedstuffs which for time being could only be obtained in US and elsewhere in Western Hemisphere for hard currency. In response, Clayton indicated that while personally he was fully aware of need for enough flexibility in any program to permit some purchases elsewhere than in US, certain groups in US might seek to limit Marshall aid to surplus commodities in US.

Swiss delegate associated himself with thanks to US representatives and stated his conviction that spirit of solidarity prevailing in committee would dissipate effects of divergence of views over paragraphs on continuing organization. He added it was merely matter of finding right formula.

Sent Department 4025 repeated London for Clayton and Douglas 756.

CAFFERY

840.50 Recovery/9-1447 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, September 17, 1947—3 p. m.

3528. Brit Emb Wash, at instance FonOff London, has requested views Dept on timing and content of material released to press concerning Paris Conf report. Brit feel that with signing of report Sept 22, leaks concerning its contents virtually inevitable. Accordingly, is their hope that official guidance to correspondents on contents report be made available as soon after signing as possible. At same time Brit do not wish do Secretary discourtesy of "reading in newspapers" contents report before it officially received by him.

Consequently they have proposed and Dept has concurred in issuance 1500 word official summary Wash and 16 Capitals at hour agreed to by 16 countries concerned, preferably Sept 22, date of signing.

Brit proposal is that summary prepared by Conf be cabled Wash for Secretary Sept 19 or 20.

Dept, while agreeing utility in prevention distorted leaks, feels strongly summary should (1) make clear, if such is case, that report is not final frozen one but tentative in sense of 1st report, and (2) that

it adequately and fully presents contents, rather than slanted version to please US reader. We realize delicacy of revision your end but feel you should see in advance copy to be cabled for Secretary.¹

According present plans time schedule release full report as follows: at least two copies, one for Secretary and one for printing here to be dispatched by Bevin following signing Monday 22nd. As many additional copies as feasible desired. Expected arrival here Tuesday 23rd or Wednesday 24th. To meet our printing schedule copy for printers must arrive Wednesday forenoon at latest. If agreement reached Paris, report to be handed correspondents Wash, London, Paris and presumably other Capitals, Friday, 26 or Sat, 27 for publication morning papers Sun, 28th—i.e. 7 PM EDT, Wash, midnight London and Paris, Sat, 27. Our understanding is report to be in 2 volumes: 1st report itself, 2nd appendices. Date release 2nd volume not now known. Reference point five your 3758, Sept 14, repeated London as 745, Dept feels matter presentation report to Secretary is for decision by Conf itself.

Repeated to London as 4032.

LOVETT

¹ For texts of (a) the summary released to the press on September 22 and (b) an accompanying statement by M. Hervé Alphand of France, Rapporteur General of the Conference, see Department of State *Bulletin*, October 5, 1947, p. 681.

840.50 Recovery/9-2447

The Secretary of State to President Truman

WASHINGTON, September 24, 1947.

DEAR MR. PRESIDENT: I have the honor to transmit to you herewith the initial report of the Committee of European Economic Cooperation¹ which I have today received from the Chairman of the Committee, Mr. Ernest Bevin, Foreign Minister of the United Kingdom. The report was signed on September 22, 1947 by representatives of Austria, Belgium, Denmark, Eire, France, Greece, Iceland, Italy, Luxemburg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey and the United Kingdom, who have been engaged in the preparation of the report in Paris since July 12, 1947.

The report is divided into two volumes. The first of these consists of a general statement of the problems of European economic recovery, the plans of the European countries concerned to meet these problems and the assistance which these countries believe to be necessary from

¹ The report was published as *Committee of European Economic Cooperation*, vol. I, *General Report*, and vol. II, *Technical Reports, July-September 1947*, Department of State publications 2930, 2952, (Washington, Government Printing Office, 1947).

the United States and other non European countries and agencies to restore their economic position. It also contains summary statements of the position and prospects of the participating countries and western Germany in food and agriculture, energy sources, iron and steel, transport, timber and manpower as well as in their balances of international payments and their internal financial situation. These summary statements are drawn from the reports of Technical Subcommittees of the Conference, which are published in full in volume two.

Faithfully yours,

G. C. MARSHALL

Editorial Note

For the texts of statements issued by Acting Secretary of State Lovett on September 24 and by President Truman on September 25 regarding the interest and intentions of the United States with regard to the report, see Department of State *Bulletin*, October 5, 1947, pages 687, 688. Letters of acknowledgment dated September 25 from Secretary of State Marshall to Ernest Bevin, Chairman of the Committee of European Economic Cooperation, and to the Committee itself, are printed *ibid.*, page 689.

III. THE UNITED STATES REACTION TO THE PARIS REPORT, AND MATTERS RELATED TO THE DEVELOPMENT OF A PROGRAM FOR INTERIM AID (SEPTEMBER-DECEMBER)

A. The Washington Conversations on European Economic Cooperation

Editorial Note

The report from Paris of the Committee of European Economic Cooperation was closely examined and evaluated by various committees within the Executive Branch of the Government with a view to formulating a comprehensive European recovery program for presentation to the Congress. These committees had been organized in response to a growing awareness within the Government that European recovery was proceeding too slowly and too disjointedly. The creation in March 1947 of the SWNCC Committee on Extension of U.S. Aid to Foreign Governments began the process, and during the remainder of the year there developed a network of working and study groups, each within its particular area of competence studying problems, evaluating priorities, and making recommendations. Some of these groups were in the Department of State, and others were interdepartmental.

The Department of State had organized the Committee on European Recovery Program on June 25, 1947. Meeting regularly on Tuesday and Thursday evenings, the Committee came to focus the thought and energies of the Department as to the needs and priorities of the European countries under study. Through its Executive Secretary, Charles P. Kindleberger, the Committee maintained liaison with the Policy Planning Staff and other offices in the Department, with the Harriman, Krug, and Nourse Committees, and with such interdepartmental bodies as the National Advisory Council on International Monetary and Financial Problems and the Executive Committee for Economic Foreign Policy.

In addition to formulating and coordinating recommendations for Departmental policy the Committee on European Recovery Program undertook to organize the overall framework or concept within which individual studies could be made and interdepartmental groups could operate. Several members of the Committee represented the Department of State on the interdepartmental Advisory Steering Committee on European Recovery Program (ASC), which was set up in response to Under Secretary Lovett's letters of August 29, *ante*. The Departments of War, Navy, Commerce, Interior, Treasury, Agriculture and Labor were represented, as were the Bureau of the Budget, the Federal Reserve Board, and the White House. The Committee's discussions were confidential; at the first meeting of the Committee on September 9, 1947, Mr. Lovett noted "that in view of the obvious political implications of the European recovery program any open discussion of this problem would result in extreme repercussions abroad. This is the reason for the emphasis on the security aspect at the present time."

A four-man Correlation Committee consisting of representatives of the State, Treasury, and Commerce Departments, under the chairmanship of Lt. Col. Charles Bonesteel, served as the executive group for the Advisory Steering Committee, which by pooling technical experts from the interested areas and from different departments created functional working teams to analyze programs and make policy recommendations. Among the auxiliary groups created was the objectives subcommittee headed by the Chief of the Policy Planning Staff (Kennan); its function was to review the broad aspects of the program as it developed. Other specially created subcommittees and their chairmen included: the Organization and Administration Group, Mr. Lincoln Gordon, Department of State; the Legislative Drafting Group, Mr. Ernest Gross, Department of State; the Financial Policy Group (which was to prepare balance of payments calculations as a basis for an appropriations bill in Congress), Mr. Frank Southard, Treasury Department; the Economic Policy Group (to deal with such things as controls to channel aid to Europe, offshore procurement, and the like),

Mr. Thomas Blaisdell, Department of Commerce; the Functional and Commodity Analysis Group (to appraise availabilities to meet CEEC's stated requirements), Mr. Paul H. Nitze, Department of State; the Labor and Manpower Group, Mr. Philip Kaiser, Department of Labor; and the Country Analysis Group, Mr. Henry Labouisse, Department of State, which analyzed the potential impact of aid against needs and availabilities.

The Advisory Steering Committee and its subcommittees performed several distinct yet interrelated functions including the holding of discussions on a technical level with representatives of the CEEC (the Washington Conversations); the preparation of a legislative program for presentation to Congress; and the planning of a special interim aid program. Documentation concerning these subjects follows.

840.50 Recovery/9-2047 : Telegram

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

SECRET

LONDON, September 20, 1947—11 a. m.

US URGENT

5094. From Clayton, Caffery and Douglas. 1. At Sir Oliver Franks' request, Douglas and Clayton are meeting with him in London on September 23 for a discussion of the future work and movements of CEEC groups relative to the time schedules outlined Section 6, your circletel September 7, 2 a. m. We would greatly appreciate the receipt by telegram of your advice in this matter before that date and submit the following suggestions for your consideration.

2. We believe it desirable to arrange a series of top level conferences in the Dept immediately upon Clayton's and Douglas's arrival in Washington, October 2 for the purpose of determining policy matters which would serve as a guide to our technical people in their talks with the conference group in Washington.

3. The conference group, which will include the chairman, the rapporteur general, certain delegates from participating countries and a number of technical experts, should be invited to arrive in Washington about October 6 for the purpose of a thorough exploration with our people of the initial, general and technical reports.

4. At the conclusion of these talks, which should be limited to 10 days or 2 weeks, we should be in a position to tell the conference group what additional work we expect from that organization.

5. The chairman would then reconvene the conference in Paris with a view to presenting final supporting evidence for 1948 soon after November 1 and a complete revised presentation for the four-year period by December 15.

6. In the meantime the following utilization of our personnel in Europe is recommended:

a. We are sending observers to London for the meeting Committee of Financial Experts beginning September 23.¹

b. A conference in Paris of Agricultural Attachés from key European posts beginning September 29 to analyze preliminary work of the Food and Agriculture Committee (reourtel from Paris 3686, September 11, 11 a. m.²)

c. A conference of economic counselors or chief economic officers in Paris beginning September 29 for the dual purpose of estimating conference technical reports on basis country work done in pursuance Depts circular September 11, noon,³ and to brief our officers on developments and results Paris conference for their background use in future economic reporting.

d. In view of foregoing plans, we would appreciate early action our recommendation Section 1 our telegram under reference that Ivan White⁴ be designated to coordinate the work in Europe. This would formalize the arrangement under which he has been assisting us in this capacity during the past three months. We think it desirable for him to proceed to Washington by air on a short detail arriving there not later than October 6.

7. We assume that in the event you agree with the foregoing suggestions necessary telegraphic travel orders will be issued directly by Dept.

Repeated to Paris as 503. [Clayton, Caffery, and Douglas.]

DOUGLAS

¹The report of the Committee on Payments Agreements, the name chosen by the meeting of financial experts, is printed in the Addendum to the Paris Report, *Committee of European Economic Cooperation*, vol. II, *Technical Reports*, p. 525. This Committee report was not, however, included in volume II as printed by the United Kingdom and France.

²In telegram 3686, from Paris, not printed, Clayton and Caffery make a similar recommendation (840.50 Recovery/9-1147). The Department in telegram 4144, September 25, to London, not printed, advised that the calling of the conference of agricultural attachés and economic counselors should be delayed until the Department had consulted with representatives of the CEEC who were coming to Washington to clarify and further explain the Paris Report (840.50 Recovery/9-2047).

³Not printed; it asked the American diplomatic missions in countries that took part in the Paris Conference to comment on the replies by the respective governments to the questionnaire by the CEEC. (840.50 Recovery/9-1147)

⁴First Secretary of Embassy at Paris.

840.50 Recovery/9-2047 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, September 20, 1947—3 p. m.

US URGENT NIACT

3604. For Clayton and Caffery. 1. Dept understands from Moore that CEEC delegates and technical experts will leave Paris Sept 22

after signing report without specific plans for continuance work of technical committees in improving report as was contemplated in circel Sept 7, 2 a.m., para 4. Moore also indicates your and Embassy Paris belief that in circumstances it would be difficult to press now for continuance technical committee work. Further Dept feels that if US urged, before first report is completed, that plans be made for immediate revision, reaction in Europe and here would be bad.

2. Under these circumstances, Dept desires your urgent comment, and that of Douglas, on following revised schedule of procedure which would not be communicated to delegates now, except for advising Exec Comm of point *b* and, if you wish, point *c*, below.

a. SecState upon receipt of report will make public statement of general character indicating significance of sixteen countries having prepared preliminary report on economic plans and intention of US Govt and Harriman Committee to study carefully with view to formulating recommendations to Congress.

b. Executive Committee would be invited, after receipt of report here, to come to Washington to consult with US Govt officials in early October. Committee would meet with interdepartmental group and with Harriman and other Committees. Meetings would be kept short, small, and attended by minimum publicity.

c. Technical experts would not accompany Exec Comm to US. Dept fearful that gathering such experts in Washington would have effect of reconvening conference here under US supervision and detract seriously from SecState emphasis on European initiative and European character of recovery program. In addition, larger group would require larger US group including technical experts from number US agencies, which would make meetings unmanageable from standpoints of speed and publicity. At your discretion you may indicate to Exec Comm our view that technical experts should not accompany Committee to Washington, and reasons therefore. However, there will be a requirement for further information on some technical reports, particularly from Harriman Committee. Exec Comm should be considering how this will be made available.

d. To extent meeting of Exec Comm with US officials leads former to undertake issuance "supplementary reports" (or revisions of chapters and appendices preliminary report), CEEC, or just working parties, could be reconvened by Oct 20 and one or more technical reports could be amended and transmitted to SecState in time for meeting of Congressional Committees in Nov or for possible special session Congress, end of Nov or early Dec. Reconvened meetings in Paris of CEEC or working Committees would receive US friendly aid, particularly on questions of specifications, availabilities, etc., as contemplated in circel Sept 7, 2 a.m., and Embtel 3686.¹

e. Dept presenting to President on Monday proposals for Executive action to meet immediate needs critical countries and for Special Session Congress about Dec 1. Dept must present any request for interim assistance as first installment of assistance under Marshall

¹ Telegram 3686, from Paris, not printed, but see reference to it in telegram 5094, *supra*.

Plan or at minimum as temporary assistance required until longer-range assistance under workable European recovery plan can be started. On this account US Govt must be satisfied with present report or be able to point to satisfactory revisions completed or in progress. Being able to point to reconvened CEEC or working parties as evidence of continued European effort would help in this connection, showing that basic of Harvard speech concept, the idea of European initiative, has not been abandoned. Continued active labors by CEEC or working parties essential to preserve underlying principle of Marshall suggestion that European countries primarily responsible for plan. Failure their part continue developing and improving plan would clearly give impression here, which would be fatal, that they attempting to shift responsibility to US.

Re London's 4976,² Douglas may wish not to make statement on preliminary report if statement made by SecState. In any event, statement should avoid indicating acceptance by Dept or US of report as satisfactory basis for making recommendations to Congress.

Sent Paris as 3604 for Clayton and Caffery; repeated London for Douglas as 4081.

LOVETT

² In telegram 4976, September 15, from London, not printed, Ambassador Douglas reported that: "Bevin's concern reported in Emtel 4950, September 12 has abated. He agrees with me that the necessity for a statement has passed but suggests the possibility of a statement by me here in London on the 22nd . . ." (840.50 Recovery/9-1547)

840.50 Recovery/9-2247: Telegram

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

SECRET

WASHINGTON, September 22, 1947—9 p. m.

4103. For Clayton, Caffery, Douglas. Further discussions with Hariman Committee representatives indicate their strong desire to discuss technical aspects of CEEC reports directly with experts who are familiar with underlying data. Discussion would be for the purpose of clarification and further explanation of the report rather than to attempt to revise report in Washington. Accordingly Dept has revised its previous position and now recommends that such technical experts accompany Executive Committee arriving early October.

For your info we believe it will become clear from discussions in Washington that further substantial work by Committees in Paris will be necessary.

For reasons contained Dept's 3604 (repeated London as 4081) to Paris suggest that technical delegation be held to smallest number consistent with adequate representation of each committee or commodity field. Probably one or two from each committee would suffice, if carefully chosen for technical competence. Adequate broad represen-

tation from various countries should be taken into account to extent feasible without sacrificing competence.

LOVETT

840.50 Recovery/9-2347: Telegram

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

SECRET

LONDON, September 23, 1947—3 p. m.

US URGENT

5119. From Clayton and Douglas. After consultation with Caffery, we submit following re questions raised your 3604 to Paris, September 20, 3 p. m.

a. Concur in suggestion for statement by Secretary.

b. Agree on invitation to CEEC group and suggest October 6 as beginning date. Invitation should be addressed to "Chairman, the Rapporteur General, certain delegates from participating countries", terminology used in initial report. (Reason back of this was revolt of smaller participants against "too close control" exercised by Executive Committee. In practice invitation this form would result in Executive Committee plus Greek and Danish delegates appearing in Washington.)

c. Understand from Bonesteel's telephone conversation with Caffery that Department is still considering question presence in Washington of technical experts. We believe European character of program should be maintained and discussions in Washington strictly limited to time period indicated in invitation, say October 4 to 20. In view of time element, however, group of delegates might bring small group of experts, say one for each technical report, for sole purpose of explaining to our experts methods used in compiling reports. If, however, there is to be further work of technical committees, we believe it should be done in Paris and not in Washington.¹

Principal objective of Washington meeting should be to permit Washington to formulate precise statement of what we want reconvened conference to do. Franks could then use this as basis for reconvening conference and charting its work program.

Reconvening of conference would make most sense to Europeans if it were possible to state publicly that need for revision had arisen from

¹ In telegram 5142, September 23, from London, Ambassador Douglas informed the Department that he and Under Secretary Clayton had discussed the above matters with Sir Oliver Franks. They informed him that their "views were tentative and based on preliminary exchange communications with Department," but that they would apprise him when definite instructions had been received. (840.50 Recovery/9-2347)

introduction two new elements: (1) participation western Germany, and (2) need to readjust import and production programs to conform to possible availabilities in 1948.

d. and e. In view of rapid deterioration financial, economic and political situations two vital areas France and Italy, we recommend that time schedule calling Congressional committees together and convening special session be advanced to beginning October and beginning November, respectively.

In our opinion, initial report contains enough of the essentials of a workable program to permit Congressional committees to commence consideration of interim aid within its framework by first week October. Our immediate problem is to meet effectively and at once the European crisis so that by spring we shall still have a democratic area upon which to build a complete recovery program.

Sent Department as 5119; repeated Paris for Caffery as 534.

DOUGLAS

Lot 122, Box 19B

*The Chairman of the CEEC Washington Delegation (Franks) to the Under Secretary of State (Lovett)*¹

UNOFFICIAL AIDE-MÉMOIRE

TOP SECRET

When I arrived just over a week ago, you were good enough to say that we were engaged upon a common endeavour and that you counted on both of us approaching the problem in a spirit of frankness and in straightforward discussions. I hope therefore you will regard what I have to say today in that light.

I cannot too much stress that the programme which is before you now is important in its political as much as in its economic aspect. The Paris Conference, following so closely on Mr. Marshall's speech, has created a new hope in men's minds in Europe. They feel that the Marshall Plan offers a last chance to Western Europe to recover from the economic and political effects of the war and to lead a way of life which, in its reliance on free political institutions, freedom of speech, equality before the law and the value of the individual to the state, is broadly similar to the way of life followed and enjoyed by the people of the United States. They therefore feel that the initiative taken by Mr. Marshall is, perhaps, the most important single step that any government has taken since the war. For in it they see made manifest

¹ A covering memorandum on the file copy indicates that the "aide-mémoire was left with Mr. Lovett by Sir Oliver Franks at their conversation on the evening of 22 October."

the interest which the United States has in the solution of their economic problems and in the consequent preservation of the way of life they wish to continue to lead. They therefore look forward with hope and confidence to working with the United States Government to achieve what they believe that Government considers is a common end.

The Paris Conference, furthermore, has made people in Western Europe feel that they have responded successfully and in full measure to the initiative of the United States Government and they are now looking to these discussions in Washington as the next step in the fulfilment of this common endeavour.

If this hope is to be preserved and the new spirit of a common purpose which was such a feature of our work in Paris is to be kept alive, it is essential not only that our present discussions should succeed, but that from them there should emerge a programme which the people of Western Europe believe is likely to lead to a full measure of recovery in a relatively short time. Hopes are fresh and it is vital they should not be disappointed or deferred.

The programme is a *recovery* programme and not a programme of temporary relief. It has therefore to be a large programme and the amounts available under it have to be sufficient to do the job. Otherwise it loses its character, becomes a further instalment of relief, and at its end the people of Western Europe will be on your doorstep again. By then, however, both they and you will be further disillusioned and, more importantly, Europe may have gone so far down the hill that full recovery may have become impossible and the social and political fabrics of Western Europe so altered and strained as to force other solutions than those for which we are both working and hoping. The forging of the recovery of Western Europe can only be done once and it has to be done now.

The programme which is now before you is not perfect and has faults and to remove these faults and to work to something better is certainly desirable: but I should be misleading you if I were not to say at this stage that I am a little disturbed at the way the discussions of the Technical Committees have been going. There seems to be a tendency in these discussions to "chip away" and the risk is that the cumulative effect of this process, if it is allowed to continue, would have the result that the amount the Administration might support before Congress might in aggregate be sufficient only to support a relief programme and not a full programme of recovery.

With few exceptions, your technical people have not questioned the reasonableness of the quantities of the things the programme asks for. The "chipping away" process therefore can only be on availability of supplies or on the assumptions we have made about their cost. In taking

a four-year period, one has got to make assumptions on both these points and, in making assumptions, there is naturally plenty of room for difference of opinion. Therefore, what is really important is to decide whether the assumptions we have made are broadly reasonable.

As far as availability is concerned, the quantities in many critical items were cut in Paris below the full statement of requirements. To meet even these reduced requirements would in some commodities call for some physical sacrifice in the shape of exports from the United States. This may well create problems of real difficulty. But if, for example, the cereals programme has radically to be revised over the entire four years, the *whole* programme may be endangered and the date at which recovery in Western Europe will be complete will be seriously delayed. And no one knows how far that process can be pushed without destroying the programme. Even as it is the people of Europe must live to some extent on deferred hope.

As for prices, I think that we have if anything been too optimistic. For example, on foodstuffs, which account for 60% of the total, some of your experts have told us that we have been rash in assuming that food prices will not rise during the next twelve months and will fall during the last thirty-six months of the programme. Already many prices have gone up substantially above the level assumed in the Report. In July wheat was \$2.60 a bushel. It is now \$3. Fats prices in the United States are now 25% above the level taken in the Report.

For all these reasons, therefore, I hope that the Administration will feel able to support a programme of the order of magnitude which will permit Europe to move forward to recovery within something like the period contemplated in the Report. I do not at all suggest that the Administration should accept the precise amounts mentioned in the Report, but I do venture to suggest that the size of what is recommended should not greatly differ from what the sixteen countries have stated they will need. A few billions of dollars (and I am not suggesting that a billion dollars is a small sum) may make all the difference between success and failure. I fully realise that the combination of political circumstances in this country which you mentioned to me at our first meeting puts the Administration in a position of real difficulty. But this chance will not occur again and I am convinced it is vital that the opportunity be seized and the work begun on a scale to give it the fullest chance of success.

In addition to this main point, there are three others which I would like to mention to you. We have discussed them among ourselves and I feel sure that you have also, but we have not yet had the occasion to talk about them together. I think it is important, however, that we should lest opinion should harden before we have had a chance to explore each other's points of view.

My first point concerns the form which aid might take. I feel sure that you must have discussed whether aid should be given in the form of dollars or in the form of goods. The final decision on this point must, of course, lie with the Congress. But it may nonetheless be useful to give you our views. We would much prefer aid in the form of dollars than in the form of commodities. There are many arguments in support of this.

(i) European recovery as planned in the Paris Report is not possible unless the whole of the deficit with the Americas is covered. If aid were to be limited to supplies from the United States, Europe would be forced to take all steps possible to obtain the supplies and services from the rest of the American Continent that are needed. These steps might well endanger the actual basis upon which the European recovery programme is based. For example, if the United Kingdom had no dollars with which to buy Argentine wheat, it might be forced to send such extra coal as it has available for export not to Europe as contemplated in the Paris Report, but to Argentina. If this happened, the whole fabric of the recovery programme would begin to crumble. In any case, whatever bargains were made with the rest of the American Continent the full supplies needed for the recovery programme would probably not be forthcoming.

(ii) The deficit with the Americas is not made up entirely of commodities. There are many items which appear for the most part among invisibles for which Europe will want dollars, for example, payments for films, service of American obligations, shipping disbursements, etc.

(iii) Although aid given in terms of commodities does not necessarily imply government procurement, it may tend towards this. Government procurement over the whole field of the commodities which the European countries wish to obtain from the United States would introduce rigidities where now there is the flexibility of private trade and we cannot believe that it is in the interests of either the United States or the European countries that this should be so. It must be borne in mind that after the period of the programme Europe will still wish to import from America and pay for considerable quantities of these goods and it is surely wise that so far as possible the normal trade channels should be left available.

My second point is this. It is natural that in an operation of the sort which we are now discussing people should tend to think in terms of the Lend Lease arrangements. I would like to suggest, however, that there are certain dangers in this way of thought. The purpose of Lend Lease was to provide the Allied countries with those foodstuffs, raw materials and equipment which were essential to the prosecution of the war and it was natural, therefore, to attach as conditions to the provision of such supplies restrictions on the use of these materials in the export trade. If, however, restrictions of this sort were to be imposed either on the supplies purchased with any dollars which might be made available or on the use of the supplies themselves, the

purpose of the recovery programme would be frustrated for it is the intention of that programme, among other things, to bring about an equilibrium in Europe's balance of payments by a greatly increased flow of European exports.

My final point is this. The organisation and individuals who physically receive the goods and services supplied to Europe from the United States and the rest of the American Continent will naturally pay for them in the local currency of their own country. The United States Government may wish to impose certain restrictions on the use of these funds. For example, it may wish to stipulate that they be not used for financing current expenditure. Such restrictions will tend to be different for each country. But the sums involved will necessarily be large; it is important that the restrictions imposed on their use should not interfere with or prejudice the economic and financial control of the whole economy that must be exercised by the government of each country. In particular, the vesting of these funds not in the government but in some independent organisation might gravely impair this necessary central control.

There are also serious political dangers in such restrictions. The interpretation of them in the future—and a long future—may be a potential source of irritation in the relations between the United States Government and the governments of the participating countries. If the United States decides to support the European recovery programme, it will in the nature of things have an inherent control over it which it will be in a position to exercise without resort to mechanical devices that might cause the irritation mentioned above.

WASHINGTON, 22nd October, 1947.

O. S. FRANKS

Lot 54 D 361 E Box 328

Extract From "Current Economic Developments", October 27, 1947¹

SECRET

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BROAD OUTLINES OF PARIS REPORT ACCEPTABLE BUT MOST TECHNICAL
ASPECTS NEED REFINING

For the past several weeks technical experts of the Committee on European Economic Cooperation have been in Washington reviewing the Paris report with officials of US Government agencies, members of the Harriman Committee, and special Congressional liaison per-

¹ *Current Economic Developments* is a weekly publication circulated within the Department of State.

sonnel. The meetings have been extremely useful in supplying us with background information and providing a general clarification of the concepts underlying the CEEC report.

While in all public statements we have expressed our gratification with the targets and principles of the report, a great number of omissions and discrepancies from the technical point-of-view have been revealed through close examination of the specific commodity chapters. Certain limitations in the report are recognized as unavoidable. Probably the chief limitation is the fact that statistics are based on conditions as of a certain date in the face of rapidly changing situations. Another major handicap in drafting the report was the fact that the amount of government planning varies greatly among the participating states, with some economies having substantial government control and others having comparatively little. The fact that none of the participants have a completely controlled economy, nor desire to have, makes programming more difficult.

We have no argument with the broad outlines of the report, and we recognize that detailed planning for the future is practically impossible. Any program for the recovery of Europe must be flexible enough to meet inevitable changes in conditions and must be regarded more as a blue print than a program.

Even though a great deal of work remains to be done before recommendations to Congress can be finalized, it is deemed inadvisable to reconvene the CEEC in Paris since it is believed that such a conference could not do much to rectify the technical aspects of the report. It is believed it will be more effective for CEEC technicians to continue working with US officials, while additional information is supplied continually by the participating countries. There has been some indication, from reports received from our missions, that a number of the participating countries have been refining the figures which they submitted at Paris. The time schedule also makes a second Paris conference questionable since a report must be ready by November 10 to submit to the joint meeting of the Senate and House Foreign Relations Committees.

One general criticism is that little effort appears to have been made in appraising the submitted national requirements for imported goods and services against their contribution to European recovery as a whole. The work in Washington is aimed at reconciling the requirements with availabilities and world requirements. A Steering Committee² has been established to coordinate reports of the working parties, which are divided as follows: agricultural machinery; food, fertilizer; maritime transportation; inland transport; timber; iron

² Reference here is to the Interdepartmental Advisory Steering Committee.

and steel; coal; electric power; petroleum; mining machinery; electricity; and balance of payments. Germany's participation in a recovery program is being fully represented by OMGUS and Departmental officials. In many instances our German program is the focal point of whether or not certain commodities can be made available in the required amounts.

[Here follows a more detailed analysis of the operations and conclusions of individual U.S. working groups reviewing the CEEC technical reports.]

Lot 122, Box 19B

*The CEEC Washington Delegation to the Department of State*¹

SECRET

WASHINGTON, October 27, 1947.

AIDE-MÉMOIRE

The Members of the Committee of European Economic Co-operation at present in Washington have, during recent weeks, had important and useful conversations with the Representatives of the U.S. Administration on the problems of aid for Europe.

The European Group is grateful to the U.S. Government for the conditions in which these conversations are being held. In particular they consider that a large number of technical questions which, for lack of time, could not be fully covered in the report of the 16 participating countries have been clarified. The replies to the supplementary questionnaires which have been sent to the respective capitals of the countries concerned will have been of help to the Administration in formulating their views about the character of the programme of co-operation drawn up in Paris, and on the scale of external assistance which is indispensable to ensure the success of that programme. Nevertheless, it has not been possible to give full consideration to certain essential problems although they have been touched on in the course of these exchanges of views. It is therefore necessary for us to set out frankly for the American Government these essential points since they cannot be ignored without the risk of compromising the work of European economic recovery on which all our Governments have set their minds.

These particular points to which we believe we should draw the attention of the State Department concern the amount and period of

¹ This was circulated as ASC Document 16, November 3, 1947. A copy in French bearing the penned notation CEEC/W/44, dated October 28, is in file FW840.50 Recovery/10-2477.

the aid envisaged, its form, its conditions, and, finally, the organisation which should be set up for its administration. The indications in this note are set forth simply as an interpretation of the report prepared in Paris in the belief that they reflect the spirit in which this was drawn up.

I. AMOUNT OF PROPOSED AID

The European Group points out that the figure for the dollar deficit in the balance of payments of the 16 participating countries during the next four years as shown by the Paris Report constitutes an order of magnitude below which the amount of aid should not be reduced without the risk of jeopardising the achievement of the programme which the participating countries have in view. It is certainly not possible to calculate exactly the amount of this deficit which depends on the size of the harvests and therefore on climate, on the movement of prices, on the development of our dollar earnings, on the resumption of trade between Western and Eastern Europe, etc.; but the uncertainty of the factors affecting the figure contained in the Paris Report may lead to revisions upwards as well as downwards. Indeed, some of the favourable assumptions on which the calculation is based may eventually prove to be unfounded and there should therefore be an adequate measure of flexibility in the recommendations which are presented in this respect. The consequences of insufficient availability of certain commodities necessary for the rehabilitation of the European economy must also be emphasised. This factor, far from reducing the global amount of aid necessary, would tend to increase it. The restoration of equilibrium in the balance of payments might, in this case, require a longer period than that envisaged in the Paris Report.

Further, the European group has drawn the attention of the Administration to the particular importance of the year 1948. If certain countries, in the course of this first year, can obtain the resources necessary not only to cover their essential dollar imports but also to ensure their internal economic and financial stabilisation, our task over the coming years will be greatly facilitated. Thanks to the stabilisation policy which it is in any case intended to pursue, resources both material and monetary which are now hoarded will be put into circulation to hasten the recovery of the countries concerned.

II. FORM OF PROPOSED AID

American aid can be furnished either wholly in dollars or wholly in goods, or partly in dollars and partly in goods. The European countries hope that the greatest possible part of the external aid will be supplied in dollars. In carrying out our programme of imports we are anxious that so far as possible the ordinary channels of trade should

be used. This condition will be more difficult to fulfil if help is furnished in commodities rather than in dollars. In addition the possibility of receiving dollars rather than goods will permit each of the purchasing countries to procure the types and qualities of goods which are best suited to their needs. Experience during the course of the war has shown the importance of this consideration.

There is no doubt that these dollars will for the most part be used directly in the U.S. themselves which are the principal suppliers of raw materials, foodstuffs and the necessary equipment. Nevertheless, all these commodities which are required will not be able to be obtained on the American market. The European nations will have to place contracts outside the U.S. with producers who will demand payments in dollars. The participating countries will in consequence have to rely on dollars to enable them to pay for these supplies which are indispensable to the execution of the European programme.

We recognise that all necessary steps will have to be taken to limit the inflationary pressure which might result from these dollar purchases. We are ready to examine with the American Government how best we may co-operate in this regard with the American Administration in the common interest.

III. CONDITIONS OF PROPOSED AID

We have had no clear indication from the American Administration of the possible conditions of the aid that may be granted. The estimated requirements are so considerable that if the aid that is furnished should lead to Europe having to make large transfers, the participating countries would not be in a position at the end of the period in view to ensure a stable equilibrium in their balance of payments.

At the same time, the charges to be paid to service an external debt that is too heavy would make it more difficult to obtain the credits from the International Bank or private banks which will certainly be necessary to pay for long term capital equipment.

The sums in national currency resulting from the sale in the internal market of the products imported in pursuit of the European recovery programme will not in any case, in accordance with the terms of the Paris Report, be used to cover current budget deficits.

The conditions under which these funds may be used will vary from country to country. Consequently the arrangements which will have to be made governing the use of these funds will be different for each country and will lead to individual discussions.

Nevertheless we consider it important to note that these funds should be the property of the recipient European country. This is implied in the way in which the report of the 16 participating countries was drafted.

The question of how these sums should be handled poses a delicate political problem. All those who during recent months have continually opposed the so-called "Marshall Plan" and have announced their intention of using all means to block it, will seek to show that the existence of these funds is capable of conferring upon the U.S. considerable powers infringing the independence of the European countries concerned. Thus these Governments should have these funds in local currency at their disposal and employ them in accordance with whatever arrangements may be concluded. The method which we suggest, while it leaves the ownership of these funds in the hands of the European country produces the desired results: as a result of the conditions which will govern the use of these funds, they will in fact be used to promote the execution of the general European recovery programme and to lighten the task of the United States.

IV. ADMINISTRATION OF THE PROPOSED AID

The European Group points out that in the Paris Report the participating Governments declared their readiness, if the aid necessary for the application of the programme is given them, to set up a joint organisation with two functions:—

*On the one hand to examine and report on the extent to which the programme is being realised,

On the other hand to ensure by joint action, the realisation of the economic conditions necessary to enable the general objectives to which each country has pledged itself to be effectively achieved.

As has been stated, we are ready when the time comes to elaborate the task which would be entrusted to this organisation. It is, however, evident that such an elaboration will depend on the character of the external aid and of the organisations which on its side the American Government deems it useful to set up to ensure the execution of the programme.

In the Paris Report the sixteen participating countries declared their readiness to give, within the framework of the overall programme which they had in mind, a certain number of pledges concerning particularly their production targets, their foreign trade, European co-operation etc. In envisaging these pledges they took into account similar pledges to be given by each of the participating countries. If, however, the scale and the form and the general conditions of the external aid should be substantially different from those we have envisaged it is probable that the participating nations, however willing they might be, would not be able to sustain the pledges embodied in the

*The English text of this paragraph differs from the French version which could not be changed in time. It is agreed by the C.E.E.C. Group that the English text is the correct one. [Footnote in source text.]

Report. In particular, the carrying out of these pledges requires that the participating countries should be able to obtain not only in the United States but also in the whole American Continent the raw materials, foodstuffs and equipment which are indispensable.

That is why the Group of the Committee of European Economic Cooperation wished to remit to the State Department this *aide-mémoire*, since it is conscious of the seriousness of the repercussions on the overall plan which would flow from recommendations which did not give sufficient consideration to the essential interests which we have the honour to set out in this paper.

FW 840.50 Recovery/10-2447

*The CEEC Washington Delegation to the Participating Governments
Not Represented in Washington*¹

CONFIDENTIAL

31st October, 1947.

IMMEDIATE

32. The following is sent to all participating countries not represented in Washington at the request of Sir Oliver Franks.

The calendar of the main events since my second circular telegram was drafted (it was despatched from Washington on October 20th²) is as follows:—

- | | |
|-----------------|---|
| a) October 18th | Release of the Krug Committee Report. |
| b) October 21st | Meeting with Bonesteel Committee ³ on Commercial Policy. |
| c) October 22nd | Meeting with Bonesteel Committee on European Organisation. |
| d) October 23rd | Dinner with Mr. Harriman and members of his Committee. |
| e) October 23rd | Announcement by Mr. Truman of convening of special session of Congress <i>inter alia</i> to consider immediate and longer term aid to Europe. |
| f) October 24th | Meeting with Mr. Lovett. |

2. Apart from the above, meetings of the Technical Committees with the American Administration have continued and have been supplemented by meetings between Technical Committees and the International Bank. The latter have asked questions additional to those already discussed in Washington, with the general objective of check-

¹ The file copy bears the penned notation CEEC/W/43.

² Not printed.

³ Transcript summaries of this and certain other meetings are in Lot 122.

ing the basic assumptions and consistency of the recovery programme. They have naturally paid particular attention to those portions of the programme such as equipment needs which are likely to be of more direct concern to the Bank. These discussions with the Bank have not involved our approaching participating countries with additional questionnaires and it has been possible to answer most of the questions on the spot.

3. As requested at the second meeting held with the Bonesteel Committee to discuss the General Production Programme, a memorandum ⁴ has been sent in to the Americans developing further examples of economic co-operation between the participating countries. You will receive copies. At meetings with the Food and Agriculture Committee the Americans queried import requirements of nitrogen fertilisers on the grounds that there was unused manufacturing capacity in the participating countries and that nitrogen production was being used for non-fertiliser purposes. Representatives of the Committee were sent to London where a meeting of interested countries was held to verify the facts. A report of the findings should shortly be available for the Americans.

4. The items in paragraph 1 will now be dealt with seriatim:

a) It will be recalled that the Krug Committee was set up by the President to review the natural resources of the United States with particular reference to the possible effects of their exploitation for foreign aid. President Truman himself summarised the contents of the report in the words "on the whole our national resources are physically sufficient to preserve the national security and the American standard of living and at the same time to support a considerable foreign aid programme." When questioned by the press Mr. Krug admitted that in the writing of the report he had in mind a figure for foreign aid of up to 20 billion dollars. From the point of view of Marshall Aid the Krug Committee findings can be considered generally favourable but the report contains a number of reservations and did not set out to deal with all the relevant economic factors.

b) Commercial Policy. Since all the questions on the American agenda related to intra-European trade, Sir Oliver Franks opened by stressing the importance of viewing such trade in its proper relationship to the wider problem of the necessary expansion of European exports to the rest of the world. In the subsequent discussion Mr. Boland ⁵ acted as the main spokesman of the C.E.E.C. group.

The Americans asked whether any distinction had been drawn in Paris between essential and non-essential goods in relation to intra-

⁴ A copy of this memorandum was printed as part of Advisory Steering Committee Document ASC D-7/3 (Supplement 1), October 31, 1947 (Lot 122).

⁵ F.H. Boland, a CEEO delegate representing Ireland.

European trade. It was explained that certain exports were important for the economies of participating countries but that it was recognised that certain countries might not be able to afford to import as much as previously. Bilateral agreements helped to promote the exchange of useful goods and would continue to play a necessary part in the commercial policy of the participating countries.

A considerable part of the discussion was devoted to Customs Unions. American thought is clearly much pre-occupied with the extent to which the reduction or elimination of quantitative restrictions and tariffs might bring benefits to Europe through the creation of a larger domestic market and concentration of productive effort. They appreciate the magnitude and importance of the problem of European trade with the rest of the world, but perhaps not so clearly the limited extent to which Europe's essential requirements from the rest of the world can be affected by a development of intra-European trade.

A question about restrictive business practices of a cartel character was not strongly pressed. The brief prepared for the C.E.E.C. replies will give further information on the whole subject and meeting.

c) European Organisation. In this case also please refer to the American questionnaire⁶ and the brief prepared for the delegates. M. Alphand acted as the main spokesman of the C.E.E.C. group and explained the functions of the proposed Joint Organisation on the lines set out in the General Report. The Americans agreed that it was not possible to clarify much further the form and functions of the organisation until more was known of the nature of American aid and any U.S. organisation which might be set up to deal with it. They however indicated that it would probably be of great assistance if the European organisation could make recommendations as to allocations of scarce supplies which were not covered by existing international bodies such as I.E.F.C. or E.C.O. We agreed with them that it would probably be desirable to continue to use these latter organisations for Marshall supplies. The Americans pointed out that they would probably find it necessary to reinstitute in the U.S. some export controls for scarce commodities, but emphasised their desire to maintain existing channels of trade.

We were asked how the Bizone would be represented on the new organisation but reserved our reply. Although the matter was discussed no effort was made to delimit responsibilities as between the new organisation and existing international organisations. Sir Oliver Franks in conclusion stressed that the former would be an advisory and not an executive body.

⁶ The Advisory Steering Committee developed a series of questions which, in effect, formed the agenda for each of the meetings. Copies of these questions are in series 6 and 7 of the ASC Documents, copies of which are in Lot 122.

d) The dinner given by Mr. Harriman was attended by all the delegates and by nine members of his Committee. An unofficial agenda for discussion had been seen previously and covered a wide field. In fact the discussion after dinner centred exclusively on the different forms the aid might take and the conditions which might attach to the use of the local currency arising from the sale of the goods received under the aid programme. It was clear that the Harriman members were thinking of aid under three heads:

- (i) short term consumer goods e.g. food, fuel and fertilisers;
- (ii) intermediate goods e.g. raw materials and some types of machinery;
- (iii) long term capital investment projects.

They were inclined to think that (i) should be dealt with by grants in aid, (iii) by loans, e.g. from the International Bank. As regards (ii) they felt that it was politically necessary that they should be offered something in return albeit on lines which did not impair the recovery programme. This "contrepartie" might take the form of some sort of control over or participation in the use of the local currency, e.g. for the purchase of strategic raw materials required by the U.S.A. in amounts in excess of their normal imports of such materials.

Replies by C.E.E.C. delegates mainly emphasised the political and economic difficulties inherent in the suggestions regarding category (ii) and particularly how essential it was that governments should retain full control over the local currency proceeds of aid although they were prepared to agree to limitations on their use to non-inflationary purposes on the lines laid down in the Report.

e) You will have seen the full text of President Truman's statement over the radio on October 24th.⁷ We welcome the decision to call a special session of Congress on November 17th which will consider action to curb price increases, interim aid *inter alia* to France and Italy, and the speeding up of action on the Marshall proposals.

f) Sir Oliver Franks saw Mr. Lovett on October 22nd to pave the way for the meeting with delegates which took place on October 24th and to suggest that the discussion should cover major outstanding points of policy such as the amount and form of the aid and the proposed continuing European organisation. A brief memorandum on these subjects was left with Mr. Lovett on the 22nd and is being circulated to all participating countries.

During the discussion on October 24th Mr. Lovett indicated that the State Department would endeavour to secure adoption of the general lines of the Paris Report in an enabling act and would ask for an appropriation for 1948. He thought that some return would be required for part of the aid and reference was again made to strategic

⁷ For references to this and related statements, see editorial note, p. 470.

materials for stock-piling but not at the expense of normal trade. Whilst admitting that supplies from the rest of America were essential to European recovery, Mr. Lovett indicated that it would be politically very difficult for America to provide the full amount of dollars for such purchases. Finally Mr. Lovett pointed out that America would be taking a "calculated risk" in supplying large scale aid to Europe and they would want to know that the European countries were reciprocating by risking something in return—possibly by making some sacrifice of national customs and traditions. This was taken as a reference to the American desire for increased economic co-operation between the participating countries with perhaps particular reference to Customs Unions.

5. It seemed evident at the time of the Lovett conversation that the Administration had not yet reached its own decisions on major points of policy. As the meeting only lasted one hour it was not possible to do justice to these important matters. Accordingly at the suggestion of the Rapporteur General, a memorandum was agreed by the C.E.E.C. group and sent in to Mr. Lovett on October 27th. The memorandum once again emphasises the importance of not whittling down the total amount of aid and thereby converting the programme from one of Recovery to one of Relief, the importance of providing aid to the maximum possible extent in dollars available for the use throughout the American continent and the necessity to avoid conditions which would create future transfer problems or infringe national sovereignties (use of local currencies). As regards the latter point the document states:

"The conditions under which these funds may be used will vary from country to country. Consequently the arrangements which will have to be made governing the use of these funds will be different for each country and will lead to individual discussions."

Finally the memorandum deals with the administration of the proposed aid and the form and functions of the continuing organisation. It is pointed out that the pledges undertaken by the participating countries are dependent on their obtaining not only in the U.S. but also in the whole American continent the raw materials, foodstuffs and equipment which are indispensable.

6. Every effort has been made both in the above memorandum (copies of which are being sent to all participating countries) and throughout the talks to keep within the terms and spirit of the Paris Report.

7. A meeting between delegates and some members of the Cabinet is likely to take place in the near future. Meanwhile the calling of the special session as early as November 17th and the impending publica-

tion of the Harriman and other Presidential Committee reports has thrown a considerable strain on the Administration and curtailed their time for discussion. There seems no reason to change the tentative opinion previously expressed that the work of the C.E.E.C. group would be likely to end by about November 8th. Some Technical Committee representatives may, however, need to stay longer.

8. This telegram is being sent by the Chairman to those participating countries not represented in Washington through the British Missions in the respective capitals, but copies are also being lodged with the representatives of the countries concerned in Washington.

9. Further developments will be reported.

840.50 Recovery/11-347

*The Under Secretary of State (Lovett) to the Chairman of the CEEC
Washington Delegation (Franks)*

CONFIDENTIAL

WASHINGTON, November 3, 1947.

INFORMAL AIDE-MÉMOIRE

In the course of the discussion which I had with you and your colleagues on October 24, I touched upon certain points raised in the unofficial *aide-mémoire* which you presented to me on October 22. An informal indication of present thinking on certain of these points may be helpful to you.

There is no doubt in my mind or in the minds of those associated with me that the program must be designed to achieve genuine recovery; it must not be a mere program of temporary relief. The approach to a solution must be neither half-hearted nor piecemeal.

In my judgment, the report of the Paris Conference is a well reasoned analysis of the problem and presents fundamental lines of action for the achievement of genuine European recovery.

In considering the assistance which the United States might reasonably give in the execution of a specific program falling within that broad framework, we, on our side, must give careful thought to additional factors. The capacity of the United States to continue to export far larger quantities of goods than it imports is strictly limited. We cannot assume unlimited obligations for meeting the balance of payment deficits of other countries. Many of the commodities most essential to European recovery are in critically short supply, not only in Europe and in the United States but in the entire world. If we were to make more dollar assistance available than can be honored in the form of goods, the additional assistance would be purely illusory and

would merely contribute to an undesirable inflationary spiral in world prices.

I recognize that the problem of European recovery has both a commodity aspect and a financial aspect. I am hopeful that a program of assistance from the United States can be worked out which will constitute our proper contribution, when considered from either point of view, to a total program which gives real promise of success. But this cannot be merely an American program.

In our opinion it calls for prompt and vigorous steps to restore internal monetary and budgetary stability by the participating countries. As your report points out, (paragraph 65) "the success of the program depends on such stability".¹ Furthermore, the most intense efforts will be required on the part of the European countries, both individually and collectively, to increase their production and their exports if sufficient means of payment are to be found to finance their other requirements. Other countries, especially in the Western Hemisphere, also have a part to play. We recognize the desirability of obtaining flexibility to permit procurement in such countries, in certain circumstances, particularly of commodities not adequately available in the United States, but it is also our hope that means can be found of obtaining at least some share of supplies for Europe from third countries without payment in dollars.

I am hopeful that, even with respect to that portion of United States aid which might be in the form of commodities, procedures can be developed which will preserve to the maximum extent the flexibility of private trade and the preservation of normal trade channels. It is clearly basic to the entire program that exports from the European countries be rapidly developed and that these exports be of a character which can continue and expand after special United States assistance to European recovery comes to an end. Any conditions as to the use of materials supplied by the United States in the export trade of the participating countries must be worked out with this basic objective in mind.

I am in agreement with your point that restrictions imposed on the use of local currency arising from United States assistance should not interfere with or prejudice the economic and financial control of the economy that must be exercised by the Government of each country. It is my hope that formulae can be mutually agreed upon between this Government and the Governments of the participating countries with respect to the use of these funds which will promote and not interfere with the overall objectives of European economic recovery.

¹ Reference is to *Committee of European Economic Cooperation*, vol. I, *General Report*.

Although I am sure you are fully aware of the controlling voice the Congress will exercise in these matters I mention this factor again to emphasize that my comments are merely an indication of the present trend in formulating the recommendations of this Department for presentation to the Congress.

[ROBERT A. LOVETT]

FW 840.50 Recovery/11-347

*Record of a Meeting Between Members of the Advisory Steering Committee and the CEEC Delegation*¹

CONFIDENTIAL

WASHINGTON, November 4, 1947.

PRESENT

CEEC GROUP

Delegates: Sir Oliver Franks (U.K.)
Messrs. Hervé Alphand (France)
F. H. Boland (Ireland)
Campilli (Italy)
Ole Colbjornsen (Norway)
H. M. Hirschfeld (Netherlands)
Verdelis (Greece)

Other: Messrs. Marris (U.K.)
Marjolin (France)
Serreulles (France)
Colonna (Italy)
Van der Beugel (Netherlands)

U.S. GROUP

Messrs. Averell Harriman, Secretary of Commerce
Robert A. Lovett, Under Secretary
of State
William H. Draper, Under Secretary
of the Army
Willard L. Thorp, Assistant
Secretary of State
M. S. Szymczak, Governor of Bd. of
Governors of Federal
Reserve System
Charles E. Bohlen, Counselor of
Dept. of State
C. H. Bonesteel, Dept. of State
Lincoln Gordon, Dept. of State
Melvin L. Manfull, Dept. of State
Roger Tubby, Dept. of State
T. C. Blaisdell, Jr., Dept. of Commerce
Philip M. Kaiser, Dept. of Labor
Frank A. Southard, Dept. of Treasury
Dan Wheeler, Dept. of Interior
J. Burke Knapp, Federal Reserve Board
Colonel R. M. Cheseldine, Dept. of the Army
Lt. Col. Philip Shepley, Dept. of the Army

¹ These minutes, presumably prepared by the staff of the Advisory Steering Committee, were circulated as document ASC D-7/7, December 9, by Mr. Manfull, Secretary of the Committee. The meeting was held in the Department of State at 3:30 p. m.

1. In opening of the meeting, Mr. LOVETT stated that, while the United States Executive Branch had now reached the point where the factual basis and the general pattern of the program is quite clear, agreement must be reached on certain basic policy decisions. The majority of these policy questions either cannot be decided on the basis of present information or the alternate courses of action which exist will require extremely delicate evaluation before decisions are made.

SPECIFIC POINTS NOT PREVIOUSLY RAISED BY THE CEEC DELEGATION

2. SIR OLIVER FRANKS stated that, since the CEEC Delegation will be returning to Europe shortly, the members desired to obtain preliminary views of the general policy lines which the U.S. Administration is likely to follow in order that: (a) the CEEC can determine how these views will affect the recovery program as conceived by the CEEC at Paris; and (b) these views can be taken into account in future work in CEEC and in the individual participating countries. He stated that in addition to the basic points raised in the two *aides-mémoire* transmitted to the State Department by the CEEC Delegation, the CEEC would like an indication of prospective U.S. action with respect to the key items of fertilizers (particularly nitrogen fertilizers) and semi-finished steel, which are of critical importance to the recovery program. He observed that fertilizers in sufficient quantities are essential since they directly affect the rate of recovery in the agricultural production program. Semi-finished steel is essential across the board but affects primarily the programs contemplated by France, the United Kingdom and Italy, in that order. The CEEC is aware that this request might be considered premature in view of imminent publication of the Harriman Committee report. Mr. LOVETT replied that general comment on items in short supply would be premature at this time, since the report of the Harriman Committee will prescribe the general limits of availabilities. He inquired whether Secretary Harriman desired to comment on this point.

3. Mr. HARRIMAN observed that he occupied a dual position with respect to the recovery program—that of a Cabinet Officer directly concerned with the program and at the same time Chairman of the Harriman Committee of the distinguished citizens appointed by the President to develop recommendations on certain aspects of the program. He requested that the CEEC Delegation keep in mind that the report of the Harriman Committee did not necessarily represent his official views as Secretary of Commerce on the subjects covered therein. With respect to the questions raised by Sir Oliver Franks, he pointed out that a determination cannot be made within the next few weeks since such a determination will be based on a screening process to determine the relative importance of short-supply items to the U.S.

economy as compared with CEEC requirements. In respect to steel, for example, it is a matter of degree, since if too much steel is allocated to meet CEEC requirements it might limit the capacity of the United States to produce.

4. MR. HARRIMAN stated that there was perhaps an aspect of the Harriman Committee report which warranted informal communication to the CEEC Delegation. This aspect relates to food requirements and the food production program. It is the general view of the United States technical experts on the Harriman Committee that the CEEC countries will not obtain the estimated food requirements because of world-wide short supply. Furthermore, it is their feeling that the CEEC has not explored fully the potential sources of supply outside the U.S. within the control of certain CEEC countries; i.e., their colonies and dependent areas. MR. HARRIMAN recommended that the CEEC give consideration to this aspect of the Harriman Committee report since the United States experts on that committee believe that as long as the CEEC countries place abnormal reliance on the United States for fulfillment of food requirements recurrent food crises will probably develop.

POINTS RAISED IN PREVIOUS CEEC "AIDE-MÉMOIRE"

5. MR. LOVETT stated that it might be helpful if he were to indicate the present lines of the thinking in the Department on the points raised in the previous CEEC *aide-mémoire*. For this purpose he had prepared an informal *aide-mémoire* which he would read and make available to the CEEC Delegation. (At this point MR. LOVETT read the informal U.S. *aide-mémoire* of November 3—see copy attached.²) In addition the following specific questions merit further comment:

a. *Aid from Latin America and Canada*: MR. LOVETT observed that the United States Government had considered suggesting to the CEEC Delegation that the most appropriate way for the CEEC countries to obtain aid from Latin America would be for them to address an aid request directly to the Pan American Union and that simultaneous action should be taken with respect to Canada. SIR OLIVER stated that, while the CEEC did not desire to comment on the approach to the Pan American Union or Canada at the present time since the CEEC and the governments of the individual CEEC countries would desire to consider the proposal further, the CEEC Delegation would appreciate information on the background developments leading to the U.S. proposal. MR. THORP replied that the proposal stems primarily from the importance of these countries as potential sources of supply for items in critical short supply in the U.S. It is a feeling of some U.S.

² *Supra*.

experts that the resources of Canada and the Latin American countries in these key items might be somewhat larger than was originally supposed. Therefore, it seems desirable to tap these sources in order to obtain a total amount of commodities which more nearly approximates the total amount necessary for European recovery. Since development of a procedure for procurement of these items would obviously come to a negotiation point at some stage, it might be desirable to bring together representatives of the countries seeking supplies, of the U.S. as the procurement agent, and the supplying country. Efforts should be made to avoid a series of bilateral negotiations.

6. The approach through the Pan American Union was suggested merely as a means of simplifying the procedure since its sub-structure includes an Economic and Social Council consisting of representatives of all Latin American countries and the U.S. Adoption of this procedure would obviate the possible development of a series of direct bilateral approaches.

In this regard SIR OLIVER FRANKS stated that the CEEC Delegation had some concern that if initiative for assistance from Latin America were to come from Europe it might result in the individual CEEC countries becoming involved in a series of bilateral negotiations. For example, it is conceivable that if the U.K. were not able to give Argentina the dollars required for commodities, and if Argentina would not accept sterling, the U.K. might then have to give coal to Argentina at the expense of the European recovery program. MR. LOVETT replied that the proposal did not embrace the possibilities of bilateral discussions with individual Latin American countries but merely a request for economic assistance. He observed that it would be awkward for the U.S. Government to request other American Republics to assist in aid to Europe without their first having received from the CEEC a request for such assistance.

MR. THORP continued that the simultaneous CEEC approach to Canada is an essential element in the proposal because of Canada's major importance as a potential source of supply and the desirability of not creating the impression that a request for assistance from Canada under the program is in the nature of an after-thought.

7. In response to a question as to whether U.S. Government has received any views from Latin American countries on this subject, MR. THORP replied that informally three representatives of three Latin American countries had inquired as to developments regarding a European recovery program and the possible way in which the Latin American countries might fit into the program. He observed that he had indicated to these representatives that there was no question that Latin

American countries would be brought into the picture in the very near future. He added that the Department of State had discussed the question with the U.S. representative on the Pan American Union who feels that a direct CEEC aid request to the Pan American Union would be the most appropriate approach.

b. Off-Shore Procurement: MR. LOVETT stated that current thinking in the Administration is in pursuance of the thesis that, in so far as possible, procurement and trade should follow normal channels of trade. Consequently, Congress will be requested to appropriate funds to the U.S. agency administering the program and an effort will be made to provide for wide flexibility in the allocation and administration of such funds.

He stressed the fact that such an arrangement is dependent entirely upon Congressional action. However, even assuming favorable Congressional action, it should be clear to all that the U.S. public would not permit purchase of commodities in third countries with United States funds at prices substantially higher than those prevailing in the United States. This fact will require some measure of cooperation among the CEEC, the United States, and the supplying country. MR. MARRIS inquired whether this implied that all procurement in third countries would be solely through U.S. Government procurement agencies. MR. THORP replied in the negative, pointing out that in certain cases it might involve only the U.S. making payments on approved transactions.

c. Form of U.S. Aid: MR. LOVETT stated that the general line of thought at present is that U.S. assistance would be partly in the form of loans and partly in the form of grants-in-aid. Only with respect to grants-in-aid does the U.S. Administration see an area for further discussion on the subject of the use of local currency counterparts of U.S. aid. While a division of opinion still exists in the U.S. Executive Branch as to their use, the area of disagreement does not extend to the point where it would render the transfer problems or the capital investment problems more difficult.

MR. BOLAND inquired whether he would be correct in assuming that a general formula had been developed which could be applied in determining whether a certain category of aid would be in the form of a loan or of a grant-in-aid and that specific details for individual CEEC countries would be embodied in the bilateral agreements when negotiated. MR. LOVETT replied in the affirmative.

MR. HIRSCHFELD inquired whether the U.S. envisaged loans of the following types: (1) loans to finance certain types of U.S. aid which would assist in meeting current balance of payment deficits; and, (2) loans from the International Bank or other sources to help finance

the purchase of capital equipment for development projects. Mr. LOVETT replied in the affirmative.

d. Local Currency Counterparts of U.S. Assistance: Following an expression of gratitude as to the spirit and manner in which the U.S. has approached the problem of European recovery, Mr. ALPHAND stressed the importance of arriving at a mutually satisfactory arrangement for the handling of local European currency counterparts of U.S. assistance. He stated that in view of the political implications involved the CEEC realizes that no final conclusion can be reached at the present. For example, from the U.S. political viewpoint this problem must be considered in light of the requirement for maximum efficient use of U.S. aid. From the European political viewpoint it must be considered in light of the recurring reports from certain segments of the public that the European recovery program will result in U.S. infringement of the national sovereignty of the participating countries. While it is recognized that this latter line of reasoning is clearly overdrawn, it is still necessary to develop a sound and mutually agreed formula for handling local currencies.

In this connection Mr. LOVETT stated that these were the very considerations that create the problem. From the U.S. viewpoint the European recovery program is in a sense a risk both from the economic and political standpoints if we keep in mind the scale of the aid envisaged and the internal political factors involved. However, U.S. public opinion in general will require that the European countries take a risk commensurate to that undertaken by the U.S. Since there is a lively recollection in certain sections of the U.S. public of unhappy past experiences in connection with the use of local currency counterparts of U.S. aid, it will be necessary under the program now envisaged to provide adequate safeguards.

Mr. LOVETT expressed confidence that a mutually agreeable arrangement based on a rule of reason could be developed. He observed that various segments of the U.S. Government and the U.S. public might advance extreme suggestions for the appropriate method of dealing with this problem which may cause alarm among those persons in the CEEC countries not intimately familiar with the U.S. governmental processes. He requested that the CEEC Delegation bear in mind, and transmit to the appropriate persons in their governments, that they should take their cue on this matter from the U.S. Administration.

e. Stabilization Loans: Dr. HIRSCHFELD inquired whether the U.S. position with respect to loans to CEEC countries for stabilization assistance had been clarified to the point where preliminary views could be given. Mr. LOVETT replied that the subject was still under consideration and no firm decision on the amount or timing for such loans had been reached to date.

FURTHER ACTION REQUIRED

8. MR. BONESTEEL stated that pending clarification of Congressional action on the program a mutual problem exists of carrying on the continuing work necessary to obviate a hiatus between possible final authorization for the program and the time when the program can be placed into full operation. This continuing work might include: (a) the timing of the review process in CEEC after anticipated U.S. availabilities are known, (b) reaffirmation of mutual commitments adopted in Paris and other conditions in the negotiation of the multilateral and bilateral agreements, and (c) organization and staffing of the U.S. and continuing European organizations etc. While the U.S. will continue to communicate through the normal diplomatic channels, there appears to be need for some collective action by the CEEC countries on these matters.

9. SIR OLIVER FRANKS stated that it would be helpful to the CEEC Delegation if some indication could be given of a timetable on which the U.S. Administration is currently operating. MR. BONESTEEL replied that definitive information could not be given at present, although it is hoped that the interim aid program would have an over-riding priority in the special session and that consideration of the full-scale program would proceed as soon as possible thereafter. MR. BOHLEN concurred, adding that because of the many variables involved no clear indication could be given until sometime after November 10. He inquired whether the CEEC Delegation was leaving a representative of its Secretariat in Washington who could serve as a contact point for providing continuing information to the CEEC countries. SIR OLIVER replied in the negative but indicated that the embassies of the respective participating countries would forward to the Department of State the names of the representative[s] who will be responsible for reporting to the participating governments on these points. (See ASC D-20³)

a. Treatment of U.S. Private Interests Under the Program. MR. BLAISDELL stated that numerous inquiries have been received from private U.S. investors as to their possible treatment under the program. He inquired as to: (a) whether in drawing up the Paris Report the CEEC countries had included for balance of payments purposes the U.S. development projects financed wholly or partly by U.S. private capital; and, (b) what approach would be used in this regard in the coming years under the program. He pointed out that it was essential to have an agreed U.S.-CEEC view on this subject. SIR OLIVER FRANKS replied that since the practice varied among the individual CEEC countries in their past treatment of such investments, the CEEC

* Not printed. Various missions subsequently designated certain individuals as their special representatives on matters concerned with the CEEC.

Delegation would prepare a note on this subject and transmit it to the U.S. Government.

Speaking on the behalf of the CEEC Delegation, SIR OLIVER FRANKS expressed appreciation for information on the basic lines of U.S. thinking at present. In particular, the CEEC Delegation was encouraged by the expression of U.S. views on the following points: (a) the fact that the U.S. conceives the program in terms of a program for recovery and not relief and the full appreciation displayed by the U.S. representatives on the need for flexibility in the program; (b) assurances with respect to the use of local currency counterparts of U.S. assistance; and, (c) the views with respect to the possibility of procurement outside the U.S.

B. Development of Programs for Interim and Long-Term Aid

Editorial Note

The need for an emergency aid program to cover short-term needs was pointed out in various documents beginning in August, and on September 9, at the first meeting of the Advisory Steering Committee, Acting Secretary of State Lovett said that it would be "necessary in any event to provide Europe with food and fuel this winter if the major European countries are to remain sufficiently strong that the basis will survive upon which to erect the Marshall Plan (European Recovery Program) in its long-term sense. Therefore, the current thinking in the Department of State is that a European recovery plan should be in two stages: (a) an interim emergency program to meet the irreducible minimum subsistence requirements for certain countries, and (b) the larger continuing program of rehabilitation and reconstruction. It is believed that these two factors can be integrated under the program." (Lot 122)

The Committee decided at its meeting of September 25 that the "Departments of State and Treasury in consultation with the Army on bizonal items would prepare a paper on measures of Executive Action to meet the emergency aspect of an interim aid program for transmittal to the President for use in connection with his meeting on September 29 with certain Congressional leaders."

At a news conference following this meeting President Truman announced that he was writing to the chairmen of the Senate Committee on Foreign Relations, the House Committee on Foreign Affairs, the Senate Committee on Appropriations, and the House Committee on Appropriations, "requesting that they call their committees to-

gether to consider the urgent need for aid to Western Europe." (For texts of this statement and the letters, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1947*, pages 445, 451.)

On October 18 the Advisory Steering Committee was told by its acting chairman, Colonel Bonesteel, that the existing machinery of government needed to be pulled together to prepare the recovery program for presentation to the Congress. It had not yet been decided whether to present the full program or just an interim aid program.

President Truman announced at a news conference on October 23 that he was calling the Congress to a special session beginning on November 17 to consider, among other things, the need for emergency foreign aid. For texts of this statement and of the President's radio address to the American people on October 24, see *ibid.*, pages 475 ff.

Reports were received in this period from the three committees whose formation was announced by the President on June 22, page 264. For texts, see *National Resources and Foreign Aid* (Washington, Government Printing Office, 1947); *The Impact of the Foreign Aid Program Upon the Domestic Economy* (Washington, Council of Economic Advisers, processed, 1947); *European Recovery and American Aid* (Washington, Government Printing Office, 1947). For comments by President Truman, on October 18, November 1, and November 8, respectively, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1947*, pages 474, 481, and 485. Summaries of the second and third of these reports are printed in *Department of State Bulletin*, November 16, 1947, pages 932, 937.

In November the Correlation Committee on European Recovery Program, which was the executive group of the Advisory Steering Committee, reviewed draft legislation that had been prepared by the Department of State. The three basic proposals were for an interim aid bill, a model agreement to be used for bilateral arrangements, and an overall bill for a European recovery program.

For documentation on the presentation of the interim aid program to the Congress, see *Emergency Foreign Aid: Hearings Before the Committee on Foreign Affairs, House of Representatives* (80th Cong., 1st sess.), and *Interim Aid for Europe: Hearings Before the Committee on Foreign Relations, United States Senate* (80th Cong., 1st sess.). Hearings were held by the House committee from November 10 to 25, and by the Senate committee from November 10 to 14.

For text of a statement by Secretary of State Marshall on November 10 before a joint session of the two committees, see *A Decade of American Foreign Policy, Basic Documents, 1941-49* (Senate Document No. 123, 81st Cong., 1st sess.), page 1270.

Lot 122, Box 13107

*Memorandum*¹

SECRET

[WASHINGTON,] September 29, 1947.

IMMEDIATE NEED FOR EMERGENCY AID TO EUROPE

A. THE PROBLEM

1. The emergency needs of certain key countries of western Europe cannot be met without immediate action on the part of the United States. These countries, particularly Italy and France, are without adequate food and fuel supplies for the fall and winter and without sufficient dollars with which to buy them. They cannot, by their own efforts, survive the major crisis which is already upon them. A collapse of France and Italy could initiate expanding economic depression and political repercussions throughout Europe and, potentially, over a wide part of the world.

2. The following sections of this memorandum deal in more detail with the financial, food, and foreign political aspects of the situation.

B. FINANCIAL

3. The slow recovery of European production during this year, especially in production of goods for export, combined with a continuing necessity for imports from dollar countries at rising prices have resulted in a severe drain on the dollar resources of Europe as a whole. The overall drain is estimated for the full year 1947 as being of the order of magnitude of 5 billion dollars.

4. Certain countries such as England still have substantial, but rapidly declining, resources available. France and Italy have now reached the bottom of the barrel.

5. France requires roughly 100 million dollars a month worth of food, coal, and basic supplies which must be paid for in dollars. Her receipts in dollars for goods and services which she exports are running at a rate of 10 million dollars a month.

6. France has been meeting this gap by drawing on credits from the Export-Import Bank and the International Bank, by drawing maximum permissible amounts from the International Monetary Fund, by liquidation of United States securities held by her nationals and by drawing down her gold and dollar reserves.

7. We are informed by the French Government that by October 15 France will have exhausted these resources to a point where she will have to suspend imports even of food and coal for lack of dollars.

¹This memorandum, filed among records of European Recovery Plan committees, presumably was prepared by the Advisory Steering Committee for the use of the President. The memorandum appears to be based on the ASC's meeting of September 25.

8. France still has official gold reserves of 440 million dollars, but these reserves are less than half the minimum of one billion dollars which agencies of this Government and the French have considered necessary to maintain confidence in her currency. Uncontrolled inflation is considered to be as dangerous as a decline in imports of food and coal.

9. A few additional dollar or gold payments will become available to France during the next six months. These include distribution to France of gold looted by the Germans, further liquidation of United States securities owned by French nationals, advance payment of United States Army obligations to France, and a further drawing from the International Monetary Fund at the earliest date permitted by its regulations. With the possible exception of the United States Army obligations, none of these sources will provide finances early enough to meet immediate October requirements. Assuming full use of these last remaining resources France will be short of meeting its minimum dollar requirements for the next six months by from 250 to 300 million dollars.

[Here follows a table showing French dollar requirements October 1, 1947–March 31, 1948, arrived at by comparing expenditures with receipts and resources.]

10. Italy's remaining gold and dollar resources are less than those of France. It is estimated that the Italian Government's unencumbered dollar holdings will be down to about 32 million dollars by October 1. 28 million dollars worth of so-called Fortezza gold² and about 30 million dollars worth of European gold looted by the Germans will become available to Italy making a total of 90 million dollars as basic reserves.

11. Italy requires a minimum of 85 to 95 million dollars per month worth of the food, fuel and other essential commodities which have to be paid for in dollars. Her dollar receipts from the export of goods and services are running at somewhat over 20 million dollars per month, leaving a gap of 65 to 75 million dollars per month.

12. This gap will be met in part by U.S. relief shipments and drawings on Export-Import Bank credits. After making full allowance for these items and certain small miscellaneous receipts there remains an uncovered deficit of 20 to 30 million dollars per month during the last three months of this year and 50 to 65 million dollars per month during the first three months of 1948. The total amount by which Italy will fall short of meeting its minimum dollar requirements for the next six months is 210 to 285 million dollars.

² Gold uncovered by Allied military forces at La Fortezza in northern Italy on May 6, 1945. For related information, see telegram 5466 of October 10, from London, p. 987.

[Here follows a table showing Italian dollar requirements October 1, 1947–March 31, 1948, arrived at by comparing expenditures with receipts and possible dollar resources.]

C. FOOD

13. Food is one of the fundamental factors in the economic and political problem of western Europe. Reduction or fear of reduction in already low rations is even now having an effect on the political situation, particularly in Italy and France.

14. In these two countries the food problem is double edged. Already existing on minimum scale rations, there are grave fears that actual supplies of grain will not become available in exporting countries in quantities sufficient to satisfy their essential import requirements. Furthermore, without dollars, they will be unable to buy and pay for whatever grain may become available.

15. In Italy the bread (and pasta) ration is now about 290 grams (about 10 ounces) per person per day. This together with the small amounts of other food the average Italian is able to purchase give him 1900 to 2000 calories per day.

16. To maintain this ration the Italian Government has been releasing approximately 400,000 tons of grain per month. It is estimated that some tightening up in the administration of the ration could reduce this to 370,000 tons per month during the remaining nine months of the crop year. The requirement for the full year thus totals approximately 4,500,000 tons.

17. Italian crops are estimated as being so badly affected by this summer's drought and to some extent by the field workers strikes that total Italian grain yields will be 800,000 tons lower than last year. It is estimated that collections from farms will be less than 2,200,000 tons as against 2,800,000 tons last year.

18. To maintain the ration, total imports from all sources of 2,300,000 tons for the crop year would be required. A large part of farm collections in Italy will have been completed by the first of January and collections during the first six months of 1948 will probably not average more than 75,000 tons a month. Imports of nearly 300,000 tons of grains (or equivalent caloric value in substitute foods) a month during that period from all sources would be necessary to maintain the ration. Such quantities are not now in sight. Failure to maintain the ration, however, will undoubtedly have serious political and economic consequences.

19. In France owing to a combination of heavy winter kill from frost and bad weather during the spring, the wheat crop has dropped from about 6.7 million tons in 1946 to less than 4 million tons in 1947. The daily bread ration in France was lowered from 300 grams last

year to 250 grams in the spring and more recently to 200 grams (about 7 ounces) per day. Slightly more other foods are available in France than in Italy and the average Frenchman probably is obtaining some 2100 calories per day. This level of feeding is so low that it has caused widespread demonstrations. Every effort should be made to enable restoration of the ration to 250 grams.

20. Imports of approximately 1,700,000 tons are required if the 200 gram ration is continued. Imports of 2,000,000 tons will be required if the 250 gram ration is to be restored. As in the case of Italy this quantity is not now in sight.

[Here follows a table showing grain requirements of France and Italy.]

D. FOREIGN POLITICAL ASPECTS

21. During this spring and early summer, communist strength in western Europe declined somewhat. It was possible in both France and Italy for governments which excluded the communists to be formed and to maintain greater strength than had been anticipated.

22. The strong reaction on the part of the USSR and the local communist parties against the steps taken by the western European countries to develop a cooperative European recovery program following Secretary Marshall's Harvard speech evidences their fear that the success of such a program would mean their defeat.

23. There is reason to believe that the totalitarian forces have decided to engage in, and have already begun, a militant and concerted effort to subvert democratic governments before such a cooperative recovery program can get under way. They are hoping that the food and financial situation in Europe this winter will produce economic conditions sufficiently serious that they can be aggravated by aggressive communist actions to a point where the position of democratic governments in France and Italy can be made untenable and communist regimes installed.

24. It is believed that the campaign initiated by the USSR against individuals in the United States accusing them of "war mongering" may be designed to lay the necessary psychological foundation to cover militant action by the communists this winter and to reduce the efficacy of reaction by the U.S. to such action.

25. In Italy the communists have already declared open political warfare against the government and the forces of moderation. It is believed that they induced the recent strikes in part to discourage the United States from granting further aid. Unless the Italians acquire the dollar exchange necessary to cover minimum imports, particularly food and coal, it is probable that the resulting hunger and unemployment will enable the communists to gain a dominant if not controlling

position in the government before the winter is over. The Italian government has already drastically curtailed imports, including coal, oil and other basic supplies.

26. In France the story is much the same and, although on the surface there is less turmoil, the situation is in fact as serious as in Italy. The French likewise have been forced to suspend dollar purchases except for limited quantities of food and fuel and a very few other essentials. In the absence of external aid, it is believed that even these limited purchases will have to stop during the fall months. Greatly increased social and political unrest is expected in France this winter. With extremists of the right and left contending for power, there is small hope of there being any degree of political stability in France unless financial aid is given. (In France there is a possibility that the forces of the extreme right, grouped around General de Gaulle, might temporarily seize power. But it is difficult to imagine this taking place without civil war.)

27. It should be borne in mind that if a totalitarian regime, particularly one of the left, obtains control of France, it will be very difficult for us to maintain our position in Germany.

28. On the other side of the ledger, there is every reason to believe that, if we give the people of western Europe timely and adequate financial aid and otherwise help them to meet their minimum requirements, the forces of totalitarianism can be defeated or greatly reduced in those countries. The great majority of the people are strongly opposed to totalitarianism. They want to fight for their freedom. But to have a chance of success during this critical winter, it is necessary that they be enabled, by further aid from us, to maintain the strength to withstand the militant communist campaign.

29. From the viewpoint of the vital interests of the United States, the principal issue in Europe today is whether or not it will be totalitarian. If the virus of totalitarianism spreads much farther, it will be almost impossible to prevent its engulfing all the [of] western Europe. This would mean communist totalitarianism almost everywhere on the continent with the iron curtain moving to the Atlantic.

30. In the event of a totalitarian Europe, our foreign policy would have to be completely re-oriented and a great part of what we have fought for and accomplished in the past would be lost. The change in the power relationships involved would force us to adopt drastic domestic measures and would inevitably require great and burdensome sacrifices on the part of our citizens. The maintenance of a much larger military establishment would undoubtedly be required. The sacrifices would not be simply material. With a totalitarian Europe

which would have no regard for individual freedom, our spiritual loss would be incalculable.

Lot 122

Minutes of the Fourth Meeting of the Advisory Steering Committee on European Recovery Program, Washington, D.C., October 2, 1947¹

[Extract]

TOP SECRET

APPROVAL OF MINUTES

1. *Action:* The minutes of the meeting of September 25 (M-3) were approved subject to the communication of any desired revisions to the Secretary.

GENERAL OBJECTIVES AND PROGRESS OF COMMITTEE'S WORK

2. *Action:* It was agreed that it would be advisable insofar as possible to keep the interim aid program distinct from the long-range program for European economic recovery. However, since there is a likelihood that the Congressional Committees will desire to consider aspects of the overall long-range program in conjunction with their consideration of the interim aid program, the Committee should work toward completion of the preliminary appraisal of the CEEC report and integration of the various aspects of a long-range program with the interim program within the next three weeks. To this end the Committee members would inform the Chairman of the various appraisal groups in their respective agencies of the above time schedule.

3. *Discussion:* The Chairman² reported that, arising from the President's conference with certain Congressional leaders on September 29, a decision was reached to call the four Congressional Committees to consider the question of interim aid to certain European countries early in November. Certain Congressional leaders have indicated that a possible interim aid program should be considered in relation to the overall long-range program, the reports of the various Congressional Committees surveying conditions abroad, the reports of the Harriman and Krug Committees and other pertinent information. The Committee's previous thinking on a desirable pattern of Government action has been in terms of Executive action on the emergency phase carrying through December, Congressional action on the in-

¹ Representatives of the Departments of State, Army, Navy, Commerce, Interior, Treasury, Agriculture, the Federal Reserve Board, the Bureau of the Budget, and the White House were present at this meeting.

² Col. C. H. Bonesteel.

terim aid program carrying through March with action on the full-scale program to come at the end of Congressional authority for the interim period. However, in view of the above developments, it might be advantageous to be able to indicate to the Congressional Committees when they convene in November that the Executive branch has completed preliminary work on the basic principles of the full-scale program and that they can go forward with consideration of these aspects of the full-scale program while considering interim aid legislation. Therefore, the Committee should arrange its work so as to begin correlating the various aspects of the program during the next two weeks and place the appraisal groups on notice that a preliminary appraisal is to be completed within the next three-week period.

4. A question was raised as to the anticipated form of presenting the full-scale program to Congressional Committees, it being pointed out that work should commence immediately on the justification for the program. This material might include the CEEC report, the U.S. analysis of the CEEC report, reports of the Krug, Nourse and Harri-man Committees, and other pertinent information. In this connection it was suggested that in the interest of expeditious action on the interim aid program it would be advisable to keep it distinct, insofar as possible, from the long-range program, since presentation of an interim program in a manner so as to make decisions on its merits dependent upon decisions on the long-range program would probably delay Congressional consideration of interim aid. Furthermore, it would be inadvisable to present a draft bill for an interim aid program directly to the Congressional Committees. The above suggestions were concurred in by the Committee.

[Here follows material relative to the interdepartmental groups appraising the CEEC report.]

FW 840.50 Recovery/10-1347

Memorandum by the Acting Secretary of State to President Truman

SECRET

[WASHINGTON,] October 13, 1947.

Subject: Emergency Financing of French and Italian Requirements.¹

1. Sixteen European countries have cooperated to produce a program for European recovery and have transmitted their report to the U.S. Government. This report is currently being reviewed for the

¹ At the October 10 meeting of the Advisory Steering Committee, Col. Bonesteel stated that "Under Secretary Lovett is presenting the emergency problem to the Cabinet today. It is anticipated that Mr. Lovett will request the Cabinet members to survey the ability of their agencies to contribute and to assist in the development of a definitive plan of action."

purpose of formulating recommendations to Congress. Action by Congress on this program may not take place until March, 1948, or even later. In the meantime, the financial resources of some of the cooperating European countries have so far declined as to threaten economic and political collapse. A downward spiral in economic activity in these countries accompanied by serious deficiencies in food and coal for domestic consumption this winter would lead to explosive political instability. Communism is energetically exploiting and accentuating the present and prospective difficult situation.

2. There are many uncertain factors, both economic and political, which may affect the financial positions of the western European countries during the coming winter months. It is not possible now to forecast exactly what will develop. It is most likely, however, that, pending the appropriation of funds under a general recovery program, interim aid will be needed by some of those countries if their positions are not to deteriorate even more dangerously. Unless these crises are met as they arise, there is little hope that the economic and political foundation on which to build a recovery program will be preserved. In the case of both France and Italy a serious crisis already exists and its dimensions are discernible. The balance of this memorandum is directed to a consideration of the immediate requirements of those two countries.

3. Total minimum dollar requirements for France from October 1947 through March 1948 amount to about 800 million dollars (see attached Tables on France²). Current receipts plus other expected availabilities should provide about 450 million dollars leaving a deficit of about 350 millions. If all anticipated sources of revenues were promptly realized and expended, France's needs could be met through December. If France is confined to such resources, however, the lack of any assurance of continued availability of funds would at once compel France to restrict procurement even of food and fuel in anticipation of the uncovered requirements for the first quarter of 1948. Expected current revenues in the first quarter of 1948 amount to less than 50 million dollars. Continuation of dollar deficiencies at the rate shown in the attached Tables would therefore require a further drain on French gold reserves, which at their current level of 440 million dollars are already below the minimum consistent with financial stability. The reserves have declined by 1.4 billion dollars in the last two years.

4. Total minimum dollar requirements for Italy in the same six months period will run about 500 million dollars (see attached Tables on Italy²). Available U.S. relief funds, receipts and other probable

² Tables not attached to file copy.

sources of dollars will provide about 250 millions leaving a deficit of approximately 250 million dollars. Due to the timing of availability of resources, however, the Italians have current funds available to meet less than half their dollar requirements of the present quarter. The basic gold reserve is about 80 million dollars, but this includes 20 millions needed to make initial payment to the International Monetary Fund.

5. Unless there is developed promptly a specific program of action designed to afford some hope that the funds may be available for the most essential items required, not only in the last quarter of 1947 but also in the 1st quarter of 1948, the French and Italian Governments will inevitably, starting almost immediately, further drastically cut essential imports even of food and fuel, and the pipeline will start to empty rapidly. Provision of funds, say in December, without some basis for hope now that they will be available then, would entail a serious risk, since by that time the continuous nature of necessary procurement might have been critically interrupted and irreparable damage done. A special session of the Congress might provide funds before the end of the year, but even if there were a clear indication that the special session would in fact be called, there would be urgently required some other assurance that funds for 1st quarter 1948 procurement would be available, and such assurance in this case could be given in this instance by the Export-Import Bank and the CCC. The financing of these imports is not appropriate for the International Bank or the International Monetary Fund.

6. Financing by the Export-Import Bank of coal and petroleum exports from the United States to France and Italy and by the Commodity Credit Corporation of wheat and cotton exports during the last quarter of 1947 and the 1st quarter of 1948 would involve credits on the order of the following in millions of dollars:

	<u>CCC</u>	<u>EX-IM</u>	<u>TOTAL</u>
To France approx.	150	140	290
To Italy "	100	60	160
	<u>250</u>	<u>200</u>	<u>450</u>

Credits in these amounts, however, would leave uncovered deficits for the six months of about 50 million dollars for France and about 100 million dollars for Italy. Thus the whole problem would not be met and it would be necessary in addition to call upon Congress to provide for the balance of the requirements. It becomes a matter for political judgment as to whether the calling of a special session would be prac-

licable if all but \$150 million of the indicated requirements were taken care of by the Export-Import Bank and the CCC, especially in the light of the fact that the items to be covered by the Congressional appropriation would be miscellaneous commodities and other materials which might be considered less vital than food and fuel.

7. The difficulties foreseen in the course outlined above would be overcome if the Export-Import Bank and the CCC could finance the total French and Italian deficit for the period October 1947 through March 1948, or until the Congress could act on the long-range recovery program at the regular session. This would mean that in addition to the \$450 million mentioned in paragraph 6 above, the Export-Import Bank would finance the approximately \$150 million balance of the total deficit for the period October 1947 to March 1948, since most [of] the items in question would not be of a nature eligible for CCC financing. If assurances of such financing can be given now, this would make unnecessary the calling of a special session of Congress for the particular purpose of meeting the immediate problem in France and Italy. If Congressional action on the European recovery program were delayed appreciably beyond March 31, 1948, further large burdens would have to be carried by these agencies, since, in addition to continuing French and Italian requirements, other European countries would enter equally critical stages at that time.

8. If the program of total support by the Export-Import Bank and the CCC is impossible, there remains the following possibility, which, if successful, would be the one best designed to obtain maximum political advantages abroad. This program would be, in so far as France and Italy are concerned, as follows:

a. A special session of the Congress be called to meet in late November. This call should be made as soon as practicable and before the already called convening of certain committees of Congress in early November takes place.

b. A two point recommendation be made to the Congress. Firstly that appropriations be authorized to cover the food and fuel requirements of France and Italy through June 1948. Secondly that an appropriate government agency or agencies be authorized to grant credits to the two countries for procurement of other essential imports until the Congress takes action on the European recovery program.

c. The Export-Import Bank and the CCC be consulted as to whether, in the light of the critical situation, it would be possible for them to give assurances at once that they will provide credits in the near future to carry France and Italy until the special session appropriates interim aid funds under *b* above, presumably some time in December.

ROBERT A. LOVETT

840.50 Recovery/11-1847: Telegram

The Acting Secretary of State to the Embassy in Italy

CONFIDENTIAL

WASHINGTON, November 18, 1947—4 p. m.

2385. For Allen¹ from Dort². Although discussions in Congressional committees have not yet been conclusive present trend would indicate Interim Aid will be handled through existing relief machinery and terms of act will require establishment of mission in Paris. Appears quite possible act may be passed within two weeks. Will endeavor commence French shipments at earliest possible moment. Sent Rome as 2385 repeated to Paris as Depts 4258. [Dort.]

LOVETT

¹ Richard F. Allen, Field Administrator, U.S. Foreign Relief Program.

² Dallas W. Dort, Special Assistant to the Assistant Secretary for Economic Affairs.

840.50 Recovery/12-447

*The Acting Secretary of State to the Secretary of State*¹

URGENT

WASHINGTON, December 4, 1947.

Telmar 35. For Secretary Marshall from Lovett. This is hasty report on present situation regarding interim aid.

The Senate has reported the bill out in full amount and in acceptable form. The House Foreign Affairs Committee reported the bill out at 590 millions, but injected China as one of recipients for 60 million dollars. This therefore represents a reduction of 67 million dollars for the purposes initially covered by the bill. The bill is now on the floor and is being heavily attacked by many members of Congress, notably Congressmen Halleck, Brown, etc., and with defense coming from Bloom, Cox, Vorys, Jackson and others.

Senate Appropriations Committee hearings have been conducted all week with Secretaries of Agriculture, Commerce, farm groups, etc., appearing through Wednesday. State Department went up this morning. Session devoted almost entirely to attacks on lend-lease shipments to Russia, Communism, grain shortage, past relief abuses, German plant dismantling and reparations deliveries, and German currency system. While no direct attack was made on sin, I judge the Committee omitted that feeling that the Department of State was an adequate substitute.

While the ride was rough, it could have been worse and probably will be when I go back tomorrow. The only incident of any real note oc-

¹ Secretary Marshall was in London attending the Fifth Session of the Council of Foreign Ministers, November 25-December 15, 1947.

curred in connection with discussion of protection to this country against the continuance of relief aid where the recipient country falls under the control of Communists. This protection is, in our opinion, contained in a mandatory Section 7, Subdivision (b), which provides that the President shall promptly terminate the provision of assistance for any country whenever he finds (b) "by reason of changed conditions, that the provision of assistance authorized by this act is no longer necessary or desirable". Committee wanted to nail this down tight by a specific directive, which I endeavored to persuade them not to do although it was difficult in view of open hearings which prevented any reference UN Resolution of last December.² Bridges³ was particularly insistent in line of question, having indicated off the record that he felt Department could not be relied on in such matters, citing lend-lease again. He then asked on the record for a "direct answer" on U.S. relief policies if these countries "fall under Communist control". I pointed out that Section 7, in those circumstances and in our opinion, would give the President the right to determine whether aid should be promptly terminated. Bridges stated that he wanted an answer as to what the State Department would do. I then replied, according to wire service report, which seems substantially accurate, "I am not in a position to speak for the Secretary of State. In his absence, if I must give a direct answer, it is that I would recommend to the President and his advisers that aid to such countries be stopped if those countries fell under Communist control". While I would like to have avoided the question, it seemed absolutely necessary to meet the situation frankly and the result in the Committee was to stop that line of questioning. The comment may be used for propaganda purposes by the Communists but, as it conforms to the post-UNRRA relief action taken by the Congress in July⁴ and is in accord with the National Security Council papers and the opinion of the Department, it seemed better to be frank and decisive rather than to have the line of questioning expanded into an elaborate series of charges by the Appropriations Committee, which probably knew that in executive session the same general answer was given to the Foreign Relations Committee in connection with the Section under discussion.

² Reference here presumably is to Resolution 48(1) Relief Needs after the Termination of UNRRA (United Nations Relief and Rehabilitation Administration), United Nations, *Official Records of the General Assembly, First Session, Second Part, Resolutions Adopted by the General Assembly during the Second Part of the First Session*, pp. 74-76.

³ Senator Styles Bridges of New Hampshire.

⁴ Reference is presumably to Public Law 271, The Supplemental Appropriation Act, 1948, approved July 30, 1947; 61 Stat. 612. See also Public Law 164, approved July 8, 1947 (*ibid.*, 260), which made certain provisions for liquidation of activities undertaken prior to June 30, 1947, in connection with participation of the United States in the work of the United Nations Relief and Rehabilitation Administration.

New Subject. House Appropriations Committee hearings are scheduled for Monday and I had long work-out with Chairman Taber yesterday morning. He has indicated he does not wish anyone else from the Department to appear before his Committee and states that, if the grain figures hold up under examination, he would hope to have the bill in some form through his Committee by the next night.

New Subject. European recovery program now being completed, with President's message in draft form. On present schedule it is likely to be sent up probably December 10. Strategic materials aspect, with particular reference one item, will be covered by separate cable to you. I am appearing before Hickenlooper's Joint Committee tomorrow morning in endeavor to proceed with negotiations.

New Subject. We are still in business. Best regards.

LOVETT

Editorial Note

The work of preparing the legislative programs and supporting materials continued. On December 9 Acting Secretary Lovett cabled to Secretary Marshall at London as follows: "The basic ERP program is complete and the President's message should be in final draft form the end of this week. As a result of delay caused by violent debate in the House on interim aid measures and flood of amendments offered, it is not likely that there will be action on the enabling legislation and the appropriations legislation before the middle of next week. We have in consequence been advised by our Congressional supporters to delay submission of President's message and ERP. I have passed this word on to the President and am today informed he will call in certain leaders on Monday the fifteenth and discuss matter with them, our concern being to get it in sometime during special session provided it does not jeopardize interim aid action." (To London, Telmar 57, top secret, Eyes Only for Marshall, Dec. 9, 1947, 7 p. m., 840.50 Recovery/12-947.)

On December 15 the Congress completed action on an interim aid bill, which was approved by the President on December 17 as Public Law 389, the Foreign Aid Act of 1947; 61 Stat. 934. Funds were provided by Public Law 393, Third Supplementary Act, 1948, approved December 23, 1947; 61 Stat. 941. (For documentation on interim aid agreements of the United States with France and Italy, see pages 688 ff. and 861 ff.)

The President sent to the Congress on December 19 a special message on the European Recovery Program. For text, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1947*, page 515.

GENERAL UNITED STATES POLICY TOWARD THE EUROPEAN COAL ORGANIZATION (ECO), WITH PARTICULAR REFERENCE TO THE BRITISH COAL SHORTAGE

840.6362/11-2546 : Telegram

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

RESTRICTED

LONDON, November 25, 1946—4 p. m.

URGENT

9725. This is Salco 365 from MEA. In view of extremely serious impact long US coal strike¹ would have on economy of many European countries, ECO chairman desires to enquire of Department if statement by him of this situation would be of any possible assistance to US Government. His tentative thought is that if Department sees no objection he would send communication to Department outlining disastrous consequences in Europe of US mine strike, which communication Department could then make public.²

We doubt that any appeal by ECO would be of value in this situation, but in view of ECO chairman's responsibility to ECO countries have agreed to refer his enquiry for Department's advice.³

GALLMAN

¹The walk-out began November 19.

²The Agreement for the Establishment of the European Coal Organization to which the United States was a party was signed in London, January 4, 1946; the life of the ECO was to be one year, and on December 30, 1946 (subsequent to the date of this telegram) a protocol to effect prolongation of the agreement was signed in London; for texts, see Department of State Treaties and Other International Acts Series (TIAS) Nos. 1508 and 1615 respectively.

Relevant reference sources are the European Coal Organization, *The European Coal Organization, 1945-1947; Brief Description and History* (London, 1948) and the Economic Cooperation Administration, *European Recovery Program, Coal and Related Solid Fuels Commodity Study* (Washington, D.C., 1949); the latter, though focused on a different aspect of the coal recovery program, has useful information regarding the import requirements, supply, exports, and consumption of the several countries involved.

Representatives of the ECO countries were afforded assistance by the U.S. Government at this time in the procurement of coal in this country through U.S. procurement channels, in which the old lend-lease mechanism and the U.S. Treasury's procurement authority were utilized for the purchase of coal in the United States on the basis of quotas allocated to those countries under authority of the European Coal Organization.

³In telegram 7934, to London, Lasco 240, November 27, not printed, the Department of State replied that it recognized the ECO chairman's responsibility to importing countries and that this Government would have no objection to receiving a statement on behalf of such countries outlining the European consequences of a stoppage of U.S. coal exports to Europe (840.6362/11-2746).

840.6362/11-2946: Telegram

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

US URGENT

LONDON, November 29, 1946.

9834. This is Salco 374 from MEA. Reference Lasco 240.¹ ECO has requested MEA transmit following appeal which Department may make public if it deems appropriate:

1. "ECO draws urgent attention of appropriate US authorities to the grave coal situation facing Europe at the beginning of winter.

2. The elements of that situation are: (a) programmed tonnage of US coal represents 60% of the total import availabilities to ECO countries; (b) October and November loadings ex USA fell short of programme by approximately 50%; (c) apart from stoppage of US shipments availabilities ex Germany for December and subsequent months reduced by recent decisions of control authorities whilst transport and other difficulties hamper production and exports of Polish coal; (d) even with full expected imports from US and other sources and counting all indigenous production consumption in ECO countries would average less than 50% of requirements; (e) due to previous shortfalls in imports coal stocks are at or below minimum safety point in many countries and some have already had to increase restrictions on coal use, even for most essential purposes.

3. Immediate situation therefore grave for all European importing countries. Should US stoppage be prolonged situation would become even more critical economically and socially, particularly for countries wholly or mainly dependent on imported supplies.

4. Fully recognizing past US assistance for European relief, ECO nevertheless appeals US authorities to take all practicable measures for earliest possible general resumption of coal shipments to Europe. Meanwhile should local stocks or the quality position in USA permit shipments to be specially authorized they would prove invaluable for European countries in most urgent need."

GALLMAN

¹ See footnote 3, p. 485.

840.6362/11-2946

*Memorandum by the Under Secretary of State (Acheson) to
Mr. Clark Clifford, Special Counsel to President Truman*

WASHINGTON, December 5, 1946.

I am attaching a copy of the cable from London ¹ transmitting to us the message of the European Coal Organization. There is also a memorandum explaining the composition of the European Coal Organization and a further memorandum explaining why the United

¹ *Supra*.

States loadings in October and November fell short of the program by fifty per cent.²

I asked the President whether he wished the Department to make this message public. The President desired to consider making it public in or in connection with his speech on Sunday evening. Unless and until we hear from you, the Department will take no further action.³

DEAN ACHESON

² Neither attached to file copy.

³ The walk-out ended December 6, and no radio address was made by the President.

840.6362/12-1046 : Telegram

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

RESTRICTED

LONDON, December 10, 1946—7 p. m.

10014. Salco 381 from MEA. US coal strike with its immediate effects on many European countries has been seriously damaging to US prestige. European reaction to the coal strike is a forecast of similar response that may be expected if reduction in US coal exports should occur as result of removal of controls essential to effective allocation and maximum shipments. Any significant decrease would be exaggerated and exploited as proof of alleged undependability of US by those who wish to undermine US foreign policy. We warmly approve decision to repatriate German POWS and recognize necessity of curtailing German coal exports.¹ These developments, moreover, emphasize importance of US making every possible effort to export 2 million tons of coal to Europe monthly through 1947.

Gallman requests this cable be brought to attention of the Acting Secretary and Secretary.

GALLMAN

¹ For documentation regarding the German coal question, see vol. II, pp. 909 ff.

841.5019/2-747 : Telegram

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

SECRET

LONDON, February 7, 1947—7 p. m.

877. 1. Shinwell, Minister Fuel, announced in Parliament today that beginning Monday no power would be furnished industrial con-

sumers in London, southeastern, midland and northwestern areas, and that power to all domestic consumers these areas would be cut off between 9 and 12 a. m. and 2 and 4 p. m. Drastic step taken in order to assure maintenance of power such essential services as sewage, water, lighting, hospitals, bakeries, et cetera.

2. Immediate cause emergency is snow and cold weather of past two weeks which has nearly paralyzed road, rail and coastwise traffic and disrupted coal movement. Basic cause is shortage of coal stocks with which country entered winter on November 1, and which has resulted in steadily worsening crisis ever since cold snap mid-December. (See Embassy's 10027, December 23¹). Duration of emergency measures will depend on weather improvements but even after that it will take several weeks to build up coal stocks in order provide general power requirements.

3. Meanwhile, industrial concerns throughout country whose deliveries had already been cut in mid-January to 75% in case of iron and steel and 50% all other industries, are rapidly exhausting their stocks, and press each day carries accounts of new factory close-downs and production curtailment. Although government has not given out figures, in our opinion number unemployed already numbers over 100,000 with considerably larger number on short-time work, and effect of paragraph 1 will be to put several million out of work next week in affected areas. To make matters worse many households have already exhausted their yearly coal allocation which should have lasted until May 1.

4. Although coal traffic has been given priority on all rail lines, traffic disruption has caused shortage of coal cars at the pits and forced serious curtailment coal production. Output in Yorkshire, largest producing area in Britain, is down 50% this week, other areas somewhat less.

5. In our opinion coal stock exhaustion throughout country is now such, that even with improved weather, the country can only limp through until mid-April. For until then country must live on current coal output which is not sufficient to meet winter needs, even if substantial increase in output, which occurred after January 1 when the mines formally passed into public ownership, is maintained when transport again becomes normal.

6. Also in our opinion, government is now facing its first real loss of public support. Failure of production and export drive to forge ahead during past two months has already caused widespread misgivings, and with production and export declines inevitable during next three months in view coal position, we do not see how government can continue maintain popularity at same high levels as during past 19 months. We do not, however, anticipate any government crisis or any

¹ Not printed.

attempt to form a coalition and discount all rumours to this effect. Only bright spot for the government is that Labor MP's who led the rebellion against Bevin's foreign policy last fall and meant to renew their attack when Parliament resumed on January 21, have decided hold their fire in view serious domestic situation in order not to embarrass government further.

GALLMAN

840.50 MEA/2-1147 : Telegram

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

SECRET

LONDON, February 11, 1947—7 p. m.

US URGENT

938. This is Salco 423 from MEA. MEA consulted by MOFP concerning possibility UK coal imports from US, which question under Cabinet consideration. We are informed that there is strong pressure from British industry and within Ministry and Cabinet for imports. We stated that US Government very sympathetic to British plight, but felt US position would be that any UK imports, as distinct from bunkering must be recommended by ECO. We doubt ECO would agree allocation to UK since UK coal position still better than that of any other European country except Poland, unless dollar difficulties may later result in other ECO countries not taking all of US availability. Same view unofficially conveyed by ECO chairman. We believe it probable MOFP will oppose US imports on ground of UK obligation to ECO. We understand also Foreign Office may oppose imports on ground competition for ECO coal would hurt British influence with other ECO countries, particularly France.

GALLMAN

840.50 MEA/2-1347

*Memorandum of Telephone Conversation, by Miss Miriam Camp of
the Office of the Assistant Secretary of State for Economic Affairs*

[WASHINGTON,] February 13, 1947.

Participants: Mr. Paul Porter, Acting Chief, Mission For Economic
Affairs, American Embassy, London
Mr. Stinebower and Miss Camp, A-T

I. Paul Porter spoke with Mr. Stinebower¹ and Miss Camp on the telephone at 11:30 a. m. today. He reported that there had been statements in the British press and questions in Parliament about the possi-

¹ Leroy D. Stinebower, Special Assistant to the Assistant Secretary of State for Economic Affairs (Thorp).

bility of diversion to the United Kingdom of coal now being shipped from the United States to Europe. Specifically, Mr. Porter referred to statements in the press quoting remarks by Captain Conway² and by ex-Governor Lehman.³ He said that he had been informed by the British that they did not wish for political reasons to buy coal in the United States at present and that they felt these public statements and any more similar statements would have the effect of forcing their hand and making it extremely difficult to withstand the public demand to import coal.

Mr. Porter referred to two telegrams which had been sent from the Embassy, in particular to a telegram of February 11 sent US Urgent,⁴ in which it was stated that it was believed both the Ministry of Fuel and Power and the Foreign Office would oppose imports of U.S. coal in view of their commitments to ECO and their feeling that British competition for ECO coal would adversely affect British influence with other ECO countries, in particular France.

Mr. Porter requested Mr. Stinebower to make sure that the British attitude was known at sufficiently high levels throughout the Government so that any further statements which would tend to build up British public pressure to import coal could be avoided.

Mr. Stinebower informed Mr. Porter that he had no knowledge that any action was being contemplated with respect to diversion of coal to the United Kingdom and that he assumed if anything were afoot he would have been informed in view of his responsibility for ECO matters.

Mr. Stinebower further undertook to see that appropriate steps were taken to avoid the issuance of further statements which might prove embarrassing.

II. Following this conversation we learned that a statement had been released to the press from the White House at 10:30 this morning saying that the United States Representative on the European Coal Organization was being instructed to support the United Kingdom Representative if he requested the ECO to authorize the diversion of coal to the United Kingdom.⁵

III. Mr. Stinebower therefore telephoned Mr. Porter to inform him of this action, which had already become known in the United Kingdom.

² Granville Conway. Coordinator of Emergency Export Programs, formerly Administrator of the War Shipping Administration.

³ Herbert H. Lehman, former Governor of New York, was the first Administrator of the United Nations Relief and Rehabilitation Administration (UNRRA). Governor Lehman in an undated telegram had appealed to President Truman to send "shiploads" of coal to Great Britain to relieve the coal shortage there; the text of the letter was printed in the *New York Times* on February 12, 1947.

⁴ Telegram 938, Salco 423, from London, February 11, *supra*.

⁵ For text, see telegram 734, *infra*.

Mr. Porter said that the Ministry of Fuel and Power was disturbed by the announcement and that he (Mr. Porter) was receiving inquiries from the press. He asked whether the diversion of coal would be subject to the agreement of ECO countries, and Mr. Stinebower confirmed that that was his understanding.

Mr. Stinebower explained to Mr. Porter that the press release also contained a fresh appeal by the President for the continuation of the authority of the Maritime Commission to operate Government-owned vessels. Mr. Porter felt this feature of the press release would be welcomed by the British authorities.

Mr. Stinebower said that Mr. Porter would be receiving an urgent telegram giving him instructions to support any British request for coal which might be made to the European Coal Organization and also by telegraph the text of the White House release.

Mr. Stinebower said that no mention of double bunkering⁶ was made in the press statement; that he understood that the British had requested double bunkering. He inquired whether Mr. Porter felt a press release on U.S. willingness to provide double bunkering would be useful. Mr. Porter hesitated to give an off-hand opinion and requested us to withhold issuance of a press release until he had had an opportunity to consult with the Ministry of Fuel and Power.

Mr. Porter asked us to find out from Captain Conway what coal there was a possibility of diverting, in particular whether there was any coal now afloat in United States ships for which title had not yet passed to the recipient government. We promised to send this information to Mr. Porter as soon as possible.

Mr. Porter said that he had planned to be in Paris next week for the meetings on restitution of transportation equipment but suggested that it might be better for him to remain in London and for Mr. McClure⁷ to handle the Paris meetings. Mr. Stinebower agreed, and undertook to inform Mr. Radius.⁸

IV. Following this telephone call I ascertained from Mr. Lister⁹ that the U.S. Coal Committee had already agreed to the double bunkering of British ships and that Mr. Corey Wright (British) had already informed London. Mr. Lister said a press release from the U.S. Coal Committee was already in preparation but that it would be held until he was informed by us that it should be released.

⁶ Reference is to the bunkering of ships in U.S. ports with sufficient coal to complete a round trip.

⁷ Russell S. McClure was U.S. delegate to the International Congress on River Transportation which met at Paris in 1947; in March he was assigned to the Paris Embassy as an attaché.

⁸ Walter A. Radius was Deputy Director of the Office of Transport and Communications; in March he was appointed Director.

⁹ Louis Lister, International Resources Division.

Mr. Lister also said there was no coal now afloat to which the United States still held title. He undertook to find out and prepare a telegram on the coal now afloat or about to be shipped, giving quantities, ownership, etc.

I have spoken to Mr. Radius, and he agrees that Mr. Porter should not be asked to leave London at this juncture but that Mr. McClure should handle any meetings in Paris. However, Mr. Radius said that he understood the meetings were now to be held in London rather than Paris.

841.6362/2-1347 : Telegram

The Secretary of State to the Embassy in the United Kingdom

US URGENT

WASHINGTON, February 13, 1947.

734. For Paul Porter. Following is text of President's press release re British fuel crisis:

"This Govt stands ready to do everything within its power to relieve the plight of the British people in their present fuel emergency.

"I have directed Captain Granville Conway, Coordinator of Emergency Export Programs, to determine how quickly and in what quantity coal can be landed at British ports. It would take a minimum of 15 days to ship coal from this country to England. Such shipments might very well arrive too late to help England in the present emergency.

"There are, however, a number of colliers at sea in the vicinity of the British Isles carrying coal to other European countries. It may be possible to divert some of these colliers to English ports.

"In view of the present emergency in England, the United States representative on the European Coal Organization which sits in London has been instructed to support a request for a reallocation of the shipments of coal now at sea, if this is the British desire. It is understood, of course, that coal diverted from other countries would be made up as rapidly as shipping schedules can be readjusted.¹

"A remarkable job has been done in stepping up our export shipments of coal. In Dec, 1.8 million tons were shipped; in Jan, 2.5 million tons; and this month we plan to ship 2.9 million tons. In March, we hope to do even better, for these shipments are vital to the rehabilitation of Europe and other war torn areas.

"To meet these future schedules it is imperative that uncertainty over continuation of the authority of the Maritime Commission to operate Govt-owned ships be dispelled as quickly as possible. This authority, unless extended by the Congress, will expire on March 1.

"On Jan 21, I asked the Congress to adopt a joint resolution extending the authority to June 30. I am gratified that the House Committee

¹ The British Government did not request the diverting of coal ships to English ports. In telegram 1028, February 14, from London, Gallman had cabled: "PM informing President his generous suggestion warmly appreciated but UK does not feel it can take coal destined for countries with greater need." (840.50 MEA/2-1447)

on Merchant Marine and Fisheries is holding hearings on this resolution today.

"I cannot emphasize too strongly the need for quick action by the House and the Senate on this legislation because without it our emergency export programs for fuel and grain will break down completely at the end of this month. Every day that action is delayed means further disruption of Feb schedules for shipments of coal and wheat to Europe. Because of the uncertainty now prevailing tanker shipments of fuel oil to the East Coast ports have already slowed down.

"I have every confidence that the Congress will act promptly to extend the authority of the Maritime Commission to operate the ships which are so vitally needed."

MARSHALL

841.6362/2-1747 : Telegram

The Secretary of State to the Embassy in the United Kingdom

RESTRICTED

WASHINGTON, February 17, 1947—6 p. m.

US URGENT

785. This is Lasco 276. US will release following press release unless you indicate otherwise within twenty-four hours of date of this cable:

"In furtherance of the President's program to offer to assist the Brit in their present fuel crisis, the US Govt decided, on its own initiative, to offer to bunker Brit ships at US ports for round trip voyages.

"Simultaneously, the Brit Govt through its representative on the Combined Coal Committee, which sits in Washington, presented a request to officials of the US Govt for round trip bunkering privileges. Since the US Govt had already agreed to do so on its own initiative, the UK was informed that its ships may obtain a round trip supply of coal at US ports. The UK Govt has accordingly instructed Brit ships to obtain a double supply of coal at US bunker stations.

"This measure will relieve the UK's fuel shortage to the extent that ships plying between the US and European North Atlantic ports will not need to refuel at Brit ports. It is estimated that the adoption of this practice will relieve the Brit fuel position by 75,000 to 100,000 tons per month.

"The coal for double bunkering Brit ships in US ports will not reduce the volume of export coal because coal shipped to US bunkers does not normally compete with export coal for port facilities."

MARSHALL

840.6362/3-1147 : Telegram

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

CONFIDENTIAL

LONDON, March 11, 1947—7 p. m.

1566. This is Salco 445. Possibility of UK seeking import US coal still receiving Cabinet consideration. However, we do not anticipate

reversal previous decision unless dollar shortages other ECO countries prevent them from taking all US availability. In that case, possible UK may buy surplus for purpose building stocks.¹

GALLMAN

¹ Chargé Gallman in telegram 1648 (Salco 451), March 14, from London, reported: "British Cabinet decided today request ECO for allocation US coal to UK." (840.6362/3-1447)

840.6362/3-1847 : Telegram

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

CONFIDENTIAL
US URGENT

LONDON, March 18, 1947—8 p. m.

1714. This is Salco 454. Reference Salco 451, March 14,¹ repeated Moscow for USDel as 105.

1. McNeil² has asked Porter if US will support request which UK will make to ECO for coal imports. UK probably will request one million tons or more for summer delivery. McNeil said he hoped that the desired import could be obtained from an increased ECO availability, thus avoiding a reduction in delivery to other European countries.

2. MEA confidentially informed that both Foreign Office and Ministry of Fuel and Power opposed imports at meeting Cabinet Fuel Committee and their position was reinforced by cable which Bevin sent from Moscow.³ Reasons for opposition were UK obligation to ECO and probably adverse effects upon British influence on continent. Fact that these views were overridden indicates serious assessment of Britain's fuel position.

3. Outlook for third quarter makes support for British claim easier to justify than appeared likely month ago.

(a) For second quarter, increased US and German availability and computation French, Belgium, Dutch output on basis probable gross output rather than net merchantable will give these countries approximately 95% pre-war consumption. Authentic production forecast not yet available but being sought by MEA. It is reasonable to compute indigenous production on basis of gross output for these countries in order to establish common basis for comparison with UK consumption.

(b) On basis Ciszewski's estimate of Polish exports and rising Ruhr output, ECO chairman believes third quarter availability from Polish/

¹ See footnote 1, above.

² Hector McNeil, British Minister of State.

³ British Foreign Secretary Bevin was in Moscow for the meeting of the Council of Foreign Ministers. Concerning coal as a general European question and more specifically as a problem of increasing the output of German coal mines, see vol. II, pp. 472 ff. and pp. 909 ff.

German sources will exceed second quarter by 1.4, perhaps 1.8 million tons.

(c) MEA has not encouraged hopes that US exports would be significantly increased over present rate 2.6 million tons per month. Would appreciate your estimate, however, of maximum that may be expected in third quarter. If US exports could be raised to 2.9, believe UK request could be met without serious friction in ECO.

4. On balance, MEA believes US should support British request. Factors which persuade us are these:

(a) British have unquestionably been encouraged by President Truman's offer of February 13 to believe US would support UK proposal for import under ECO allocation, and public pressure for imports has been stimulated by President's offer. MEA convinced US cannot afford seemingly to reverse its position.

(b) Aggravation of Britain's economic plight might have serious economic and political consequences for rest of Europe and ourselves. British economic recovery more decisive in its consequences than that of any other European country.

(c) If ECO allocation denied and if sufficiently hard pressed, UK might take coal from Ruhr, even if this entailed withdrawal from ECO. Case for coal from Germany is that UK is paying large amounts of dollars for food and consumer goods to boost Ruhr production. Almost all European countries except Britain heretofore have benefited from increased Ruhr output made possible by US and UK expenditure. This argument, while not yet widely made in public, is being made privately with much force.

5. MEA aware that recommended course involves some risks for ECO and that other ECO claimants, who feel their need is greater, may object to allocation for UK. We recognize also French will probably use this occasion to again press forcefully for greater exports from Germany than is practical. Nonetheless, we believe President's offer of February 13 overrides other considerations.

6. Foregoing matter discussed with Ambassador, who concurs view expressed in this cable, and urges every possible effort be made to raise US export availability to maximum.

Sent Sept 1714, repeated to Moscow for USDel as 112.

DOUGLAS

840.6362/3-2147 : Telegram

The Acting Secretary of State to the Embassy in the Soviet Union

SECRET

WASHINGTON, March 21, 1947—7 p. m.

618. Secdel 1362. London's Salco-454 rptd Moscow for Secdel as 112.¹ Ref prospective Brit request for ECO allocation coal from US following relevant to formulation US position:

¹ The Secretary of State was attending the meetings at Moscow of the Council of Foreign Ministers.

Second quarter ECO allocations US coal are on basis 2.6 million tons exports to Europe per month. Achieving this rate requires closest coordination procurement, rail movement and shipping in US and allows no leeway for unforeseen difficulties. Resolving every uncertainty for third quarter in favor of export program US might be able to ship 2.9 million per month to Europe. Dept believes unrealistic to expect such increase because of (a) possible coal strike July (b) present export controls expire 30 June and unless renewed doubtful whether even present export levels can be maintained (c) expiration 30 June Maritime Comm authority to operate pool of ships which may result in inadequate flexible shipping available to move bulk coal and grain cargoes. Therefore only safe to assume that allocation US coal to Brit third quarter would reduce allocations to other ECO importers below second quarter levels. In addition Eire will become regular claimant due Brit inability to supply and probably Iceland. US coal now exported to Norway, Swed, Denm, Neth, Belg, France, Switz, Port, Italy, Greece, Finland, all through ECO, also Iceland, Eire. Largest allocations to France and Italy.

Brit statistics show internal consumption availability (production less exports and bunkers) 1946 approx. equal 1935-8 internal availability. Projected 1947 production of 200 million with no exports except expected bunkers will give internal availability 109 percent 1935-8 average. All other ECO importing countries have been and will be in 1947 well below 100% 1935-8 availability. On statistical basis therefore Brit position better than continental. Strain on ECO operation will be severe if Brit request presented.

President's offer Feb 13 was emergency offer to divert cargoes afloat if ECO agreed and was related to internal transport tie-up in UK.

In view effect allocation US coal to Brit in third quarter on other Eur claimants, particularly France, and in view strong position French taking re coal in Moscow and effect on Ger exports of decisions on level of industry and reparation, Dept reluctant to take position on matter without comment from Secdel and suggests desirability of discussing directly with Bevin. (Sent Moscow for Secdel, rptd. London for Amb and Porter.)

ACHESON

840.6362/3-2747 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET

Moscow, March 27, 1947—11 a. m.

URGENT

1046. Delsec 1354. For Acheson. Personal from Marshall. Reference British request to ECO for allocation of coal from US in third quarter. Department's 618, March 21 (Secdel 1362).

Department should take position that it is reluctant to allocate coal to British as British availabilities from own production without exports are considerably closer to normal availabilities than the quantities available to continental countries.

Transport difficulties make it unlikely that additional coal may be shipped in third quarter and allocation to British could be made only by reduction in allocation to continent. Allocations of US coal to British under these circumstances, unless wholeheartedly supported by ECO importing countries, would lead to misunderstanding and bitterness.

This reply will leave the door open if Bevin desires to appeal to me. I prefer not to initiate discussion with him.

Repeated to London as 108.

[MARSHALL]

840.6362/3-2847 : Telegram

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

SECRET

LONDON, March 28, 1947—7 p. m.

US URGENT

1940. Personal for Acheson. During the last week have taken opportunity to review British coal situation. I fully agree with views of Secretary Marshall, as stated in his 1354 of March 27,¹ that any increase in American coal exports to Europe should be channelled through ECO and that allocations of coal by ECO to UK, unless wholeheartedly supported by ECO importing countries, might have unfortunate consequences on the continent and should not be made.

In the event Mr. Bevin initiates discussions on coal with Secretary Marshall, I am submitting the following estimate of the way in which the Government here is attempting to solve its coal difficulties. On further review this estimate may be altered but at the moment it is my best judgment.

Few steps have so far been taken toward an orderly shutting down of marginal mines. Nor has the wage structure been altered so as to relate miners' compensation to productivity. Only lackadaisical efforts appear to have been made towards providing even temporary housing facilities in the more productive coal fields. No action has been undertaken to increase consumer goods in the more productive areas for the miners and their families. The system of taxation is such that any increased earnings of the miners resulting from increased individual production leaves but a small residue in the hands of the miners. These

¹ *Supra.*

steps seem necessary to reduce the present high rate of absenteeism; to induce miners to move from least productive mines, when they are shut down, to the more efficient mines and fields; as incentive to increased individual productivity, and to hasten recruitment of additional men to the mines, which is now proceeding at moderate rate.

There is great resistance to the use of oil in several large electrical generating power stations, which with minor changes are adapted to the burning of oil. This step alone might conserve as much as 3 to 5 million tons of coal annually. The traditional practice of requiring lump coal of substantial size among many large consumers instead of burning the run of the mine product, as is the custom in US is deeply rooted; and no efforts have been made to change it. This has a depressing influence on production.

Mechanical equipment that is available for both open cast and underground mining operating is not being installed as rapidly as might be. The five day week has been adopted. In view of the high rate in absenteeism, this may not have as adverse an effect on coal production during the next six months as might be expected. I recognize that there are many social and political crosscurrents which may account for what appears to be an inadequately vigorous approach to the UK coal issue but I pass on what seem to be the facts for the Secretary's information.

Sent Department as 1940; repeated Delsec Moscow as 142.

DOUGLAS

840.6362/3-2847 : Telegram

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

SECRET

LONDON, March 28, 1947—8 p. m.

1950. This is Salco 465. Reference Dept 1275, London, sent Moscow Secdel 1362 and Delsec 1354 sent London 108. Have informed McNeil and Shinwell that US regards as unrealistic any significant increase in US coal exports to Europe over 2.6 million tons monthly allocated in second quarter. We think UK initiative at ECO general purposes committee meeting March 26 in proposing admission of Eire, Iceland and Faroe Isles to ECO was intended to inform other ECO members indirectly that UK herself would not seek coal outside ECO. In view improbability any increase in US exports we doubt UK will now approach ECO for imports.

Gridley, former ECO Chairman, now Marketing Director, National Coal Board, was prepared go US to discuss procurement arrangements. Trip now unlikely.

Would appreciate Department keeping us informed whether any countries fail to contract all of their US allocation, and any change your estimates.

Sent Department as 1950, repeated Moscow as 145 for Secdel.

DOUGLAS

740.00119 Council/3-2847: Telegram

The Acting Secretary of State to the Embassy in the Soviet Union

SECRET

WASHINGTON, March 28, 1947—8 p. m.

714. Secdel 1394. Dept with assistance all agencies involved has made full reexamination to determine possibility of US exporting 3.1 million tons coal to Europe (3.7 to all destinations) per month.

Supply: Solid Fuels Admin believes sufficient coal will be available at mines to meet such program although some might be of relatively poor quality. Such availability is subject to possibility strike after 1 July. Strike would immediately severely curtail if not stop exports. Effects of strike would be felt for considerable period after settlement. Impossible to forecast likelihood of strike for several weeks at least. Availability of coal would also be decreased if miners return to 5 day week but probably supply would remain sufficient for export program.

Internal Movement: ODT believes sufficient internal movement capacity to move above program to ports.

Loading Facilities: ODT believes sufficient loading capacity in ports to handle above program. Removal on Apr 1 of quality restrictions on exports will allow export of quality coal through Hampton Roads which will largely constitute a net increase of export capacity over that previously available. There is an outside chance that competition between domestic and foreign demand for quality coal will force reimposition quality controls and consequent loss loading facilities.

Shipping: Sufficient ships to carry above program exist but taking ships out of lay-up and refitting would probably be necessary. Authority of Maritime Comm to operate ships through agents and to use current funds to refit ships expires 30 June. Authority to charter on short term basis to operators expires 31 Dec. Believed assurance of adequate shipping to carry program requires legislation plus reversal of present Maritime Comm policy to liquidate its past operations in anticipation of end of authority in accordance with previous Congressional desire to terminate operating functions. Dept will press for necessary legislation and now discussing matter with Maritime Comm. If Congressional opposition to such legislation develops, carrying out of above program would, as practical matter, be very doubtful. Possibility shipping strike at end summer cannot be forgotten.

Executive Powers: Without already requested extension of export control power,¹ high degree of coordination and control needed to carry out program impossible and no allocations or control over destinations would be possible.

Summary: In the absence of strikes or serious unforeseen contingencies, with renewal export control legislation and sufficient shipping legislation, best estimate that program of 3.1 million tons coal to Europe possible during summer and fall with uncertainties of weather making winter shipments probably lower. This figure probably represents near peak capacity. Best previous shipments Europe since war were 2.4 in July 1946 with only minor use Hampton Roads.

Allocations: Second quarter allocations to Europe made on basis 2.6 million tons per month and followed ECO recommendations. French allocation 787,500 per month, French North Africa 67,500. None to UK. In view possibility that it might be possible to ship more than allocations, each country was issued Apr export licenses for 120% of allocation which makes 3.1 million licensed for Europe. Extra 20% constitutes authority to try to exceed allocations and if successful Apr agreed to overlicense in May and June also. Since second quarter strike unlikely and legislative situation presently satisfactory, quite possible allocations will be exceeded in which case French plus FNA could reach million tons. Rearrangement to cut Brit in for second quarter would mean changing established pattern.

ECO recommendations third quarter made about middle May. By then strike and legislative situation US may have clarified to allow declared availability from US of 3.1. If so, Dept believes ECO allocation million to France plus FNA and 250,000 to Brit possible without forcing down throats other ECO countries. If prospects are less favorable would be difficult to obtain that figure France and any for UK without danger of wrecking valuable cooperation achieved ECO in past 20 months. Any firm quantitative commitment to France from US or Germany would likewise jeopardize not only ECO but also projected Econ. Comm. Europe which ECOSOC has approved and whose terms ref, including takeover of ECO, ECOSOC expected to approve this session. In event conditions necessary for full US program mentioned above not met and US exports fall seriously, quantitative commitment to France would be at expense other claimants, particularly Italy.

Dept recommends (1) Brit withhold request allocation at least until ECO considers third quarter allocations and then request only if

¹ President Truman's message to the Congress requesting extension of the Export Control Act was sent on March 19. The President stressed that "This country is the great undamaged center of industrial production to which the whole world looks for materials of every kind. . . . Our international responsibilities cannot be fulfilled without this machinery. . . ." For text of message, see Department of State *Bulletin*, April 13, 1947, p. 676.

favorable solution uncertainties appears likely (see Moscow's 1046 to Dept, rptd London as 108). Relevant to note that if Brit miners worked three extra days in 1947 they should produce the 2 million contemplated imports from US and save 16 million dollars cost of coal and probable 24 million dollars shipping cost. (2) French be told US cannot guarantee specific figure but, if third quarter exports expected to reach 3 million per month US will support in ECO 1 million to France plus FNA from US. If third quarter prospects less favorable, US will support proportionate equitable share for France which has in fact done very well relatively in ECO. (See London's 139 to Moscow, rptd Dept 1912, Berlin 221, Paris 229²).

Sent Moscow, rptd London as 1400 and Paris as 1147.

ACHESON

² Not printed.

841.6362/4-1847: Telegram

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

SECRET

LONDON, April 18, 1947—1 p. m.

2292. At the request of the Prime Minister¹ I called on him this morning. Subject of the discussion was coal. He asked whether a personal communication from him to the President outlining the needs for an allocation by ECO of coal to the United Kingdom would be an appropriate thing for him to do. I outlined to him in reply what our previous communications to the Dept had contained, told him of the effect of the recent strike upon the availability of coal during the second quarter and of the possibility that with proper cooperation of inland transport and port loading facilities at home the availability during the third and fourth quarters may reach a figure of 3,100,000 tons a month. I pointed out to him that because the possibility of a coal strike on the first of July and other mishaps which might upset close coordination, we could not state precisely what the export availability would be. I informed him of the arrival of Mr. Koenig² and of the purposes of his visit. Finally I told him that even though the export availability from the United States to ECO might be substantially increased it was our view that any application of the UK

¹ Clement R. Attlee.

² Robert P. Koenig, President of Ayrshire Collieries Company, had arrived at the London Embassy to serve as temporary technical consultant on coal to the Ambassador. On June 13 he submitted to Ambassador Douglas a "short analysis and study" of the British coal industry; a copy is in the Department of State file No. 841.6362/6-1347.

for an allocation should stand on its own feet and be voted in the ordinary fashion by ECO. The Prime Minister expressed gratification at what we were attempting to do and concluded that unless I advised him to the contrary he would not now communicate with the President.

Barring a coal strike, it would be helpful to have your current best estimate of the availability of coal for export through ECO.

DOUGLAS

840.6362/4-2347 : Telegram

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

SECRET

WASHINGTON, April 23, 1947—8 p. m.

1783. This is Lasco 311. For Douglas and Porter from Acheson.

1. We agree appeal to President would be inadvisable urtel 2292 Apr 18 as it might create impression in ECO that US and UK were willing to consider reaching bilateral understanding committing US to support Brit request.

2. As background to following refer to Secdel 1362 repeated London 1275 Mar 21; to Secdel 1394 repeated London 1400 Mar 28; and to Delsec 1354 repeated to London as 108 Mar 27.

3. May we have your reaction to following suggested points to comprise basis for discussions with UK:

4. US keenly aware of UK's need for coal to attain economic goals. However, since UK 1947 coal supply available for internal consumption is comparatively better than that of other European importing countries (as measured by pre-war rate of internal consumption), UK request to ECO places US in difficult position because UK procurement would reduce availabilities to other countries.

5. In view of this difficulty US believes that it will be able to support UK request in ECO (a) only if total exportable coal available to European importing countries from all sources for third quarter reaches level approximating that outlined in Salco 454 para three, including three million tons monthly from US and (b) only if allocation to UK is supported by other countries without too much bitterness.

6. Unfortunately US will be unable to give firm estimate of US third quarter availability for some time owing to possibility of coal strike on or after July 1, 1947. Also relevant to mention that US authority to allocate coal exports is dependent upon extension of Export Control Act. US may be unable to determine whether a strike will or will not occur until a very few days before end of Krug-Lewis contract which is presumably 30 June when authority of Govt to operate mines expires. Therefore, US cannot in the meantime make a firm

third quarter estimate of three million tons per month, or, indeed, for any level of exports.

7. If US were to present an optimistic estimate of availability to ECO for third quarter allocation at three million tons or more, then UK may be able to obtain an ECO allocation. If strike should then occur in July actual volume of coal exported will prove to be appreciably lower especially if strike lasts more than two weeks. UK in meantime will have been given authority to compete with other European claimants for a short supply of coal at a level of export availability substantially below three million tons.

8. In the circumstances, US proposes to give ECO two estimates of export availability, probably one estimate at three million tons monthly, at which UK would presumably obtain an allocation and another estimate at 2.6 tons, at which level UK presumably would have a lesser chance of obtaining an allocation. It is presumed that at level of export availability below three million tons, other ECO claimants would be extremely reluctant to share US coal with Britain and that Britain's chances of obtaining an allocation would be reduced with decreasing levels of availability. Note that neither of these estimates is firm in the event of a strike because effect of strike cannot be foretold. However, if a strike occurs the lower estimate is likely to be closer to actual results than the higher.

9. About June 1 US would issue firm allocations for third quarter at 2.6 million tons. If and when union-management and other factors clarify to point where US can adopt a three million ton target for Europe with a reasonable chance of success, US would revise third quarter allocations on basis of ECO's suggested distribution at that level and, assuming ECO has recommended an allocation for UK at upper level of export availability, would try to do everything possible, allocation-wise, to have UK obtain its fair share of US coal for third quarter based upon US export possibilities for that quarter as a whole. It should be borne in mind that if a serious strike does occur, US may be unable to adopt a three million ton program for some time following strike's termination owing to possibility of a serious coal shortage.

10. Foregoing proposals re US export availability are not for submission to ECO but are suggested only for purpose of discussion with UK.

11. If foregoing proposals are acceptable to you, you may proceed with discussions immediately. However, we should by all means preserve our freedom of action within ECO and avoid any bilateral understanding which would commit us to support Brit request, even at three million ton US export availability, in face of stubborn opposition from other claimants. Outcome of proposed Brit discussions with France and Belgium re an allocation might provide material clue to reaction of those countries. Therefore, we suggest you indicate to UK that US believes it inadvisable for US and UK to reach understanding outside ECO and that purpose of your discussion is to acquaint UK of difficulties confronting US. While US would like to

assist UK in its present difficulties, US believes, and is sure that Britain agrees, that serious damage to ECO should be avoided.¹

Sent to London as Lasco 311, repeated to Moscow Secdel as 1486, repeated to Paris as 1482, repeated to Brussels as 573.

ACHESON

¹ In telegram 2407, Salco 482, April 24, from London, not printed, Ambassador Douglas replied: "We agree completely with the proposals contained in Lasco 311 and have informed British Government officials that we cannot be a party to any extralateral understanding which would commit us to support any British claim presented to ECO and we appreciate the possible serious consequences should ECO be damaged." (841.6362/4-2447)

840.6362/5-847: Telegram

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

SECRET

LONDON, May 8, 1947—8 p. m.

US URGENT

2643. This is Salco 487. Makins¹ and Hall-Patch² of the Foreign Office called to inform me of the results of the informal conversations UK delegate to the ECO has had with ECO representatives of governments concerned, covering both the intentions of the UK to submit an application for an allocation of coal and the Polish negotiations as they affect coal. Only the Danish and Swiss representatives on ECO have not so far been acquainted with UK intentions because the former are not available in London but are being informed in Geneva and because the latter is ill and unavailable. When it was explained to the representatives of the remaining countries that the UK's main objective in applying to ECO was to secure an allocation of US coal, general relief and satisfaction was expressed and no opposition was indicated excepting by French. The representatives of Sweden and The Netherlands hinted that they might be unable to afford, for exchange reasons, quantities of US coal in excess of those which they are already purchasing. The views thus expressed were those of the representatives of the respective countries on ECO who have reported to their governments. Further information as to the position of their respective governments may be available later but the Foreign Office believes that they will not differ substantially from the expressed attitudes of the ECO representatives themselves.

¹ Roger Makins, Assistant Under-Secretary of State, British Foreign Office.

² Sir Edmund Hall-Patch, Deputy Under-Secretary of State, British Foreign Office

As to France, the French representative was disturbed at the proposed intentions of the UK because of its effects on coal available for France and expressed a hope that the UK request would be spread over as long a period as possible and that the UK might purchase larger quantities of US coal than it required for its own use and resell British coal to Europe. This suggestion the UK declined on grounds of exchange. As a result of the conversations with the French representative on ECO the matter has now been raised to the political level and M. Alphan³ of the Quai d'Orsay has communicated with the Foreign Office to the effect that he would like to discuss the whole question of the UK application for an allocation, probably coming to London this week-end. The Foreign Office replied that it would not be prepared to discuss the matter with him so soon. It is probable that the discussions with Alphan will take place Tuesday or Wednesday of next week, May 13 or 14. The Foreign Office expect[s] that the French in return for not opposing the UK application for an allocation of US coal will seek UK support on some other issue probably, the Foreign Office suspects, on the proposition that the Saar coal be incorporated in the amount of indigenous French coal and made available for French consumption.⁴ This would have the effect of increasing the amount of coal available for France by approximately 200,000 tons a month, with a probable reduction in the amount available for other consuming countries. It will therefore not go unchallenged in ECO.

Makins and Hall-Patch put the following question to me: What will be the attitude of your government should the French oppose the UK application for an allocation of coal?

I replied provisionally that in this case even rather than run the risk of disturbing ECO and of causing bitterness we would be disposed to suggest that the UK application for an allocation be not presented, or if presented, that it be withdrawn, but that we would seek your advice. Inasmuch as the conversations between the Foreign Office and the Quai d'Orsay will be held Tuesday or Wednesday of next week, we urgently request your advice by the tenth if possible but not later than the twelfth.

Sent to Department as 2643; repeated to Geneva for Porter, USDel, ECE, as 32; repeated to Paris as 290.

DOUGLAS

³ Hervé Alphan, Director of Economic Services, French Ministry of Foreign Affairs.

⁴ Tripartite agreement was reached among the United States, the United Kingdom, and France at Moscow in April regarding an increase in the production of the coal mines in the Saar, with a concomitant increase in the allotment of coal for France. For documentation regarding this matter, see vol. II, pp. 472 ff.

840.6362/5-1247: Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, May 12, 1947—7 p. m.

US URGENT NIACT

2068. This is Lasco 319. Refer Salco 487. We believe UK has right present to ECO its request for US coal and that we cannot ask UK abstain from requesting coal.

Reasonableness UK request in relation French opposition depends upon total availability coal from all sources. If US export availability rises to point which exceeds effective demand of some countries, UK should have opportunity compete in ECO for US coal. If UK were prevented from getting US coal, France, which evidently has not reached saturation point from dollar standpoint for US coal, would in effect be in position procure by default marginal supply US coal turned back by other countries. Marginal US coal not procurable by some other ECO claimants should not go by default to France in absence other effective demand but should, in effect be allocated by ECO. For that reason US insists US coal be allocated by ECO and within ECO and that France cannot use her presumptive right to a fixed proportion of all US coal at all levels US availability with which to bargain for Saar coal. If French strongly resist UK allocation on ground of equitability, US may be unable support UK in order avoid damage to ECO. But US opposes use US coal for bargaining purposes re Saar.

Recent investigations held here point to prospect exporting possible maximum of 3.4 million tons per month to Europe during third quarter *if there is no strike*. Meeting of US Coal Committee May 15 will discuss this prospect. We may therefore be able give ECO a third level of US export availability at 3.4 million tons in addition other two already given for third quarter.

Sent London as 2068 rptd Paris as 1722 and Geneva for Porter as 355.

MARSHALL

840.6362/5-1647: Telegram

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

SECRET

LONDON, May 16, 1947—5 p. m.

2777. This is Salco 493. 1. Makins, Foreign Office, just returned from conference with Alphant re British request to ECO for coal alloca-

tion. French still eager obtain special concession Saar coal as condition their agreement to British request but Makins says as result preliminary examination French terms less onerous than originally thought. Foreign Office examining them carefully and Makins will inform me details and Foreign Office view bearing in mind US position. I will inform you immediately.

2. British have decided make provisional request ECO coal allocation conditional upon third quarter availabilities. Provisional request permits British withdrawal if opposition develops or French become too difficult. Assume British will make request formally at allocations meeting Tuesday May 20.

DOUGLAS

840.6362/5-1647 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, May 16, 1947—7 p. m.

NIACT

2143. For Douglas. Re Salco 490¹ and Lasco 319. Please make no commitments on either French or Brit position re UK request for US coal until arrival full details US position by separate tel. Jeffers² arriving London Mon and fully acquainted our position.

MARSHALL

¹ Not printed.

² Charles W. Jeffers, special assistant to the Chief of Mission for Economic Affairs in the Embassy in the United Kingdom.

840.6362/5-1647 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, May 16, 1947—7 p. m.

NIACT US URGENT

2142. This is Lasco 323. Refer Salco 490 and 491.¹ 1. Urpara 1. Your interpretation correct.

2. We had interpreted Salco 487 to mean that French might reopen Saar question rather than argue against UK allocation on ground of equity. French are in contradictory position in ECO if they (a) oppose UK allocation on ground of equity and then (b) argue that if UK obtains allocation of US coal, say, at 200,000 tons per month, then, in order to restore equity, France should count Saar coal as indigenous production. As long as France argues on basis of (a) alone she may be on strong ground, depending, however, on comparative level of

¹ Neither printed.

satisfaction in relation to UK. However, she cannot both defend (a) and propose (b) as a method of restoring equity, for if (b) were adopted, then both UK and France would benefit at expense of rest of ECO. If we were to inform UK to withdraw request simply because French were attempting to reopen Saar coal question we should, in effect, be bowing to French argument whereas French case, in terms of (b), does not have any merit *within ECO framework*. Rather than back down, UK should oppose French attempt to bargain US coal. UK should counter French position by pointing to its obvious unfairness to other ECO claimants and to its inconsistency with principles of fair distribution which ECO has been trying to formulate. UK might also indicate to French that US would obviously oppose a bilateral deal outside ECO between UK and France involving US coal.

3. Assuming that UK is opposed to bilateral deal French have in mind, it need not necessarily follow that UK withdraw her request for coal in order to keep French from reopening question of Saar. We assume that if French are informed by UK that no deal on Saar can be made outside ECO, and that UK and US in any case will oppose tripartite settlement of Saar even in ECO, then France will not broach this question in ECO, at least with any success, and that France therefore will have to shift full weight of her opposition to issue of equity, assuming she really wishes to oppose UK allocation in absence of opportunity to bargain for Saar. On this score, strength of her case obviously depends on French level of satisfaction compared with British. UK 1947 level of satisfaction for internal consumption, excluding bunker coal, about 109% of 1935-38 average. French third quarter supply estimate follows (in millions of tons) :

Gross production of clean coal	13.250
Allocation from US	2.700
German availability	.720
Polish availability	.210
Other availability	.130
Total	<u>17.010</u>

Assumptions follow: (1) French output in 1947 53 million tons. (2) US availability 9 million tons and French proportion 30% as in second quarter. At availability of 7.8 from US, French share would be 2.34 million while at availability of 10 million from US, French share would probably be in excess of 3 million. Note however, that US will restrict allocations to 7.8 pending outcome strike threat. (3) German availability and French share assumed to be same as for second quarter. German exports, however, may be reduced in third quarter owing to recent reduction in Ruhr output, and to food shortage. (4) Polish availability to France assumed at second quarter level. This,

however, is dependent outcome of Polish-French negotiations and if embargo not lifted France will get no Polish coal. (5) Other imports roughly same as second quarter.

About 80,000 tons should be subtracted as probable exports making probable total net supply of 16.930 million tons on gross production basis without 10% adjustment and without deduction of low grade coal. These deductions have not been made for UK either. French quarterly requirement on 1935-38 base about 17.5 million tons. French therefore, may satisfy about 97% of 1935-38 level of satisfaction. The event may prove supply to be substantially lower than 16.930 or even higher by some 600,000 tons.

While this is below UK level of satisfaction, it does not give French overwhelming basis for argument, especially in view of large UK export trade. Other ECO countries would have much better case for opposition but are apparently not prepared to oppose UK. Furthermore, if at rising levels of export availability, especially from US, some countries reach saturation point for US coal, France will have an opportunity to increase her share of US coal, because from dollar supply position she evidently has higher cut-off point for US coal than other countries. As French share of US coal rises not so much by virtue of allocation formulae alone as by virtue of her willingness to spend dollars for coal, UK chance of obtaining allocation should improve.

4. Depts position as outlined Lasco 311 has not changed. However, imminent possibility that France may try to exercise veto over UK's request has drawn out some implications of our position. While we still believe strongly that UK should not obtain allocation if it leads to bitterness and damages ECO we believe that UK should not necessarily retreat at first sign of resistance on part of France. Reasonableness of French position and lengths to which she is prepared to go in opposing UK, should, if possible, be carefully weighed before British request is withdrawn. While there is danger to ECO in following this course, since UK and France may involve themselves too far in argument within ECO to make graceful retreat, we should use all possible judgment before permitting France to exercise absolute veto power. While our cardinal principle is preservation of ECO, considerations adduced above give us some flexibility in determining whether or not UK should be supported even in face of some opposition. If price for a UK allocation is serious damage to ECO, then we shall not support UK. However, that may not necessarily be case. It will therefore be up to Emb and MEA, who are on spot, to weigh developments and take whatever course seems best in relation to Dept's desire to preserve ECO as working organization. We need neither

favor nor oppose either France or UK in advance but rather should take an objective attitude permitting our final position to be determined by merits of case.

5. US Coal Operating Committee, in considering third quarter coal availability for Europe and North Africa, agreed on May 15 that a third figure of 3.4 million tons monthly should be submitted to ECO. Basis of additional estimate is performance during first 13 days of May, which have run at monthly rate of 3.3 to 3.4 million tons. Loadings through Hampton Rds are in excess of previously estimated movement through that port and account for improved performance.

This leaves US position as follows: Three levels of US availability are submitted to ECO, at 2.6, 3.0, and 3.4 monthly for third quarter. If a serious mine suspension occurs, exports for quarter will probably not exceed lowest figure. If a contract is signed with the Union by July 1, if actual work-week at mines is not cut appreciably, and if there is no maritime strike 3.4 million tons monthly allocation might be adopted here. Please give us soonest pattern distribution at each of three levels. Note that ability to allocate depends on extension of Export Control Act.

6. You may discuss contents para 2 through 5 with UK.

Sent to London as 2142, repeated to Paris as 1803, repeated to USDel ECE Geneva for Porter as 405.

MARSHALL

840.6362/5-1747 : Telegram

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

SECRET

LONDON, May 17, 1947—4 p.m.

2796. Urtel 2142¹ and Lasco 323 and urtel 2143¹ very helpful. Please be assured no commitment has been made re French or British position on UK request for ECO allocations of coal. We have consistently informed the British in substance as follows:—(1) We are unwilling to take any position that would cause undue bitterness and damage the effectiveness of ECO. We must be left completely free to judge the merits of the case without prejudice. (2) We object effort to bargain US coal for Saar coal.

Foreign Office is as anxious as we are to preserve ECO as effective instrumentality. It is for this reason UK is submitting provisional application to ECO (see Salco 493) contingent upon availabilities.

Makins gave Embassy his personal views and story of Paris talks and outlined French proposition but emphasized informality because matter had not yet been cleared by Bevin.

¹ Both telegrams dated May 16, 7 p.m.

When Makins and Brook arrived in Paris to talk with Alphand, French pointed out that contemplated British request for coal was embarrassing for them from all points of view—psychological, political and economic. They were, therefore, forced to consider some compensating advantage for British request. Alphand suggested semi-officially that as contemplated in the Moscow agreement there should be tripartite notification to ECO that Saar production was to be considered a part of indigenous French production, but that this should be done prior to quadripartite agreement to transfer of Saar.

Makins gave French his personal view that such action might not be possible until questions of Saar frontiers and reparations value of Saar had been settled. He intimated to them that integration of Saar production into French indigenous production and applications of ECO allocations formula thereto probably would result in less coal to other ECO recipients, and therefore opposition by them.

French indicated that they did not require support of UK in ECO to meet possible opposition there. Alphand then outlined a scheme which French considered might avoid opposition. When tripartite notification was given they would undertake to maintain existing Saar commitments to export coal until Ruhr production reached 250,000 tons daily. Until this figure reached they would not benefit from Saar. Thereafter French benefit from Saar would increase *pari passu* with rise in Ruhr production until latter reached 320,000 tons daily. At this point French would receive full benefit arising from consideration of Saar production as part of French indigenous production. Obviously this scheme would cause no immediate loss to ECO pool and might obviate opposition of other ECO members.

French submitted some figures to British of effect of considering Saar production part of French indigenous production; they believed result would be very advantageous to them. British experts considered French figures not entirely accurate and they suggested some changes which are being considered by French. It is expected that both British and French experts will discuss these figures next week.

Makins thinks that British probably will not object to French proposals in principle but he feels that result would not give French as much coal as they believe likely. Matter being considered further by British who intend to communicate with us prior to reply to French.²

DOUGLAS

² In telegram 2184. May 20, the Department replied:

"Position taken with British (first paragraph urtel 2796 May 17) noted with approval.

"Dept concerned over trend UK-French discussions as reported reference telegram. Pls inform FonOff that US considers premature any discussion in ECO based on the transfer of Saar to France or any ECO allocation predicated on understanding for the treatment of Saar coal as indigenous French output. Any French proposals on Saar should be discussed in first instance at inter-governmental level. Pls advise US member ECO." (840.6362/5-1747)

840.6362/5-2147 : Telegram

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

SECRET

LONDON, May 21, 1947—1 p. m.

URGENT

2848. From Douglas. Yesterday Makins Foreign Office called on me and discussed French proposal relative the Saar and the UK application to ECO for coal. He informed me that the Foreign Office was considering replying to Quai d'Orsay in substance as follows (Deptel 2184 May 20):

1. A recitation of the British understanding of the French proposal.
2. That the statistical basis had not yet been established.
3. That if the Foreign Office clearly understood the French proposal they saw no objection in principle and would be glad to consider the proposal provided the US Government agreed.
4. That they could not, however, further discuss the matter until two questions had been determined: (a) The Saar frontiers and (b) the reparations value of the Saar.

I then informed Makins that the questions of the UK allocation for coal and the proposal relative the Saar were two separate and distinct ones and had no relation to each other. Also informed him that the question of the Saar was one which could be settled only on inter-governmental basis.

This morning Makins informs me that the cable referred to herein from the Foreign Office to the Quai d'Orsay had been sent and that prior to sending it the French had informed the Foreign Office that France would oppose a UK application for an allocation on the basis of US availabilities of 2,600,000 tons a month. Makins said, however, that if the US availabilities rose above 3,000,000 the French opposition might be much weaker and certainly would be argued on less firm grounds.

I repeated to Makins what I told him yesterday, that the question of the Saar and of the UK application were two separate issues and should not be confused and secondly that the question of the Saar could be settled only on an intergovernmental level. He understood our position clearly and replied that the effect of the cable that had been sent to the Quai d'Orsay was to divorce the question of the Saar from the question of the UK application for coal and that he understood thoroughly that the Saar problem could be resolved on the intergovernmental level.

DOUGLAS

840.6362/5-2247 : Telegram

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

RESTRICTED

LONDON, May 22, 1947—4 p. m.

US URGENT

2875. This is Salco 494 from MEA. 1. APC meeting 22 May agreed following scheme third quarter allocations re UK request for US coal:

a. At level US coal 2.6 tons per month previously agreed formula will be used without UK participation.

b. At level 3.0 million tons per month formula will be used but giving UK priority to purchase any coal refused by any country. Other member countries will not have right to compete for this coal.

c. UK to have right to purchase first 200,000 tons over 3.0 million tons.

d. Any further tonnage which will become available above 3.2 to be offered pro rata to all countries receiving US coal. UK to participate according to US pattern for 3.2 million tons availability but without priority in purchasing coal which may be refused by other countries.

2. All countries except France would have agreed to more liberal treatment UK. UK reaccepted [*received?*] this proposal with regret but had received instructions to accept in order to reach agreement without sharp conflict.

3. US distribution at levels 2.6, 3.0 and 3.4 million tons will be forwarded soonest along with detailed recommended allocations.

DOUGLAS

840.6362/5-2347 : Telegram

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

CONFIDENTIAL

LONDON, May 23, 1947—8 p. m.

2915. Salco 498. In conversation with Massigli, the French Ambassador, today he expressed the view that the action of ECO in regard to British application for allocation of coal was a fair and equitable one. As nearly as I can tell from conversation with Foreign Office the British are slightly disappointed that a different formula was not used which would have enabled them to obtain more coal with greater certainty. They are, however, on the whole satisfied with the outcome principally because it provides ECO as an effective instrumentality on the one hand and depending upon the availability of

US coal provides substantial satisfaction of their requirements on the other.

DOUGLAS

Editorial Note

On June 2, the newly-organized Policy Planning Staff of the Department of State completed its second paper, "Increase of European Coal Production". In this study the Staff concluded that the deficient production of coal in Britain and in the Ruhr-Aachen fields of Germany constituted a decisive bottleneck in the rehabilitation of the war-shattered European economy. (The problem of European economic rehabilitation was the subject of the first Policy Planning Staff study.) To overcome this and to reduce the dollar exchange drain in Europe caused by the purchase of American coal, the Staff recommended that the Department of State take energetic steps to bring about measures outside the ECO to overcome the deficiency in European coal production. The Policy Planning Staff believed that it was absolutely necessary to obtain British cooperation at the outset.

As a result, there was some discussion in June and July 1947, at the initiative of the Department, between the United States and British Governments as to the possibility of holding conversations in Washington on the problem of European coal production. This discussion led to conversations in August in Washington between the two governments on German production problems in general. For documentation concerning these talks, see volume III, pages 946 ff.

THE SIGNATURE, RATIFICATION, AND DEPOSIT OF INSTRUMENTS OF RATIFICATION OF THE TREATIES OF PEACE WITH ITALY, ROMANIA, BULGARIA, AND HUNGARY ¹

740.0011 EW (Peace)/1-2147

The Counselor of the Italian Embassy (di Stefano) to the Assistant Chief of the Division of Southern European Affairs (Dowling)

No. 359/73

WASHINGTON, January 21, 1947.

MY DEAR DOWLING: With reference to our conversation, I quote here below the literal translation of a cable just received from Rome, signed by Mr. Nenni: ²

"I have to-day delivered to the Ambassadors of the Four Powers an identical message directed to the Four Foreign Ministers in which—after having observed that none of our requests for modification of the clauses of the Peace Treaty has been accepted in its final drafting and that hence the said Treaty, especially in the territorial clauses, deeply hurts the national conscience of the Italian people—I see myself compelled to formulate the widest reservations and to ask that the principle of revision, in the framework of the U.N. and on the basis of bilateral agreements with the other interested States, be admitted and recognized."

I know that you are perfectly aware of the importance that the whole Italian public opinion attributes to the question of an acknowledgment of the possibility of revisioning the Treaty in the framework of the U.N.

I feel that the message does not only interpret on the matter Italy's anxious preoccupation, but as well the feeling of a widespread international principle and necessity, over which Mr. Byrnes evidenced his

¹ For documentation on the preparation of the treaties of peace with Italy, Romania, Bulgaria, and Hungary, see the records of the meetings of the Council of Foreign Ministers in Paris, April 25-May 15 and June 15-July 12, 1946; the records of the Paris Peace Conference July 29-October 15, 1946; and of the meetings of the Council of Foreign Ministers in New York, November 4-December 12, 1946, *Foreign Relations*, 1946, vols. II, III, and IV.

² Pietro Nenni, leader of the Italian Socialist Party, Minister of Foreign Affairs, October 11, 1946-January 31, 1947. Nenni submitted his resignation in consequence of the split in the Socialist Party's congress of January 9, but his successor, Count Carlo Sforza (Independent), did not take over until January 31 when De Gasperi formed his third cabinet.

concern in his letter addressed to Mr. C. L. Sulzberger and published in the *New York Times*, issue of July 6, 1946.

I don't need to stress to you the wide importance and repercussions that a clarification of the point by the United States would have in my country.

Believe me [etc.]

M. DI STEFANO

740.0011 EW (Peace)/1-2147: Telegram

The Chargé in Italy (Key) to the Secretary of State

TOP SECRET

ROME, January 21, 1947—7 p. m.

155. Embtel 41 January 7.¹ De Gasperi last evening after cabinet resignation expressed following views to Stone² which latter has communicated to SAC:³

1. All De Gasperi's information is that Yugos will not sign treaty.

2. Elaborating on statement in his Cleveland speech De Gasperi expressed opinion that Italy also will probably not sign voluntarily although he appreciates that, unlike Yugos position as an ally, Italy as a defeated power can be compelled to sign by the victors.

3. De Gasperi formally asked Stone to inquire of SAC whether Allied Forces in Zone A will be withdrawn from Morgan Line, including specifically Pola,⁴ in event treaty goes into effect on R-Day as it can without Yugo signature or ratification.

We understand that SAC will submit De Gasperi's inquiry to CCS. Stone has suggested to SAC that it should be considered on basis that Italy has signed prior to R-Day because it is his understanding (as it is the Embassy's) that treaty will not be submitted to US senate for ratification without signature of Italy.

KEY

¹ Not printed; in it Key reported having learned from the British Ambassador that there were circles in the United States who were opposed to the Italian peace treaty as drafted and who were advising Italians not to sign; that both Ambassadors Quarone and Carandini (respectively to the Soviet Union and to Great Britain) had reported that circles in the United States advised against signing the treaty and had suggested as an alternative a bi-lateral Italo-American peace settlement (740.00119 EW/1-747).

² Rear Adm. Ellery Wheeler Stone, U.S.N.R., Deputy President and Chief Commissioner, Allied Commission, June 22, 1944-January 31, 1947; then Head of the Italian Military Affairs Section, Allied Force Headquarters, February 1-March 15, 1947.

³ Lt. Gen. John C. H. Lee.

⁴ See footnote 2, p. 518. For documentation on United States interest in the establishment of the Free Territory of Trieste, see vol. iv, pp. 51 ff.

740.00119 EW/1-2247 : Telegram

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

CONFIDENTIAL

PARIS, January 22, 1947—9 p. m.

299. Following is French text of invitation with regard to signing of peace treaties with Italy, Rumania, Bulgaria, and Hungary just received under cover of Foreign Office note dated January 20:

"After the conclusion of the deliberations of the conference held in Paris from July 29 to October 15, 1946, and taking into account its recommendations, the Council of Ministers of Foreign Affairs in its New York meeting drew up the final texts of the peace treaties with Italy, Rumania, Bulgaria, and Hungary.

"These texts have been communicated to the Department of State at Washington through the good offices of the Secretariat General of the Council of Ministers of Foreign Affairs.

"In its meeting of December 11, 1946 in New York, the Council of Ministers of Foreign Affairs agreed that the signing of the peace treaties with Italy, Rumania, Bulgaria, and Hungary shall take place in Paris at the Ministry of Foreign Affairs on February 10, 1947 at 4 p.m.

"The Government of the French Republic, acting in the name of the Council of Foreign Ministers, has the honor to invite the Government of the United States to send to Paris, for the date stipulated, its plenipotentiary or plenipotentiaries for the purpose of signing in its name the treaties with Italy, Rumania, Bulgaria, and Hungary.

"It would be grateful to the United States Government if the latter would be so good as to inform it as soon as possible of the name of its representatives."¹

CAFFERY

¹ In telegram 386, January 30, 1947, from Paris, not printed, Ambassador Caffery was instructed to accept the invitation on behalf of the United States Government; he was notified that he would serve as U.S. representative in signing the treaties and that his full powers would be sent by courier (740.00119 EW/1-2247). On January 20, the day before James F. Byrnes retired as Secretary of State, he signed the treaties on behalf of the United States. (Department of State *Bulletin*, February 2, 1947, p. 199.)

740.00119 EW/1-2447 : Telegram

The Secretary of State to the Embassy in Italy

SECRET

WASHINGTON, January 24, 1947—6 p. m.

107. Dept has no recent info indicating Yugos might reject treaty, and is still inclined to opinion they will sign. Pls ascertain basis for De Gasperi's contrary opinion.

Failure of Yugos to sign and ratify treaty would of course make Art 89¹ (old 77 *bis*) operative against them and thus prevent them

¹ Article 89 reads: "The provisions of the present Treaty shall not confer any rights or benefits on any State named in the Preamble as one of the Allied and Associated Powers or on its nationals until such State becomes a party to the Treaty by deposit of its instrument of ratification."

receiving benefits mentioned penultimate para ur 156 Jan 21.² It would also render difficult if not impossible implementation treaty clauses re Trieste, and Dept therefore considers consultations this regard among Big Four would be required. In meantime *status quo* would be maintained in Venezia Giulia with Allied forces remaining in present positions. Treaty would however be submitted to Senate for ratification so that peace might be formally concluded and other treaty provisions put into effect.

Foregoing is for your guidance, but may also be communicated informally to Ital Govt as Dept's preliminary views.

MARSHALL

²This paragraph read: "With regard to De Gasperi's formal inquiry whether Anglo-American forces in Zone A will be withdrawn from Morgan Line should Yugos not sign, it would seem essential to reply categorically that article 77 *bis* (of old draft treaty) would apply and that Allied troops would remain in disputed area pending other solution. Should treaty go into effect on R-Day without Yugo signature and should its territorial provisions be made applicable along with withdrawal of Allied Forces, Yugoslavia would of course be in position of having received major benefits of treaty without being bound, and could continue pressure of threat of *coup de main* in more advantageous position." (865.00/1-2147)

740.00119 Council/1-2447

The Secretary of State to the Italian Ambassador (Tarchiani)

The Secretary of State presents his compliments to His Excellency the Italian Ambassador and has the honor to refer to His Excellency's note 85 D/S of January 24, 1947,¹ inquiring concerning the coming into force of the Treaty of Peace with Italy. It is noted that a similar inquiry was addressed to the Secretary General of the Council of Foreign Ministers under date of January 23, 1947.

Article 90 of the proposed treaty provides that it shall be ratified by the Allied and Associated Powers and also by Italy. It also provides that it shall come into force immediately upon the deposit of ratifica-

¹Not printed; it stated: "... that the Italian juridical experts have been unanimously and constantly interpreting that clause in the sense that the coming into force of the Treaty is subordinated, not only to the signature, but also to the successive ratification on the part of the competent Italian organs.

"On the contrary, according to press reports, a spokesman of the [British] Foreign Office is said to have expressed himself these days in the sense that the Treaties would come into force, not only in case of failure to ratify, but also in case of failure to sign on the part of ex-enemy States." (740.00119 Council/1-2447)

tions by the Union of Soviet Socialist Republics, the United Kingdom, the United States and France.²

Article 89 expressly states that the Treaty shall not confer any rights or benefits on any Allied or Associated Power or its nationals until such power ratifies the Treaty.³

Although the Treaty itself is silent as to the rights of Italy in the absence of ratification by Italy, it is the view of the United States Government that until the treaty is ratified by Italy, no rights or benefits under the treaty can be claimed by Italy, which would remain subject to the terms of the Armistice.⁴

It is the sincere hope of the American Government that Italy will in its own interest promptly sign and ratify the Treaty.⁵

WASHINGTON, February 1, 1947.

² Article 90 reads: "The present Treaty, of which the French, English and Russian texts are authentic, shall be ratified by the Allied and Associated Powers. It shall also be ratified by Italy. It shall come into force immediately upon the deposit of ratifications by the Union of Soviet Socialist Republics, by the United Kingdom of Great Britain and Northern Ireland, by the United States of America, and by France. The instruments of ratification shall, in the shortest time possible, be deposited with the Government of the French Republic.

"With respect to each Allied or Associated Power whose instrument of ratification is thereafter deposited, the Treaty shall come into force upon the date of deposit. The present Treaty shall be deposited in the archives of the Government of the French Republic, which shall furnish certified copies to each of the signatory States."

³ See footnote 1 to telegram 107, p. 517.

⁴ In telegram 268, February 1, from Moscow, not printed, Ambassador Smith reported that the Italian Embassy in Moscow had asked the same question of the Soviet Government, mentioning the press statements regarding the views of the British Foreign Office. The Soviet Government's opinion was that in accordance with Article 90 "treaty will be ratified by allied and united powers and must also be ratified by Italy. Article 90 obligates Italy to sign and ratify. Moment when treaty comes into effect depends on exchange of ratified copies by four powers as indicated Article 90." The Soviet Government asked for the views of the United States since the question was within the competence of the Four Powers. (740.00119 EW/2-147)

By telegram 174, February 4, not printed, Ambassador Smith was instructed to explain the United States' view in language almost identical with that of the Secretary's reply to Ambassador Tarchiani and to add that the Department "hopes Italy will in her own interest sign and promptly ratify treaty". The message was repeated to Rome, 164; to London, 567; Paris, 440. (740.00119 EW/2-147)

⁵ By telegram 154, January 31, not printed, the Embassy in Rome was advised of the Department's view that Italy's own interest required that it sign and ratify the treaty, that care had been taken to avoid any impression of pressure but the hope had been expressed that Italy would sign and ratify the treaty (740.00119 EW/1-3047).

740.00119 EW/2-647: Telegram

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

RESTRICTED

Moscow, February 6, 1947.

PRIORITY

323. Night of February 6 note was received dated same day from Vyshinski¹ to Ambassador regarding signature satellite peace treaties. Text follows in translation.

On February 2 a note of following text was received by Soviet Embassy in Paris:

"Signature of treaties will take place on February 10 in Ministry Foreign Affairs (Salon d'Orloges) [*Salon de l'Horloge*].

"Treaty with Italy will be signed in morning. Other treaties—afternoon.

"Messieurs the plenipotentiaries of states signing treaties are invited to appear, having with them their plenipotentiary powers, at Quai d'Orsay at 1100 o'clock for signing of treaty with Italy, at 1500 o'clock for signing treaty with Rumania, at 1600 o'clock 15 minutes for signing treaty with Bulgaria, at 1700 o'clock 30 minutes for signing treaty with Hungary and 1800 o'clock 45 minutes for signing treaty with Finland.

"It is necessary that there be communicated to Ministry as quickly [as possible] as this is important, names of monsieur plenipotentiary and of persons who accompany him, so as to prepare in due time passes to Salon d'Orloges [*Salon de l'Horloge*], to each delegation will be issued four passes.

"If messieurs plenipotentiaries desire to make declaration before signing, is recommended that they be so good as to transmit its text to the General Secretary of Paris Conference, who at time of these sessions will carry out functions connected with his post, at least 24 hours before beginning of session.

"Protocol will be drawn up according to rules of procedure of Paris Conference. Declarations will be reproduced in it in form of which they are received. With a view to determining before signature place of affixing seal and the ribbons on originals of treaties, plenipotentiaries are requested to be so good as to present their personal seal to General Secretary of Conference (Secretariat of Conference, Minister Foreign Affairs) before February 9, noon."

Minister Foreign Affairs of USSR sent on February 6 following reply to Government of French Republic:

"In connection with note of Minister Foreign Affairs of French Republic of February 2 with regard to forthcoming signing of peace treaties with Italy, Rumania, Bulgaria, Hungary and Finland Minister Foreign Affairs of USSR, on instructions of Soviet Government has the honor to communicate following.

"Soviet Government has no comment of any sort regarding proposal of French Government concerning time of signing each treaty and number of representatives of each party participating in ceremony of signing above mentioned treaties.

"Soviet Government, however, cannot agree to proposal contained in above note of French Government regarding furnishing of opportunity to plenipotentiaries in signing treaty, including plenipotentiaries of former enemy countries, of making in connection with signing of peace treaties any sort of declarations and inclusion of such declarations in protocol. Reference made in note of French Government to effect that protocol would be drawn up according to rules of procedure of Paris Peace Conference, is unfounded, since it is well known that rules of procedure of Paris Peace Conference related only to work of plenary session of conference and its commissions, and did not have relation to signing of peace treaties.

"In opinion of Soviet Government furnishing to plenipotentiaries of former enemy countries right to make any sort of declarations with regard to any pro-

¹ Andrey Yanuaryevich Vyshinsky, Deputy Minister for Foreign Affairs of the Soviet Union.

visions of relevant peace treaties, with inclusion of these declarations in protocol might have negative consequences. Moreover, international treaty practice does not know examples of peace treaties signing of which was accompanied by drawing up of protocols expressing views of various signatory states on content of these treaties.

'In view of foregoing Soviet Government cannot agree to procedure for signing peace treaties proposed by French Government, as one not envisaged by decisions of Council of Foreign Ministers. Soviet Government proposes that protocol of signing not be drawn up and gives notice that in signing of peace treaties there must not take place any sort of declarations or conditions on part of defeated countries.

'Soviet Government at same time is addressing to Governments of US and Great Britain an analogous proposal.

'Minister Foreign Affairs requests Embassy to bring foregoing to attention of Government of French Republic.'

"In communicating foregoing, Soviet Government hopes that Government of USA will join in point of view of Soviet Government, set forth in its note of reply to the French Government.

"Respectfully yours, A. Y. Vyshinski."²

Sent Department, repeated to Paris as 28, London as 40.

SMITH

² In telegram 200, February 7, not printed, Ambassador Smith was directed to inform Vyshinsky that the United States Government fully agreed that no protocol of signing should be prepared, and that it did not approve the suggestion of declarations to be made at the time of signature of the peace treaties (740.0011 EW (Peace)/2-647).

In telegram 502, February 7, not printed, Ambassador Caffery was instructed to inform the French Government of this view (740.0011 EW (Peace)/2-647).

740.0011 EW (Peace)/2-947

The Italian Ambassador (Tarchiani) to the Secretary of State

No. 1204

WASHINGTON, February 9, 1947.

The Italian Ambassador presents his compliments to the Honorable the Secretary of State and has the honor to inform him that, according to a communication of the Italian Ministry for Foreign Affairs, the British Ambassador at Rome¹ has handed today, February 9, 1947, to the said Ministry a note stating that, if the Italian Government signs the Treaty of Peace, it is obliged, under Article 90 of the Treaty,² to ratify it, and that the Italian point of view, according to which for Italy's signature to be valid there must be the subsequent ratification of the Constituent Assembly, is untenable.

The Ministry for Foreign Affairs in Rome has answered the British Embassy by a note affirming that Italy cannot accept such an interpretation and that the Italian Government affixes its signature subordinating it to the ratification that depends on the sovereign decision of the

¹ Sir Noel Hughes Havelock Charles.

² See footnote 2, p. 519.

Constituent Assembly, to which the approval of international treaties is conferred by the Italian legislation.

The Ministry for Foreign Affairs in Rome has moreover informed that the Italian Plenipotentiary Delegate for the signing of the Peace Treaty, Marquis Antonio Meli Lupi di Soragna, must, before proceeding to the signature of the Treaty, remit to the Secretary General of the Conference a statement reading as follows:

"The Italian Government affixes its signature subordinating it to the ratification that depends on the sovereign decision of the Constituent Assembly to which approval of international treaties is conferred by the Italian legislation."

The Italian Plenipotentiary has, in addition, been instructed by the Italian Government not to sign the Treaty of Peace if the Secretary General of the Conference refuses to acknowledge the statement quoted above.

A[LBERTO] T[ARCHIANI]

740.0011 EW (Peace)/2-1047: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

ROME, February 10, 1947.

301. Reference mytel 297, February 8.¹ De Gasperi presented new government's² program to Constituent Assembly Saturday evening.³ The part concerning foreign affairs was entirely devoted to signing the peace treaty. Prime Minister said that in his long political career no graver or more cruel responsibility had been placed upon him than today. He and his government were faced with two alternatives, (1) to sign the treaty on the government's responsibility, or (2) to obtain a commitment from the Assembly for such step. While the latter would have been more agreeable to the government, the former was more in accordance with the provisions of Italian law. He continued that there

¹ Not printed; it mentioned the morning newspaper reports of the departure of Soragna for Paris, and the government's issuance of a communiqué which recognized the need in the circumstances for the Italian Government to sign the treaty (865.00/2-847).

² Prime Minister De Gasperi, on returning from his trip to Washington, was met with the declaration by Nenni of his intention to resign as Minister of Foreign Affairs in order to devote himself exclusively to affairs of the Socialist Party. On January 20 De Gasperi announced to the press his intention to resign. The Provisional Head of the State, Enrico de Nicola, by decree of January 28, 1947, accepted the resignation of the second De Gasperi cabinet. The new Ministry was constituted by decree of February 2 and supplementary decree of February 4. De Gasperi remained Prime Minister; Count Carlo Sforza became Minister of Foreign Affairs.

³ February 8.

was a tendency to over-estimate the importance of the signature and to under-estimate the final approval of the Assembly.⁴

Statements on internal program will be reported separately.

DUNN

⁴For the full text of De Gasperi's speech see Italy, Assemblea costituente 1946-1948, *Atti, Discussioni*, seduta xxxii (Saturday, February 8, 1947), p. 1102.

740.0011 EW (Peace)/2-1147: Telegram

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

PARIS, February 11, 1947.

624. Copies of Greek, Yugoslav, Italian, Rumanian, and Hungarian observations on peace treaties, as furnished us by Foreign Office to whom they were addressed, being forwarded airmail.

1. Greek observations include protest over failure of Bulgarian peace treaty to provide satisfaction for Greek claims to adjustment of their frontier with Bulgaria and expression of concern over future security of Greco-Bulgarian frontier owing to lack of effective military control to ensure fulfillment military clauses. With reference to Italian recognition of the sovereignty and independence of Albania, Greeks point out that Article 27 of Italian treaty does not prejudice question of Greco-Albanian frontier, and state that Greek request concerning northern Epirus will remain pending before Council of Foreign Ministers even after signature of treaty.

2. Yugoslav Government observes that the claims and proposals of that country were not given satisfaction in drawing up text of Italian treaty. In this connection it refers to political, military and economic clauses and particularly territorial decisions. They say they are only signing the treaty in order to avoid the responsibility of not according their support to the establishment of peace. They declare however that in signing treaty the Yugoslav people do not in any way renounce their claims to the territories which ethnically are theirs and that the Yugoslav people will not cease to maintain their right over these territories whatever ethnical modifications may be made in them as a result of foreign domination.

3. Italians merely state that "the Italian Government signs the treaty with the reservation that it is subject to ratification which depends on the sovereign decision of the Constituent Assembly to which, under Italian law, the approval of international treaties is subject".

4. Rumanians assert that some obligations imposed are excessive and others unjust and will result in aggravating the country's economic

situation. They express gratification over Transylvanian settlement and indicate that they will enter into direct negotiations with interested states with view to "adapting the clauses of the treaty to present possibilities of the country and to clarifying the provisions which seem ambiguous and contradictory".

5. Hungarian communication deplors absence of guarantees of human rights for Hungarians living beyond Hungarian frontiers and refers specifically to deportations from and harsh treatment of Hungarian nationals in Czechoslovakia. Statement expresses satisfaction over return of full Hungarian sovereignty, prospective return of Hungarian war prisoners, and prospect of joining UN. Government addresses fervent appeal to all signatory powers, particularly Czechoslovakia, for observance of human rights and states its determination to seek the means of closer and friendly collaboration with Hungary's neighbors.

Repeated Rome 37; Belgrade 4; London 118; Moscow 61; USPolAd Berlin 55; Praha 21; Athens 10; Bucharest 15.

CAFFERY

740.0011 EW (Peace)/2-1247

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

No. 7581

PARIS, February 12, 1947.

Subject: Ceremonies Attending the Signing of the Peace Treaties with Italy, Rumania, Bulgaria, Hungary, and Finland

SIR: I have the honor to report, in confirmation of my telegrams on the subject, that the signature of the Treaties of Peace with Italy, Rumania, Bulgaria, Hungary, and Finland took place as scheduled on February 10, 1947.¹

The ceremonies commenced at 11 a. m. with the signing of the Italian Treaty. Accompanied by Admiral Richard L. Conolly,² Mr. James C. H. Bonbright³ of this Embassy, and Mr. John E. Utter of

¹ For the texts of the Treaties of Peace with Italy, Romania, Bulgaria, and Hungary, all dated at Paris February 10, 1947, see Department of State Treaties and other International Acts Series (TIAS), Nos. 1648, 1649, 1650, and 1951, or 61 Stat. (pt.2) 1245, 1757, 1915, and 2065. For the text of the Treaty of Peace with Finland (February 10, 1947), to which the United States was not a party, see British Cmd. 7484.

² Ranking Naval Adviser, United States Delegation at the Paris Peace Conference.

³ Counselor of Embassy in Paris.

the State Department,⁴ I proceeded to the Salon de l'Horloge in the Foreign Office, where the delegations of twenty Allied Nations were assembled around the traditional large green table.

The ceremonies were presided over by M. Georges Bidault, French Minister of Foreign Affairs, who opened the meeting with a short message of greeting to the delegates (Enclosure No. 1⁵). M. Bidault then invited the Italian Delegation, headed by the Marchese Lupi di Soragna, to join the assembled gathering and upon the latter's arrival, addressed to him a few words of welcome (Enclosure No. 2⁵). The Plenipotentiaries were then invited to go into the adjoining room to affix their signatures to the Treaty. The order of signing followed that set forth in the Treaty itself. The only Plenipotentiary absent was M. Modzelewski, Polish Minister of Foreign Affairs whose train had been delayed, and M. Bidault made the suggestion, to which there was no objection, that he be permitted to sign as soon as he arrived. The proceedings were conducted with unusual rapidity and the signing was completed and the meeting adjourned within forty minutes.

The afternoon session, repeating the ritual of the morning, started at 3 o'clock with the signing of the Rumanian Treaty and continued intermittently until 6:15 when the last signature was affixed to the Finnish Treaty.

The schedule had originally been drawn up to allow for declarations by such delegations as wished to make them. The final decision to eliminate all such declarations resulted in lengthy intermissions between the signing of the different treaties, during which the delegations gathered for conversation in the other salons of the Foreign Ministry.

Inasmuch as the United States was not a signatory to the Treaty of Peace with Finland, I did not remain until the end of the ceremonies, but left at 5:40 p. m. after the signing of the Treaty with Hungary.

In the evening, the President of the French Republic gave a formal dinner for the Plenipotentiaries, followed by a large reception for the delegates and their wives at the Elysée Palace.

In addition to the enclosures mentioned above, I am transmitting herewith copies of the communiqués issued by M. Bidault at the conclusion of the ceremonies. As I have previously reported, these communiqués took the place of the *procès-verbal* which the French Government had originally proposed to draw up and which had been withdrawn at the insistence of the Soviet Ambassador.

Respectfully yours,

JEFFERSON CAFFERY

⁴ Political Adviser in the Division of African Affairs.

⁵ The enclosures, filed with the despatch, are not printed.

740.0011 EW (Peace)/2-1047

*Memorandum by the Director of the Office of European Affairs
(Matthews)*¹

[WASHINGTON,] February 10, 1947.

When the draft report to accompany the Peace Treaties when they are submitted to the Senate was discussed with Mr. Wilcox, Secretary of the Senate Foreign Relations Committee, in accordance with the suggestion you approved, he suggested that it might be most helpful if this draft could be sent to Senators Vandenberg and Connally.² Mr. Wilcox thought that if they were given advance copies of the report they would not only be pleased but might have some helpful suggestions to make as regards the manner of presentation of the Treaties. Accordingly, letters transmitting the draft report are attached for your approval and for the Secretary's signature if you agree that this procedure is desirable.³

H. F[REEMAN] M[ATTHEWS]

[Enclosure]

The Secretary of State to Senator Tom Connally

WASHINGTON, February 10, 1947.

MY DEAR SENATOR CONNALLY: As you are aware, when treaties are transmitted to the Senate to receive its advice and consent to their ratification they are usually accompanied by a report from the Secretary of State to the President. A draft of such a report has been prepared and a copy enclosed.

In view of your close association with Mr. Byrnes and the Delegation in the formulation of these Treaties I am sending you this copy in advance and would welcome any suggestions you might care to make in connection therewith.

Sincerely yours,

G. C. MARSHALL

¹ Addressed to the Under Secretary and to the Secretary of State. A handwritten marginal notation reads: "I join in this recommendation. D[ean] A[cheson]."

² Arthur H. Vandenberg, of Michigan, chairman, and Tom Connally, of Texas, ranking minority member, Foreign Relations Committee, United States Senate.

³ Enclosure 2, a letter to Senator Vandenberg identical to the enclosure to this document, is not printed. Enclosure 3 was entitled, "Draft of Report to Accompany Peace Treaties When Submitted to the Senate", and was dated February 10, 1947. With two slight changes of wording it went forward as the report of the Secretary of State to the President, February 27, 1947. For text, see Department of State *Bulletin*, March 23, 1947, p. 541.

740.0011 EW (Peace)/2-1147

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

[WASHINGTON,] February 11, 1947.

Under instructions from his Government the Italian Ambassador called this afternoon at his request and left with me the attached declaration of the Italian Government concerning that Government's desire for a revision of the peace treaty.¹ He said that he hoped I would agree that the statement was as moderate in tone as could possibly be expected under the circumstances and given the unpopularity of the treaty in Italy. After reading the statement I told him that I agreed.

Mr. Tarchiani then spoke of what he describes as the very stupid British last minute move prior to signature insisting the Italian signature was the equivalent of Italian ratification.² This step, he said, caused such indignation in Italy that De Gasperi at the last moment was almost compelled to give up the idea of signing. Tarchiani said that such a position in effect merely made a rubber stamp out of the Constituent Assembly and no self-respecting body could accept it. He expressed confidence that De Gasperi will succeed without much difficulty in obtaining ratification of the treaty by the Constituent Assembly but he had not felt that he could attempt to bind the Assembly before signature.

Tarchiani then referred to yesterday's disturbances in Italy and pointed out what seemed to him a significant fact: neither the French nor the Soviet Embassies were the object of patriotic demonstrations against the treaty in spite of the fact that both the French and Soviet Governments had taken positions with regard to the treaty far more hostile to Italy's interests. He recalled, for instance, how the whole country had been seething at the prospective ceding of Tenda and Briga to France last summer. He felt, therefore, that the demonstrations before the British and American Embassies were largely Communist inspired in order to make the western Allies unpopular. As for the attack on the Yugoslav Legation he attributed that to a curious omission on the part of his Government. Since Italy has no diplomatic relations with Yugoslavia now and that Legation therefore did not appear on the diplomatic list he assumed that the Minister of the Interior had forgotten about it and had stationed no guards there. The Legation building had, however, been inhabited by some members of the Yugoslav Military Mission and it was these people

¹ Not printed.

² See note No. 1204 of February 9, from the Italian Ambassador to the Secretary of State, p. 521.

who were the objects of the demonstrators' wrath. This group of demonstrators he considered to be "spontaneous nationalists" as distinct from the Communist groups at the American and British Embassies.

I asked the Ambassador whether his Government had anything specifically in mind in its suggestion for a revision of the treaty. He said that three things were, of course, uppermost in their minds: (1) the revision of the eastern frontiers; (2) the military clauses which kept Italy in an inferior position vis-à-vis her neighbors and did not permit adequate Italian defense; and (3) the question of the Italian colonies. As to the first, he saw little likelihood of anything being accomplished in the foreseeable future. As to the second, he hoped that the military inferiority clauses could be revised at some stage. The most important, however, was the third. Italy had no thought of regaining her colonies for herself but was anxious that the French proposal be accepted whereunder Italy would be given some form of trusteeship over the Colonies under the United Nations. He pointed out that this was a matter very dear to Italian hearts and he thought it was important to do what we could to keep Italy orientated toward the western Powers by giving the De Gasperi government as much support as possible . . . he fears the results of the next elections which will take place either in June or in October. He was emphatic in the need that some further tangible support be given to De Gasperi. I told him that as he was well aware we appreciated the importance of helping Italy but pointed out some of the difficulties in connection with the Colonies.

H. FREEMAN MATTHEWS

740.0011 EW (Peace)/2-1147

*The Chairman of the Senate Committee on Foreign Relations
(Vandenberg) to the Secretary of State*

[WASHINGTON,] February 11, 1947.

MY DEAR MR. SECRETARY: This will reply to your letter of February 10th (identified as SE) containing the proposed draft report to the President on the Italian and Balkan Treaties. I appreciate your courtesy in submitting the draft for my comment. It would seem to me that the draft is satisfactory. It must necessarily be confined to generalities; and I would think that the draft is as adequate as any such paper could be expected to be.

We shall now confront the question of handling these Treaties in the Senate. Unless we are definitely and deliberately to postpone this proc-

ess until there has been action by other major powers (and I would welcome your Department's judgment on this point) I think we might as well tackle the job *immediately*.

This would permit your own personal appearance as the first witness in the public hearings which our Committee on Foreign Relations will hold.¹

Then, I respectfully make this suggestion. No one (including Senator Connally and myself) knows these Treaties quite so well as former Secretary Byrnes. It seems to me that it would greatly lighten your burden (and ours) if former Secretary Byrnes were to be invited to follow you upon our witness stand and take over the major responsibility for presenting the issues from his point of view. This is *his* "unfinished business" as well as yours and mine.

If this suggestion meets with your approval, I think perhaps we should send him simultaneous messages because undoubtedly he would wish a direct request from you as well as a formal invitation from me.²

With warm personal regards and best wishes,

Cordially and faithfully,

A. H. VANDENBERG

¹ Hearings were held on March 4, April 30, and May 1, 2, and 6. Secretary of State Marshall and former Secretary Byrnes testified on March 4 and again on May 6. *Treaties of Peace with Italy, Rumania, Bulgaria, and Hungary: Hearings before the Committee on Foreign Relations, United States Senate, on Executives F, G, H, and I* (80th Cong., 1st sess.).

² On February 18 Secretary Marshall addressed a letter, not printed, to the former Secretary of State, James F. Byrnes, asking him to testify (740.0011 EW (Peace)/2-1147).

Byrnes accepted by letter of February 21, not printed (740.0011 EW (Peace)/2-2147).

740.0011 EW (Peace)/2-1147

The Secretary of State to the Italian Ambassador (Tarchiani)

[WASHINGTON,] February 28, 1947.

MY DEAR MR. AMBASSADOR: I have the honor to acknowledge the receipt of your letter of February 11, 1947, transmitting a statement of the Italian Government concerning the Italian desire for an eventual revision of certain provisions of the Treaty of Peace with Italy.¹

As you know, provision is made in Article 46 of the Italian Treaty for possible future modification of the Military, Naval and Air clauses.² Also, it is the view of this Government that means exist under the

¹ Not printed.

² Article 46 reads: "Each of the military, naval, and air clauses of the present Treaty shall remain in force until modified in whole or in part by agreement between the Allied and Associated Powers and Italy or, after Italy becomes a member of the United Nations, by agreement between the Security Council and Italy."

United Nations Charter for eventual peaceful changes in the provisions of treaties by agreement among the states concerned. Further, as regards provisions of the Italian Treaty which confer on any one of the Allied and Associated Powers rights affecting only that power and Italy, there would surely be no bar to a future modification which might be agreed upon between Italy and the power concerned.

I know the Italian Government will appreciate that this Government cannot at this time appropriately comment upon the possible revision, after the Treaty with Italy has come into effect, of particular clauses of that treaty. I can assure you, however, that in its relations with Italy this Government will be guided in the future as in the past by the principles of international justice and peace which the American people have always cherished.

Sincerely yours,

[G. C. MARSHALL]

740.0011 EW (Peace)/3-247

*The Prime Minister of Italy (De Gasperi) to the Chairman of the Senate Committee on Foreign Relations (Vandenberg)*¹

[ROME,] March 2, 1947.

MY DEAR SENATOR VANDENBERG: Remembering your friendly personal interest in the future of Italy and your manifestations of sympathy, I am sending you, confidentially, a pressing request.

My Government will meet many difficulties in obtaining approval of the Treaty by the Constituent Assembly. We are counting on the friendly help of the United States to give the Assembly, which is called upon to make a difficult decision, reasons for legitimate hope for the future.²

Without prejudicing her commitments to the other contracting parties, America could give us assurances that she will unblock Italian assets in America and hand over to Italian industry, with the obligation of scrapping them, the warships that were assigned to you. Even in our recent conversations in the United States the feasibility of these concessions was suggested to me by the American authorities. The friendship between the two countries requires that these assurances be given now in the immediate common interest and in order to alleviate the harsh peace conditions.

¹ This letter in Italian was delivered as the enclosure to a note from the Italian Embassy, No. 1957, March 2, 1947, to the Department of State (740.0011 EW (Peace)/3-247). The translation here printed was prepared in the Department of State and forwarded to Senator Vandenberg by Acting Secretary Acheson on March 4, 1947 (740.0011 EW (Peace)/3-247).

² On the same date a similar appeal was sent to Senator Vandenberg, on behalf of the Italian Constituent Assembly, by its President, Umberto Terracini. For text, see *Congressional Record*, vol. 93, pt. 5, p. 6309.

I may remind you that in Paris, at the meeting of May 10, 1946, the American Delegation declared itself in favor of the Molotov-Bidault proposal to entrust the Italian colonies to Italy under a U.N. mandate. It would make an excellent impression if America renewed at this time her declaration of good will and if United States diplomacy encouraged England, which is perhaps coming closer to the idea of a colonial agreement with Italy.

Lastly, many interests in connection with reparations and commercial relations link Italy with the future of Germany. It would be only fair if co-belligerent Italy could for this reason participate in the negotiations concerning Germany. America's support of this request would be greatly appreciated as the first practical result of international cooperation.

I appeal to you as a friend having influence and to the enlightened conscience of the American Senate, which in you and in Senator Connally has two very well-informed members interested in the future of the Italian Republic, and I extend to you in advance my heartfelt thanks.³

DE GASPERI

³ Acting Secretary of State Acheson, in a letter dated March 13, 1947, replied to Ambassador Tarchiani on behalf of Senator Vandenberg for forwarding to Prime Minister De Gasperi. He stated that Senator Vandenberg had "now asked me to let you know that he is most sympathetic to the nature of the Premier's appeal" and that he had added "that he shares the anxiety of all of us to aid in the stabilization of the new Italian democracy. He is confident, however, that his friend Signor De Gasperi will understand he cannot make any commitments in foreign affairs other than those which may have been made in the first instance by the President and the Department of State.

"Senator Vandenberg also asks that you repeat to Signor De Gasperi the assurances of his great sympathy for the new Italy, and of his concern for Italy's problems and needs." (740.0011 EW (Peace)/3-347)

740.0011 EW (Peace)/3-347

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

[WASHINGTON,] March 3, 1947.

Participants: Mr. Vassili A. Tarassenko, Counselor of the Soviet Embassy
A Soviet Interpreter
Mr. John Hickerson, Director, Office of European Affairs
Mr. Francis B. Stevens, Acting Associate Chief, Division of Eastern European Affairs

Mr. Tarassenko came in to see me at 10:30 this morning at my request. I told Mr. Tarassenko that I was now in a position to give him

the views of the United States Government on the Italian Treaty question which he put up to me late Friday afternoon. I thereupon informed Mr. Tarassenko as follows:

The views of this Government regarding the coming into force of the Treaty of Peace with Italy were communicated to the Soviet Government by the American Embassy in Moscow on February 8, 1947.¹ These views may be summarized as follows:

Article 90 of the Italian Treaty provides that it shall be ratified by the Allied and Associated Powers and also by Italy. It also provides that the Treaty shall come into force immediately upon the deposit of ratifications by the USSR, UK, US and France. Article 89 expressly states that the Treaty shall confer no rights or benefits upon any Allied or Associated Power or its nationals until such power has ratified the Treaty. Although the Treaty itself is silent as to the rights of Italy under the Treaty in the absence of ratification by that country this Government is of the opinion that until Italy ratifies the Treaty, no rights or benefits thereunder can be claimed by Italy, which would remain subject to the armistice regime. This Government therefore hopes that Italy will in its own interest sign and promptly ratify the Treaty.

This Government's views as set forth above were also communicated to the Italian Government.

On February 9, the Italian Minister for Foreign Affairs informed the American Ambassador in Rome that the Italian Plenipotentiary in Paris had been instructed to make clear, at the time of signing the Treaty on February 10, that the Italian signature was subject to later ratification by the Italian Constituent Assembly, and that the Italian Plenipotentiary had been further instructed that if any of the four great powers objected to this procedure he was not to sign the Treaty. It is understood that the Italian Minister for Foreign Affairs similarly informed the Ambassadors in Rome of the USSR, UK and France.

Before the ceremony of signature of the Italian Treaty in Paris on February 10, the French Minister for Foreign Affairs read to the Soviet, British and American Plenipotentiaries a note from the Italian Plenipotentiary giving the Italian views as outlined above. The Plenipotentiaries then proceeded with the signature of the Italian Treaty.

It is the opinion of this Government that although the Italian Constituent Assembly may be expected to protest the terms of the Treaty of Peace with Italy, it will nevertheless ratify the Treaty as will be recommended by the Italian Government. In view of the prospects for Italian ratification this Government feels that any public discussion

¹ See footnote 4, p. 519.

by the four powers or direct approach to the Italian Government, concerning the extent of Italy's obligation to ratify should be avoided since such action would adversely affect prompt action by the Italian Constituent Assembly. On that account, this Government intends to emphasize to the Italian Government from time to time, as opportunity offers, that it would be in Italy's own interest to ratify the Treaty without delay.

I added that for Mr. Tarassenko's convenience I had written out as an oral message the views set forth above. He expressed his appreciation.

JOHN HICKERSON

740.00119 EW/3-147 : Telegram

The Acting Secretary of State (Acheson) to the Embassy in Italy

TOP SECRET

WASHINGTON, March 6, 1947—7 p. m.

322. Department believes Yugos will ratify Ital treaty and therefore feels no action shd be taken now which might delay or complicate ratification by others (ur 444 Mar 1¹). If at time treaty is about to come into force, Yugos have still not ratified, Dept anticipates Big Four discussion may be necessary on implementation all treaty provisions re VG,² and consideration could then be given to delaying deposit US ratification pending outcome such discussion.

As regards Gen Lee's³ views re withdrawal US forces from Italy,⁴ Dept does not now foresee possibility that ratification by four powers and deposit of ratifications can be completed prior to April 1.

ACHESON

¹ Not printed; in it Ambassador Dunn reported: "Military authorities AFHQ are greatly concerned over logistical problems that would be involved in maintaining allied troops in strength in disputed strip between Morgan Line and treaty boundary (French Line) while at same time complying with other provisions of treaty including those pertaining to withdrawal of allied forces in Italy. It is their opinion that even maintenance of troops in disputed area would be wholly impracticable." (740.00119 EW/3-147)

² Venezia Giulia; for documentation on U.S. interest in the establishment of the Free Territory of Trieste, see vol. iv, pp. 51 ff.

³ Lt. Gen. John C. H. Lee, named Commanding General, Mediterranean Theater of Operations, United States Army, and Deputy Supreme Allied Commander, January 3, 1946; succeeded Gen. Morgan as SACMED in April 1947.

⁴ Also in telegram 444, Ambassador Dunn stated that "... General Lee has indicated to me that in order to assure smooth working of plans for 90 days withdrawal, it is considerable importance to MTOUSA that Senate should not ratify treaty prior to April 1. He states that delay after April 1, if prolonged, might cause military some difficulty, but situation would by no means be as critical as it would be if treaty should come into force prior to that date."

740.00119 Council/3-847: Telegram

The Acting Secretary of State to the Secretary of State, in Moscow

TOP SECRET

WASHINGTON, March 8, 1947—4 p. m.

427. Secdel No. 1311. For the Secretary from Acheson. Vandenberg called me today and put up to me a suggestion that he propose ratification of the four peace treaties now pending be withheld until a treaty with Austria is signed. He pointed out that while the treaties called for withdrawal of military forces from the countries concerned, they recognize the right of USSR to have some troops to maintain lines of communication to Austria, with the exercise of this right pretty much to Russia's interpretation. Vandenberg said that he believed that his proposal that ratification of the treaties be withheld until treaty with Austria is concluded would strengthen your hand and might be instrumental in at least producing an Austrian treaty out of Moscow Conference.¹

I told Vandenberg that I would have this matter considered in the Department, consult you by telegraph and try to let him have our ideas by early next week.²

It seems to us here that this proposal is inadvisable for the following reasons:

1. Since these treaties and the Austrian settlement were discussed in Paris and we agreed to go ahead with the treaties without awaiting Austrian settlement, it would open us to charges of bad faith.

2. It would not result in better settlements than those provided for in existing treaties but would merely prolong uncertainty and continue for an indefinite period right of USSR to maintain military forces in larger numbers than would be possible under the treaties.

3. The bargaining power of the proposal is probably insufficient to accomplish the desired objective.

4. It would facilitate what may be Soviet tactics anyway; i.e., to make conclusion of Austrian treaty contingent upon German settlement satisfactory to USSR.

May I have your views urgently in order that I can reply to Vandenberg.³

I understand that in normal course of events, hearings on treaties will continue for another two or three weeks.

ACHESON

¹ See vol. II, p. 139 ff.

² Mr. Acheson recorded his telephone conversation with Senator Vandenberg in a memorandum of March 8 to Mr. Hickerson (740.0011 EW (Peace)/3-847).

³ In telegram No. 731, March 9, 1947, from Moscow, not printed, Secretary Marshall replied: "We are unanimous in our complete agreement with Dept's views expressed in Secdel 1311 and I personally urgently desire ratification of treaties without delay." (740.00119 (Council)/3-947)

740.0011 EW (Peace)/3-847

*The Acting Secretary of State to the Secretary of State, in Moscow
Relations Committee (Vandenberg)*

SECRET

[WASHINGTON,] March 15, 1947.

MY DEAR SENATOR VANDENBERG: I have received your letter of March 8, 1947,¹ regarding the possibility of encouraging the Italians in the present situation, and of giving them some hope for eventual revision of the Italian Treaty.

I agree with you as to the desirability of making a few dramatic moves coincidentally with consideration of ratification of the Italian Treaty. There are several steps which we already have in mind, and I am asking the interested officers of the Department to keep your suggestion in mind with a view to determining what else we can appropriately do.

As I believe you know, we intend to explain to the Senate Foreign Relations Committee during the Treaty hearings the position taken by the United States Delegation at the Paris Conference on the return of Italian assets in the United States.² Subsequently, we propose to issue a statement on this subject which will give the Italians the official assurances they desire.³ We have also been giving consideration to the Italian request that Italian naval vessels allocated to the United States be given to them for scrapping. I think this will be done, but it would seem preferable to make no public statement about our intentions before the Treaty has been ratified.⁴

As regards the possibility of future revision of some of the Treaty clauses, I enclose a copy of Secretary Marshall's letter of February 28 to the Italian Ambassador giving the Department's views on this subject.⁵ While this letter may not be particularly encouraging, it does hold out some hope to the Italian Government, which appears to be under no delusion as to the difficulty it will face in any eventual move for Treaty revision, and the Department intends to make it public after hearings on the Treaty have been resumed. You may wish to consider

¹ Not printed; in it Senator Vandenberg inquired "whether there is *anything*—along the line of De Gasperi's note or otherwise—which we could say to Italy by way of hope for the future, coincident with our consideration of Treaty ratification." (740.0011 EW (Peace)/3-847)

² Article 69 of the draft treaty for Italy dealing with Italian Property in Territory of Allied and Associated Powers, which the United States supported at the Peace Conference as an agreed article, is printed in *Foreign Relations*, 1946, vol. iv, p. 31. U.S. statements regarding proposed amendments to Article 69 are printed in the same volume, pp. 399-401.

³ See Acting Secretary of State Acheson's letter of April 15 to Senator Vandenberg, Department of State *Bulletin*, June 1, 1947, p. 1075.

⁴ See the message from the Secretary of State to the Italian Foreign Minister which was released to the press on October 7, 1947, Department of State *Bulletin*, October 19, 1947, p. 769.

⁵ *Ante*, p. 529.

incorporating these views also in the statement you will make to the Senate regarding the Italian Treaty.

I am most grateful for your letter and hope you will let me know if you have any further suggestions along this line.

Sincerely yours,

DEAN ACHESON

740.00119 Council/4-947 : Telegram

The Acting Secretary of State to the Secretary of State, in Moscow

SECRET

WASHINGTON, April 9, 1947—7 p. m.

867. Secdel 1440. For the Secretary. Ital Amb called yesterday to say he had been called Rome for consultation primarily in connection Ital Govt's consideration economic situation which is causing increasing concern. Other matters he expected be asked about were Treaty ratification and eventual admission Italy to UN.¹

Re ratification, he said UK was pressing for early Ital action, but pointed out difficulty of Ital Govt in obtaining Constituent Assembly's approval prior US Senate action, and assured me Ital Govt would move promptly once US ratification announced. I told him Senate was expected resume Treaty hearings end April or first May and while we expected Italy not to delay ratification unduly we understood Ital Govt's position.

On Ital admission UN, Tarchiani said US proposal re early application appreciated and he merely wished reassurance US support when application considered. I replied that assuming treaty would be in force by time this question arose, Italy could count upon full support US.

Re economic situation, Tarchiani said growing unemployment, grain shortages, mounting budget deficit and rising prices playing into hands Communists, which was reflected in increasing Communist pressure within Govt. He has no doubt De Gasperi and moderate elements would resist this pressure in every way possible, but he felt Premier especially would be anxious to know implications for Italy of US Greek-Turkish policy and extent to which Ital democratic elements might rely upon US support. I explained to him emergency nature US assistance Greece and Turkey,² reminded him of anticipated assistance Italy under foreign relief program and from Eximbank loan, and stressed importance stabilizing internal economic situation so Italy might derive full advantages US assistance and from World Bank

¹ For documentation regarding United States policy on applications for membership in the United Nations, see volume I.

² For documentation on United States assistance to Greece and Turkey, see vol. V, pp. 1 ff.

loan which I hope would eventually be available. I said future of Italy was matter of great interest to US, as our attitude in past showed, and we would continue to help where we could, adding I was sure Italys would give their best efforts towards solution their internal situation. Tarchiani said he understood US position and endeavor explain fully in Rome. He emphasized, however, importance in his view of next five months in Italy, since natl elections would be held Oct and Communists are already bending every effort to capturing majority of seats in new parliament. He felt friendship of US must be made very clear to Ital people during this period, and he urged we do everything we could to make apparent value and necessity to Italy of US cooperation. In this regard, he mentioned his personal hope you might visit Rome briefly on way back to Moscow. I promised bring this your attention, but said I knew he realized impossible say anything definite at this juncture.

Sent Moscow as 867 rpt Rome for the Ambassador as 507.

ACHESON

740.0011 EW (Peace)/4-1147

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] April 11, 1947.

PROCEDURE ON DEPOSIT OF RATIFICATION OF PEACE TREATIES

The British Ambassador¹ called at his request and left with me the attached Memorandum. I told him that I could not answer the questions contained in the Memorandum without thorough study and discussion within the Department. This would be done at once and I would be in touch with him very soon. I made the following interim observations:

1. As a practical matter it would be impossible for the Department, in advance of Senate action on the treaties, to agree to any date for the deposit of ratifications. This came from the obvious fact that we could not know whether or not the Senate would have acted by a particular date and that to attempt to predict the action of the Senate in a note to other Governments would cause resentment on the Hill.²
2. In response to a question from him as to the present intentions of the Chairman of the Foreign Relations Committee regarding Senate

¹ Archibald John Kerr Clark Kerr, Lord Inverchapel.

² In a memorandum addressed to the British Embassy on April 24 the Department explained that this Government would not be in a position to agree on a definite date for the deposit of instruments of ratification until after the Senate had given its consent to ratification of the treaties; and that it did not consider it necessary to require prior ratification by Italy or other ex-enemy states before ratification by the four Powers (740.0011 EW (Peace)/4-1147).

action on the treaties, I said that my present information was that Senator Vandenberg intended to resume hearings on the treaties after he disposed of the Greek-Turkish bill which might be about the middle of next week. It was possible that, if the Committee considered the treaties and reported them, the Senate might take them up toward the end of April. There was also the possibility that if the House should pass the Post-UNRRA Relief Bill next week, the Senate might act on that Bill before taking up the treaties.

3. In regard to the comments contained in the memorandum on the Italian attitude, which, as I understood it, was that they could not wisely present the treaty to their Constituent Assembly until after our Senate had acted upon it, I had told the Italian Ambassador that I did not regard this attitude as unreasonable. Looking at the matter from the point of view of the Italian Government, it would be in a most serious predicament if it ratified the treaty only to have our Senate either postpone the matter or reject it. I told the British Ambassador that the Italian Ambassador had said that Italian action would be a matter of only a day or two following Senate action and that, therefore, I did not see that this would delay matters.

DEAN ACHESON

[Enclosure]

The British Embassy to the Department of State

MEMORANDUM

CONFIDENTIAL

Ref: 41/162/47

His Majesty's Government in the United Kingdom are anxious to ascertain the views of the United States Government on two matters relative to the ratification of the Peace Treaties with Italy, Hungary, Roumania and Bulgaria.

(a) His Majesty's Government in the United Kingdom think it desirable that the United States of America, the Union of Soviet Socialist Republics, France and the United Kingdom should all deposit their ratifications at the same time. Subject to the concurrence of the United States Government, they wish to suggest May 1st as the date on which this should take place.

(b) His Majesty's Government in the United Kingdom wish to enquire whether the United States Government think that it would be advisable to inform the enemy governments that the Big Four will not deposit their ratifications until the enemy states have ratified the Treaties.

2. With regard to the first point, His Majesty's Government in the United Kingdom could technically deposit their ratifications of the

Treaties concerned forthwith, but they prefer to postpone action until the Treaties of Peace Bill (which would make the provisions of the Peace Treaties binding in the domestic legislation of His Majesty's Government in the United Kingdom) has been enacted. This should take place by the end of April and His Majesty's Government should therefore be able to deposit their ratifications on 1 May. It is believed that the French Government should be able to deposit their ratification of the Italian Treaty, in which alone they are concerned, by about the end of April. No indication of the Russian attitude has been received. In the opinion of His Majesty's Government the present uncertain position is unsatisfactory because there is a risk that one of the Big Four may try to gain some political advantage either by ratifying in advance of the other Powers concerned or by holding up their ratification. Furthermore, in the case of Italy it is impossible at present for the United States Government and His Majesty's Government to give the Supreme Allied Commander, Mediterranean, and the British and American forces in Italy a definite date on which to start their evacuation. There would therefore appear to be great advantage in endeavouring to reach agreement between the Governments of the United States of America, the Union of Soviet Socialist Republics, France and the United Kingdom that they should all deposit their ratifications of the Peace Treaties in which they are concerned simultaneously and that they should agree as long as possible in advance on a target date when this should take place. They trust that the United States Government will agree to the principle of simultaneous deposit and invite them to name a suitable date. His Majesty's Government for their part suggest that the date of 1 May would be appropriate.

3. With regard to the second point, there is always the danger that the enemy governments will not have ratified the Peace Treaties before the time comes for the Great Powers to deposit their ratifications. The Italian Government are hesitating to seek the approval of the Constituent Assembly to the ratification of the Italian Treaty and are maintaining that it would be easier for them to do so once the Big Four Governments, and in particular the United States Senate, had ratified. Other ex-enemy governments are believed similarly to be delaying matters, apparently in the mistaken belief that the United States Senate, when considering the Treaties, may be able to introduce into them certain modifications to the advantage of the enemy governments. His Majesty's Government and, it is understood, the United States Government have already impressed on the Italian Government the importance of their taking early action to ratify the Treaty. His Majesty's Government intend to continue to stress this point both with the Italian Government and with other enemy governments. In spite

of these representations, however, it may be that these governments will not have ratified the Treaties before the Great Powers are ready to do so, nor can there be any guarantee that the enemy governments will in fact ratify once the Great Powers have done so. For internal parliamentary reasons they may well continue to avoid the issue. It is clearly highly desirable that the enemy governments should ratify the Treaties although such ratifications are not necessary to bring the Treaties into force. If they do not ratify, they may be tempted to claim later that their respective Treaty had been imposed upon them as a "dictat", that they had no sanction from their own public opinion to carry out its terms and that they were therefore justified in trying to escape its obligations. Much might therefore be said in favour of the Big Four letting it be known immediately that they do not intend to deposit their ratifications and thereby bring the Treaties into force until the enemy states themselves have ratified. On the other hand, if, in spite of such a pronouncement, the enemy states still do not ratify, an embarrassing situation will arise. Either the Big Four will have to go back on their pronouncement or the Treaties will not come into force. This would obviously have the undesirable consequence of postponing the end of the state of war and the withdrawal of occupation troops from the countries concerned. His Majesty's Government in the United Kingdom would be grateful for an early expression of the views of the United States Government on the foregoing.¹

4. A similar communication is being addressed to the Governments of the Union of Soviet Socialist Republics and of France.

WASHINGTON, 11th April, 1947.

¹ See footnote 2, p. 537.

740.0011 EW (Peace)/4-1447 : Telegram

The Minister in Hungary (Schoenfeld) to the Secretary of State

SECRET

BUDAPEST, April 14, 1947—11 a. m.

609. President Tildy¹ told me April 12 he hoped US would ratify peace treaty with Hungary as soon as possible since each month's delay costs Hungarian Govt 50 million forint for outlays that will fall away with ratification, this amount being ten times deficit for all other treasury purposes. He pointed out British ratification was already authorized and presumed Soviet ratification will take place more or less simultaneously with ours as had been the case when renewal of diplomatic relations was decided on in 1945.

SCHOENFELD

¹ Zoltan Tildy, President of Hungary since February 1, 1946.

740.0011 EW (Peace)/4-1747: Telegram

The Acting Secretary of State to the Secretary of State, in Moscow

TOP SECRET

WASHINGTON, April 17, 1947—8 p. m.

970. Moscco 68. Personal for the Secretary from Acheson. As I informed you several days ago, Vandenberg had agreed to resumption of hearings of peace treaties April 21 with intention of concluding hearings that day and promptly referring committee report to Senate for action. Yesterday Vandenberg informed me that a considerable number of witnesses were insisting on testifying against the Italian treaty. Among these individuals are Adolf Berle,¹ LaGuardia,² Edgar Mowrer,³ Dorothy Thompson⁴ and Antonini.⁵ It was clear, he said, that if all the people who want to testify were heard the hearings would drag out over several days. Moreover, he stated, he felt that it would be necessary for adequate answers to be made to their testimony.

Vandenberg pointed out that the principal argument which would be made against the Italian treaty was that it is already obsolete; that is, it was concluded at a time when the policy of the U.S. Govt was to "appease" Moscow, whereas the Truman doctrine has changed that whole policy. He said that in his opinion it will be necessary for you to appear before the committee, in addition to Byrnes, to insure the approval of the treaties by the committee.⁶ He went on to say that he was endeavoring to work out with Ed Corsi⁷ an arrangement to cut down materially the number of witnesses to appear but that in any event he felt that it would be desirable to postpone the resumption of hearings which had been scheduled for April 21.

I have discussed this matter with Mr. Byrnes who is quite prepared to undertake to answer testimony of opposing witnesses with, of course, assistance from the Dept. Byrnes said he saw no reason why the hearings should be postponed and asked me to urge upon Vandenberg that he go ahead with hearings as scheduled. I thereupon discussed the

¹ Adolf Augustus Berle, Jr., Assistant Secretary of State, 1938-1944.

² Fiorello H. La Guardia, member of Congress, 1917-1921 and 1923-1933; mayor of New York City, 1934-1945.

³ Edgar Ansel Mowrer, author and war correspondent; had served with the Office of War Information until February 1943.

⁴ Dorothy Thompson, newspaper columnist, lecturer, and radio commentator.

⁵ Luigi Antonini, first Vice President of the International Ladies' Garment Workers' Union; President of the Italo-American Council of Labor.

For a complete list of persons who testified before the Committee, see page 3 of the hearings cited on p. 529, footnote 1.

⁶ Secretary Marshall testified before the Committee for the second time on May 6, 1947, *ibid.*, p. 172. Cf. footnote 2, p. 545.

⁷ Edward Corsi, born in Italy (1896), naturalized in 1921, writer, Commissioner of Immigration and Naturalization, 1933-1934. He testified before the Committee on April 30 in his capacity as Chairman of the Executive Committee, Committee for a Just Peace with Italy, and as State Labor Commissioner of New York State. For his statement, see *ibid.*, p. 31.

matter with Vandenberg who insists on postponement. Vandenberg said that he was still endeavoring to work out arrangement to reduce number of witnesses and in any event could not schedule hearings for April 21. He asked that I consult you and give him your views.

After talking to Vandenberg, I discussed the whole question with the President who wants to do whatever you desire in this matter.

I am confident that it will be necessary for you to appear before the committee on your return and be prepared to answer the question whether in the light of happenings at the Moscow Conference you feel that it is in the interests of the US that the Senate proceed with the approval of these treaties. Incidentally Vandenberg told me today that he feels that in the light of lack of progress made at Moscow the US has very little to gain from the entering into force of these five treaties.

ACHESON

740.0011 EW (Peace)/4-2047 : Telegram

The Secretary of State to the Acting Secretary of State

TOP SECRET
URGENT

Moscow, April 20, 1947—3 p. m.

1481. Kosmos 55. Personal, Eyes Only, for Acheson from Marshall. Reference Moskco 68.¹ I should be deeply concerned if deferment of hearings on peace treaties were construed as decision on our part to make separate peace treaty with Italy and possibly other satellite countries. If treaties are discarded or rejected I do not believe better treaties could be secured by common agreement. Discarding or rejection of Italian treaty would impose prolonged military commitment on us in Venezia Giulia and in view of their economic position, British would probably ask us to take over their share. The leverage (for what it is worth) which the Balkan and Hungarian treaties give us to use against excessive concentrations of Soviet troops in these countries would be gone. Moreover, the effect on the German situation of dropping the proposed treaties cannot be disregarded. While failure to reach agreements with Soviet Government in this Conference should not delay necessary developments under bi-zonal arrangements,² it is my thought that we should do nothing to close the door to Soviet cooperation. For that reason we should guard against action which might be construed as definitely closing the door.

According to present indications I expect to be back in Washington within a week or ten days at latest. If hearings on treaties start on

¹ *Supra.*

² For documentation on this subject, see vol. II, pp. 909 ff.

April 21, I should be back before they close. If President should conclude that he wishes to have hearings deferred pending my return, I hope the deferment may be arranged in a way which will not give rise at this time to talk that we have decided not to proceed with them.

Related subject: reference your Moskco 68, Mr Dulles³ requests the following be delivered to Senator Vandenberg:

"I am inclined to feel that it is preferable to ratify Italian and satellite treaties but I think there is sufficient doubt so that final decision on policy should await exchange of views after our delegation returns. I agree that any postponement of hearings should avoid impression that any adverse policy decision has already been made."

[MARSHALL]

³ John Foster Dulles, Special Adviser, United States Delegation, Fourth Session of the Council of Foreign Ministers, Moscow, March 10-April 24, 1947.

740.0011 EW (Peace)/4-2647: Telegram

The Acting Political Adviser (Greene)¹ at Leghorn to the Secretary of State

TOP SECRET

LEGHORN, April 26, 1947—8 a. m.

61. Please see Naf 133 [1313]² of April 25 in which SACMED reviews military problems which will arise if Yugoslavs fail ratify treaty when Big Four do and expresses hope it will be possible avoid these problems by reaching agreement for simultaneous deposit ratifications by Big Four and Yugoslavia.

I understand from my British colleague³ Foreign Office has proposed simultaneous ratification by Big Four with or after ratification by ex-enemies and that Soviets have agreed in principle. It appears most desirable to eliminate the military and political problems discussed in Naf 133 [1313] and in my 57⁴ and 54⁵ of April 18 (reDeptel 24, April 24⁶) and I therefore hope Department will agree to British

¹ Mr. Greene was the Acting United States Political Adviser to the Acting Supreme Allied Commander, Mediterranean (Lee).

² Not printed.

³ William John Sullivan.

⁴ Not printed; in it Greene reported that the military authorities were considering the implications of Yugoslav failure to ratify the Italian treaty and that he and his British colleague had been asked to state their views. Greene outlined what he proposed to say. (740.00119 Control (Italy)/4-1847)

⁵ Not printed; in it Greene reported that he had said orally that the problem of who would represent the Free Territory of Trieste in the demarcation of its boundaries was under discussion (865.014/4-1847).

⁶ Not printed; in it the Department agreed that the Acting U.S. PolAd might advise the military authorities along the lines which he had suggested in his telegram 57 (footnote 4 above) (740.00119 Control (Italy)/4-1847).

proposal and urge its extension to include Yugoslavia in the case of Italian treaty.

Sent Department 61; repeated Rome 23.

GREENE

740.0011 EW (Peace)/5-247

Memorandum by the Chief of the Division of Western European Affairs (Reber) and by Mr. Jacques J. Reinstein, Special Assistant to the Assistant Secretary of State for Economic Affairs (Thorp), to the Under Secretary of State (Acheson)

TOP SECRET

[WASHINGTON,] May 2, 1947.

MR. ACHESON: At the close of the public hearings today Senator Vandenberg asked us to stop for a few minutes conversation with him. He said before the bridges were burned that the Secretary should have one last look at the situation and give serious consideration to determine whether the situation had not so changed as to make desirable a postponement of ratification at least until after the Austrian settlement. He asked that the Secretary's review of the situation take into account the Truman doctrine, the failure of the Moscow Conference and the fact that all testimony so far submitted to Congress would give the impression that only the Communists favor early ratification of the Italian Treaty.

The trend of the hearings has been such as to advance very telling arguments, at least from the American political point of view; that this treaty is not consistent with the Truman doctrine, that it will accelerate Italy's very rapid disintegration into Communism, and that it still represents a policy of appeasement. The Secretary's own remarks to the effect that we should not accept an improper settlement merely to have an agreement on the record have been cited repeatedly to show that we are adopting a different policy with respect to Italy than we are in Greece and in Germany and Austria.

Senator Vandenberg asked the Secretary to consider what effect ratification will have in Italy, whether it will accelerate its progress towards Communism and what effect on our future policy and the negotiation of future peace settlements non-ratification of the Treaty would have. He said that these were questions which must be answered.

The situation was such that a grave mistake might be made in going ahead with ratification and that this was the last opportunity to rectify it if such was the case. We must realize that there is a political danger in this country that if Italy goes Communist there will be a strong current of domestic opinion which will lay it at the door of ratification. He pointed to the unruly situation in the House which could easily

take this opportunity to break away from the present bi-partisan Senate leadership in foreign relations.

He said that he himself had some doubts about the Italian Treaty, but if the Secretary, after considering the matter in the light of the above, was satisfied that we should go ahead, he would go along with us. Without a very strong statement from the Secretary answering these questions, however, he thought that the Senate might not give its consent to ratification. He mentioned the fact that most Senators are not primarily interested in the situation in Italy, but are more concerned over the effect of ratification on their constituents. Up to the present all arguments presented by the Italo-American elements have been against ratification except for the one Communist proponent of the Treaty.¹

Although he did not say so, we got the impression that Senator Vandenberg would welcome an opportunity to talk this matter over with the Secretary. It is also significant, we believe, that when he was asked by Senator Connally when the Secretary and Mr. Byrnes would appear he said the date had not been fixed, thus leaving it open for such discussions.²

S[AMUEL] REBER

J[ACQUES] J. REINSTEIN

¹ Michael Salerno, editor of the New York newspaper, *L'Unità del Popolo*. For his testimony, see *Treaties of Peace With Italy, Rumania, Bulgaria, and Hungary: Hearings before the Committee on Foreign Relations, United States Senate, on Executives F, G, H, and I* (80th Cong., 1st sess.), p. 77.

² A handwritten notation at the head of this document reads: "Mr. Secretary. I think that it is important for you & Mr. Byrnes to have a talk with Vandenberg & Connally on Monday & get word to them to this effect on Saturday [May 3]. Do you agree & do you wish to be briefed before such a meeting? D[ean] A[cheson]"

Both Secretary Marshall and former Secretary Byrnes testified for ratification before the Committee on May 6.

740.0011 EW (Peace)/5-1047

Memorandum of Conversation, by the Chief of the Division of Western European Affairs (Reber)

[WASHINGTON,] May 10, 1947.

Subject: Statement of policy to accompany announcement of United States ratification of Italian Treaty.

In a conversation with the Italian Ambassador last night, which naturally turned on the approval by the Foreign Relations Committee of ratification of the Italian Peace Treaty,¹ Signor Tarchiani urged

¹ On May 9 the Committee had unanimously recommended ratification of the four treaties. *Treaties of Peace With Italy, Rumania, Bulgaria, and Hungary: Senate Executive Report 4, 80th Congress, 1st Session, To Accompany Executives F, G, H, and I*, p. 14.

that, when the time comes to announce final approval of these treaties, any such announcement be accompanied by a statement of policy toward Italy. He hoped that such a statement would include renewed assurances of continuing United States interest in Italy, of its friendship toward the Italian people and its desire to be of all possible assistance to them. He understood that such a statement would be made on the floor of the Senate. He hoped also that the Secretary or the President could make one, as the assurance of executive as well as of legislative interest in this problem would go far, he felt, to allay some of the discouragement which would undoubtedly be felt in Italy when people realized there was no present hope that the treaties would not go into effect. Public opinion in Italy considers that United States action on the treaties will be decisive one, and when the United States has ratified these treaties there will be no delay in their entry into force.

S[AMUEL] R[EBER]

740.0011 EW (Peace)/5-1447: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, May 14, 1947—midnight.

1155. I do not feel that we should be bound by a prearranged R-Day as long as there is any question of Yugoslav ratification (see Leghorn's telegram 61 to Department April 26). Furthermore I think we would be putting ourselves in a disadvantageous position if we attempted to include the Yugoslavs with the Big Four in bringing the treaty into force contrary to the spirit of article 90 of the treaty as drafted in Paris last year.

I have shown this telegram to Greene and appreciate the military's desire to secure a fixed schedule for their future movements in this theater. In the final analysis however I feel the best plan is to allow the various ratifications to take their normal course and (Department's telegram 322, March 6) to retain our own liberty of action up to the last.

Sent Department as 1155; repeated Leghorn 37.

DUNN

740.0011 EW (Peace)/5-847

The Department of State to the British Embassy

MEMORANDUM

Reference is made to the British Embassy's memorandum of May 8, 1947, regarding ratification of the Peace Treaties with Italy, Hungary,

Rumania and Bulgaria.¹ The Department of State agrees that upon United States ratification the British, French, Soviet and American Governments should consult together to decide whether, and if so when, the treaties can be brought into effect without further formalities. The Department also shares the preliminary view of the British Government that each of the treaties should be brought into force, through deposit of the necessary Allied ratifications, as soon as possible following ratification by the ex-enemy state concerned.

As regards ratification by the ex-enemy states, the Department questions the advisability of any public statement along the lines suggested, feeling that it would be preferable to continue the informal approach which the American Government has heretofore followed in discussions of this matter with the ex-enemy states.

WASHINGTON, May 28, 1947.

¹ In this memorandum, not printed, the British Government referred to the Department's memorandum of April 24, 1947 (*ante*, p. 537, footnote 2) and recognized that it would not be possible to establish a precise date for the deposit of ratifications until after approval of United States ratification by the Senate; recommended that the British, Soviet, and French Governments agree not to deposit ratifications until after action by the U.S. Senate; suggested that each treaty could be handled separately, that is that the Big Four could act together on each treaty separately; and proposed that after positive action by the U.S. Senate the Big Four make a statement that they consider ratification by the ex-enemy states necessary to bring the treaties into force (740.0011 EW (Peace)/5-847).

740.0011 EW (Peace)/6-647: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, June 6, 1947—1 p. m.

URGENT

1437. Now that Senate has approved ratification of Italian Treaty¹ Department may wish to give very careful consideration as to the time when the ratification will be deposited (ref Deptel 322 March 6). A very serious situation would arise (see my 444, March 1²) if the treaty were to go into effect as a result of the deposit of ratification by

¹ On June 2, 1947, Senator Vandenberg, having consulted with leaders of both parties, requested the unanimous consent of the Senate that, as in executive session, it take up the Italian peace treaty as "unfinished business". There being no objection, the treaty was read for the second time. The treaty was debated on June 3, 4, and 5. On June 5, by a vote of 79 for, 10 against, and with six senators not voting, the Senate advised and consented to the ratification of the treaty of peace with Italy. *Congressional Record*, vol. 93, pt. 5, pp. 6154-6409.

On June 5 the Senate, having read for the second time the treaties with Rumania, Bulgaria, and Hungary, respectively, passed without debate resolutions recommending their ratification, *ibid.*, pp. 6415, 6420, and 6427.

² See footnote 1, p. 533.

the Four Principal Powers and Yugo had not ratified. Commitment made to Italy by military authorized by CCS (see our 752 April 7³ and Caserta's 14 January 22⁴) would be in direct conflict with our strict obligation under treaty to withdraw our troops from all of Venezia Giulia except the Free Territory of Trieste.

It seems most important that if Yugo does not ratify soon Big Four discussions contemplated by Department should be initiated and deposit of ratification be delayed pending outcome of such discussions.

DUNN

³ For text, see vol. iv, p. 68. Telegram 752 reported that an officer of AFHQ had, at the direction of SACMED, informed De Gasperi in a personal and confidential letter that if Yugoslavia failed to ratify the treaty, the Anglo-American forces would remain in Pola and on the Morgan Line.

⁴ Not printed; it reported that SACMED had received a formal inquiry from De Gasperi asking whether the Anglo-American forces would withdraw from the Morgan Line, including Pola, if the Treaty were to go into effect without Yugoslavia's signature or ratification, and that SACMED had referred the question to the Combined Chiefs of Staff. (740.0011 EW (Peace)/1-2247)

740.0011 EW (Peace)/6-1147

*Memorandum by the Acting Director of the Office of European Affairs
(Hickerson)*¹

[WASHINGTON,] June 11, 1947.

Subject: Recommendation to the President for a Statement on Italy

DISCUSSION

Execution by the President of the instrument of ratification of the Treaty of Peace with Italy² will afford an opportunity to issue a statement in his name reiterating US views on the treaty as well as US support for a democratic Italy. Through the Italian Ambassador in Washington, De Gasperi has indicated that such a statement would be helpful at this time in securing ratification by the Italian Constituent Assembly.³

RECOMMENDATION

That the attached draft statement be transmitted to the President with the recommendation that it be issued by the White House on the

¹ Addressed through Under Secretary of State Acheson to the Secretary. A handwritten marginal note reads: "I concur. D[ean] A[cheson]".

² Instruction No. 3084, June 18, not printed, forwarded the instrument of ratification to the Embassy in France and directed that it be retained by the Embassy until further instructions were received concerning its deposit with the French Foreign Ministry (740.0011 EW (Peace)/6-1847).

³ See memorandum of conversation, by Mr. Samuel Reber, May 10, p. 545.

occasion of the execution of the instrument of ratification of the Treaty of Peace with Italy.⁴

⁴ President Truman concurred in the recommendation. On June 14 he ratified the Treaty of Peace with Italy and issued the statement. For text, see Department of State *Bulletin*, June 22, 1947, p. 1214.

On that same day Ambassador Tarchiani sent a personal letter, not printed, to President Truman thanking him for his statement (740.0011 EW/6-1447).

Two days later, in a note to the Secretary, not printed, Tarchiani asked that a message of thanks from the Italian Foreign Minister, Count Sforza, be transmitted to President Truman.

740.0011 EW (Peace)/6-1247

*Memorandum by the Director of the Office of European Affairs
(Matthews)*¹

[WASHINGTON,] June 12, 1947.

Subject: Recommendation to the President for a Statement on Hungary, Rumania, and Bulgaria

DISCUSSION

Execution by the President of the instruments of ratification of the Treaties of Peace with Hungary, Rumania, and Bulgaria² will afford an opportunity to issue a statement in his name reiterating our views on the oppressive regimes now in power in these three countries, while at the same time indicating the reasons this Government has thought it desirable to conclude peace treaties with such governments. We believe the expression of US disapproval of the Communist-controlled governments of these countries in connection with the ratification of the peace treaties will strengthen those who are still struggling to resist subjugation.

RECOMMENDATION

That the attached draft statement be transmitted to the President with the recommendation that it be issued by the White House on the occasion of the execution of the instrument for ratification of the Peace Treaties with Hungary, Rumania, and Bulgaria, but subsequent to and separate from the release of the statement on Italy. We feel that a differentiation should be made between the ratification of the Treaty

¹ Addressed through Under Secretary of State Acheson to the Secretary. A marginal notation reads: "Mr. Acheson concurs. C[arlisle] H[umelsine]".

² Instruction No. 1953, June 18, not printed, forwarded the instruments of ratification of the treaties to the Embassy in Moscow and directed that they be retained until further instructions were received from the Department concerning their deposit with the Soviet Foreign Office (740.0011 EW (Peace)/6-1847).

with Italy and the treaties with the Balkan countries, and that this can best be indicated by separating the press releases.³

³ President Truman concurred in the recommendation. On June 14 he ratified the treaties and issued the statement. For text, see Department of State *Bulletin*, June 22, 1947, p. 1214.

740.0011 EW (Peace)/6-1447: Telegram

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

CONFIDENTIAL

PARIS, June 14, 1947—3 p. m.

2349. French National Assembly yesterday ratified Italian Peace Treaty by 500 votes to 0 with approximately 80 abstentions, latter chiefly in Rassemblement des Gauches and PRL. Bidault and MRP speakers defended treaty as best that could be obtained under circumstances and emphasized important part played by France in negotiation. Bidault made many friendly remarks re new Italy and prospectives of close cooperation in future between Italy and France. In reply to question re Fezzan he said there had been no change in French views this territory should be returned to France. PRL criticized treaty as being too harsh, particularly reparations to Soviets and Yugoslavs.

Announcement Rassemblement des Gauches would abstain came as surprise to all, including that party's members in government. De Moro-Giafferri in explaining his group's decision criticized chiefly absence of any consultations with Assembly during negotiation of treaty. Communists voted for ratification but without enthusiasm and were extremely sarcastic re abstention of Rassemblement des Gauches in view criticism of Communists by that party for similar Communist abstentions while members of government.

Treaty now goes to Council of Republic which will presumably ratify during coming week.¹

Sent Dept as 2349; repeated London 447; Rome 135; Moscow 368.

CAFFERY

¹ In telegram 2416, June 18, from Paris, not printed, Ambassador Caffery reported that the Council of the Republic had ratified the treaty (740.0011 EW (Peace)/6-1847).

740.0011 EW (Peace)/6-1047: Telegram

The Secretary of State to the Embassy in France

SECRET

WASHINGTON, June 19, 1947—8 p. m.

2252. Dept favors Brit suggestion simultaneous deposit ratification

instruments Ital treaty by Four Powers (ur 2277 June 10¹) as well as parallel action by three powers re Balkan treaties. Brit FonOff has now proposed to US, Fr and USSR that deposits be made July 1 provided in each case ex-enemy state had deposited its ratification by that time, and that in event any of latter had not done so those of Four Powers concerned would delay deposit and consider together what action shd be taken.²

Subject further consideration implications of bringing one treaty into force before others, Dept intends shortly accept Brit proposal. At same time, other powers would be informed US view that if Yugos were not to ratify prior deposit ratifications Ital treaty by Four Powers, treaty clauses relating to Venezia Giulia could not be implemented and *status quo* that area would have to be continued.

Dept also feels it preferable Itals ratify before deposit ratifications by Four Powers, and is prepared continue informal attempts persuade Itals this course. Dept would not agree however to formal concerted approach Ital Govt this matter by Four Powers as once suggested by Brit, feeling pressure this nature would be seized upon by Ital opponents of ratification.

Sent Paris as 2252 rptd Moscow 1354 London 2642 Rome 959 and Belgrade as 395.

MARSHALL

¹ Not printed; in it Ambassador Caffery reported that the French Foreign Office mentioned its understanding that the United States favored the British proposal of simultaneous deposits of ratifications by the Big Four, and asked for the views of the United States on how the ratification should be made. (740.0011 EW (Peace)/6-1047)

² This proposal was made in memorandum 41/246/47 from British Embassy to the Department of State dated June 16, not printed (740.0011 EW (Peace)/6-1647).

In a memorandum of June 24 to the British Embassy, not printed, the Department accepted the British proposal (740.0011 EW (Peace)/6-1647).

740.0011 EW (Peace)/7-547: Telegram

The Chargé in Yugoslavia (Cabot) to the Secretary of State

CONFIDENTIAL

BELGRADE, July 5, 1947—8 a. m.

753. Despite what Bebler¹ told me Tuesday (Embtel 734 July 1 repeated Rome 72²) I understand Italian Treaty has not yet been ratified by Presidium. Reason given by Foreign Office is that ratification should first be completed for Bulgarian and Hungarian treaties since these are now considered friendly nations.

Sent Department as 753, repeated Rome 78.

CABOT

¹ Aleš Bebler, Yugoslav Assistant Minister for Foreign Affairs.

² Not printed; in it Cabot reported that: "Bebler informed me today that Yugos would ratify Italian treaty this afternoon." (740.0011 EW (Peace)/6-147)

740.0011 EW (Peace)/7-847 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

CONFIDENTIAL

ROME, July 8, 1947—6 p. m.

1872. We have been informed confidentially by Foreign Minister that Italian Ambassador Moscow ¹ has reported to Italian Government in response to its request that according to best information he can obtain Soviet Government is not interested in ratifying Italian treaty at present. According to our informant Brosio reported that in his conversations with US Embassy Moscow Soviet disinclination to ratify at present time had been confirmed. Brosio's telegram plus uneasiness toward Soviet attitude felt in government and Foreign Ministry (see my 1812 of July 3²) caused temporary panic here with result that government last few days has been wavering in its original intention to support and bring to vote treaty approval decree in Constituent Assembly this week (see my 1810 of July 3²).

According to most recent information, however, it is reported that treaty ratification in Assembly will proceed as usual and government will definitely not attempt to obstruct it. Determining factor in government's decision to go ahead regardless of Soviet action ³ is said to be strong telegram from Quaroni, Italian Ambassador to France, pointing out many disadvantages to Italy if government failed to support ratification before Assembly at last moment.

Sent Department as 1872, repeated Moscow 99, Paris 228, Belgrade 88, London 121, copy to Leghorn.

DUNN

¹ Manlio Giovanni Brosio.

² Not printed.

³ In telegram No. 2357, July 6, from Moscow, not printed, Ambassador Smith reported that he had been informed in strictest confidence that the "Rumanian Ambassador Moscow inquired Soviet Foreign Office probability early ratification Rumanian treaty and was told by Malik that this very difficult question since within province Supreme Soviet. When Ambassador countered that article 49 of Constitution empowered Presidium to deal directly with such matters Malik evidenced patent displeasure and gave Rumanian no satisfaction." Ambassador Smith suggested that "this transparent excuse for nonperformance" was not an encouraging sign for early ratification. (740.0011 EW (Peace)/7-647)

740.0011 EW (Peace)/7-647 : Telegram

The Secretary of State to the Embassy in the Soviet Union

SECRET

WASHINGTON, July 9, 1947—8 p. m.

1434. UK FonOff recently decided approach Soviets again (ur 2357 July 6¹) to point out US, UK and France had ratified treaties and

¹ See footnote 3, above.

agreed simultaneous deposit ratifications July 1 provided ex-enemy states had ratified by that date; that only USSR had failed respond Brit proposal this regard; and that Brit would therefore be interested in knowing Soviet intentions and whether Soviets desired propose date for deposit ratifications. Although Brit approach² was discussed with and concurred in by Dept, no proposal was made re joint US, UK French approach. UK FonOff did suggest at one point that US and French Embassies Moscow might follow up Brit approach, to which Dept replied that it would seem preferable not to give Soviets impression we were all overly anxious for early USSR ratification. If opportunity offers, however, you may in your discretion inquire re Soviet intentions.

MARSHALL

² See footnote 2 to telegram 2252, p. 551.

740.0011 EW (Peace)/7-1447 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, July 14, 1947—6 p. m.

NIACT US URGENT

1944. Personal for Secretary Marshall from Harriman.¹ Dunn and I saw the President, De Nicola,² this morning and later De Gasperi. Both of them talked at great length about difficulty of obtaining ratification of peace treaty by General Assembly at this moment. Each explained there was no doubt of a majority being in favor of eventual ratification but that first vote would be on whether to consider immediate ratification or postponement. On this it appeared vote would go against the government. De Gasperi told us Soviet Ambassador³ had recently stated Soviet Government would not ratify treaty at present time giving no explanation as to the reasons.⁴ In meantime Communists are spreading propaganda to the effect that Russia intends to offer more liberal territorial terms. In this atmosphere there are a number of the assembly who question for internal political reasons the wisdom of Italian ratification until Russia has done so.

De Gasperi is ready to force a vote if British and we insist but indicates there is a real chance of adverse vote in which event his government will be compelled to resign.

Bevin, in forceful terms, told Sforza in Paris that he would insist upon prompt ratification.

¹ W. Averell Harriman, United States Ambassador to the Soviet Union, 1943-1946; Ambassador to Great Britain, April-October, 1946; Secretary of Commerce, October 1946-April 1948.

² Enrico de Nicola was not at this time President of Italy but was Provisional Head of the State (*Capo provvisorio dello stato*), June 28, 1946-January 1, 1948.

³ Mikhail Kostylev.

⁴ Cf. telegram 1872, July 8, from Rome, p. 552.

Of course, I am not familiar with other side of question but from Rome it would appear a serious risk for us to force the Italian Government to vote at this time particularly as Italian ratification is of no substantive value without Russian action. The wisest course would seem to inform De Gasperi that we of course want earliest ratification possible but would leave to him whether now is right moment to press it.

If this course is decided upon I would suggest that Bevin be informed and urged to take a similar position.

If this government falls over ratification, it would materially strengthen the Communist position and play into the Soviet hands by giving the Communists the possibility of overthrowing the government on a national issue which would place them before the electorate in the position as defending Italian independence against the US and Great Britain.

Reference Embtels 1928 July 12; 1929 July 12; 1930 July 12, 2 p.m.⁵

Repeated to London as 129 for Ambassador. [Harriman.]

DUNN

⁵ None printed.

740.0011 EW (Peace)/7-1247 : Telegram

The Secretary of State to the Embassy in Italy

SECRET

WASHINGTON, July 15, 1947—noon.

1137. Ur 1930 July 12.¹ Dept concurs your opinion re Ital treaty ratification. Since USSR has not ratified and in view reversal position Ital Communists and Nenni Socialists, it would seem unfair urge De Gasperi push Ital ratification to showdown vote at this time, with possible consequences for Govt which defeat this issue would entail. Dept hopes by time Const Assembly reconvenes Aug 20 USSR will have ratified, and situation will be different.

Accordingly, you may inform De Gasperi that in view circumstances and delicate political problem which pressure for immediate ratification would raise for Ital Govt, US does not wish urge that he press for immediate action by Assembly.² In response to inquiry, Tarchiani informed in this sense by Dept.

¹ Not printed.

² In telegram No. 1972, July 16, from Rome, not printed, Ambassador Dunn reported that in Count Sforza's absence he had informed the Under Secretary for Foreign Affairs, Mr. Brusasca "that decision as to whether matter of ratification of treaty is to be pressed at this time before Constituent Assembly is entirely up to Italian Government." (740.0011 EW (Peace)/7-1647)

London and Paris shd inform UK and French Govts, respectively, of Dept's position this matter.³

Sent Rome as 1137, London as 3020 and Paris as 2593.

MARSHALL

³ In telegram No. 3893, July 16, from London, not printed, Ambassador Douglas reported that "Bevin bows to our judgment that De Gasperi should not now be urged to push for ratification. This judgment he informed me has been confirmed by the British Ambassador in Rome." (740.0011 EW (Peace)/7-1647)

740.0011 EW (Peace)/7-1847 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, July 18, 1947—6 p. m.

1993. The Prime Minister told me this morning he is working on a new formula with respect to ratification of the treaty. He is still anxious to have the Assembly authorize the government to ratify immediately but if that is not possible without running the extreme risk of overthrowing the government he is thinking of proposing that the Assembly authorize the government to ratify the treaty when it becomes effective. This without saying so would mean that Italy will ratify when deposits or [of?] ratification have been made by the four principal governments.

He also told me . . . that Nenni had asked the privilege of making this proposal in order to improve his position with Bevin and the British Socialist Party as he finds the Saragatiani¹ are in better relationship with the British Socialists than himself because of their not going along with the Communists and more particularly now because of their position in favor of ratification.

DUNN

¹ Saragatiani, i.e. the followers of Giuseppe Saragat who in January 1947 had formed the Socialist Party of Italian Workers.

740.0011 EW (Peace)/7-2347 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, July 23, 1947—11 a. m.

URGENT

2042. Secretary General of Foreign Office¹ sent word to me late last night that the Government's formula re ratification of treaty (see my 2018, July 21²) had been defeated in Interparliamentary Committee.

¹ Francesco Fransoni.

² Not printed.

This unexpected development was attributed to sudden violent reversal of Communists. In discussions among party leaders Togliatti was said to have accused the Government of being "American". Nenni as usual followed Communist lead . . . As was to be expected, the extreme Right faced by the action of the Left had become panic-stricken by prospect of facing elections outdone by the Left on a nationalist issue. Accordingly, all the Qualunquists³ and most of the Liberals were now opposed to any government action at present time towards even provisional ratification of treaty. Corbin⁴ himself was said to have spoken most harshly against Government's proposal and to have urged postponement.

According to our informant, the Prime Minister (whom I shall see later today) was still determined to press for adoption of his resolution despite a considerable defection in his own party led by Gronchi⁵ apparently under the influence of Don Sturzo.⁶ It remains to be seen whether after his conversations with the leaders today, he will continue on this course (the debate in this Assembly has been postponed to Thursday).⁷

I reiterated our position authorized in Department's 1137, July 15 and it rests entirely with Prime Minister whether he chooses to risk the continuance of his government in office by demanding a vote. It is, of course, most unfortunate that due to the Soviet tactics of delay, the extreme Left have been able to maneuver themselves into taking the initiative as protectors of Italy against premature acceptance of the treaty which all Italians believe unjust and onerous.

DUNN

³ The followers of Guglielmo Giannini whose organ was *Uomo Qualunque* (The Common Man).

⁴ Professor Epicarmo Corbino, Deputy in the Constituent Assembly, Minister of the Treasury in the first and second De Gasperi Cabinets (until September 18, 1946).

⁵ Giovanni Gronchi, a leader of the Christian Democratic Party.

⁶ Don Luigi Sturzo, a Sicilian priest, one of the founders of the Partito Popolare in 1919.

⁷ In telegram No. 2065, July 23, from Rome, not printed, Ambassador Dunn reported that De Gasperi had told him and Mr. Clayton that he expected on the morrow (July 24) to go forward with the discussion of ratification of the treaty (740.0011 EW (Peace)/7-2347).

740.0011 EW (Peace)/7-2947 : Telegram

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

SECRET

LONDON, July 29, 1947—4 p. m.

4116. According to Jebb¹ Foreign Office Soviets have told British Ambassador Moscow² that Soviets (1) agree to urgency depositing

¹ Hubert Miles Gladwyn Jebb, Assistant Under-Secretary of State and United Nations Adviser in the Foreign Office.

² Sir Maurice Drummond Peterson.

ratification treaties; (2) feel deposit ratifications should take place simultaneously Moscow and Paris but that (3) ratifications should not be deposited until satellites and Italy have ratified. In other words, Soviets, through satellites, will determine date effectiveness all treaties.

Sent Dept, repeated Moscow 255, Paris 422, Rome 89.

CLARK

740.0011 EW (Peace)/7-3147

*Memorandum by the Director of the Office of European Affairs
(Matthews)*¹

[WASHINGTON,] July 31, 1947.

Subject: Suggested Message from the Secretary to the Italian Government to be Transmitted upon the Authorization by the Italian Constituent Assembly of Italian Ratification of the Peace Treaty

DISCUSSION

Premier De Gasperi is making a determined effort to obtain authorization from the Constituent Assembly for Italian ratification of the Peace Treaty. It is anticipated that a vote, which is expected to be favorable, will be taken in the Assembly today or tomorrow.²

Italian Ambassador Tarchiani has indicated to me that it would be helpful to the Italian Government, as a measure to counteract the unpopularity of the Government's position in requesting ratification of this treaty, if the Secretary would send a message to the Italian Government as soon as ratification is authorized. De Gasperi's position would be made easier by such a message, holding out hope for ultimate treaty revision along the lines of the President's statement at the time of the United States ratification.

RECOMMENDATION

It is recommended that the attached telegram, instructing the Ambassador at Rome to communicate a message in the foregoing sense from the Secretary to the Italian Foreign Minister for the Prime Minister, be approved for transmission as soon as word is received that the Assembly has authorized ratification.

¹ Addressed to the Secretary and the Under Secretary.

² In telegram No. 2172, July 31, from Rome, not printed, Ambassador Dunn forwarded a translation of the text of the resolution just passed by the Constituent Assembly: "Tonight the Government of the Republic is authorized to ratify the treaty of peace signed at Paris February 10, 1947, between the Allied powers and their associates and Italy. The ratification of Italy is conditional upon that of all the powers mentioned in Article 90 [i.e., the Soviet Union, the United Kingdom of Great Britain and Northern Ireland, the United States of America, and France] of the treaty of peace above mentioned." (740.0011 EW (Peace)/7-3147)

ATTACHMENT

a) Draft telegram to the American Embassy, Rome.³

³ The telegram, which was sent as No. 1287, July 31, forwarded the text of the message of Secretary Marshall to the Italian Foreign Minister, Count Sforza. For this text, released to the press in Washington on August 2, see Department of State *Bulletin*, August 10, 1947, p. 298.

740.0011 EW (Peace)/8-847: Telegram

The Minister in Hungary (Chapin) to the Secretary of State

CONFIDENTIAL

BUDAPEST, August 8, 1947—4 p. m.

PRIORITY

1332. President Tildy signed legislation ratifying peace treaty August 7.

Sent Department, repeated London 139, Moscow 131.

CHAPIN

740.0011 EW (Peace)/8-1247: Telegram

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

RESTRICTED

Moscow, August 12, 1947—6 p. m.

2628. 1. There follows translation of Soviet note No. 312 dated August 11, regarding peace treaty ratification received this morning:

"...¹ And with reference to the Embassy's note No. 589 of June 26, 1947, has the honor to inform the Embassy that the Soviet Government on July 21, 1947, sent a reply to the British Government in connection with its proposal for the simultaneous deposit of ratifications of the Italian and Balkan treaties.

"In its reply the Soviet Government stated that it shares the British Government's opinion with regard to the undesirability of postponing the entry into force of the peace treaties with Italy, Rumania, Bulgaria, Hungary and Finland. However, at the present time the fixing of any definite date for the entry into force of these treaties appears premature.

"The Soviet Government stated also that it considers it essential that the entry into force of the peace treaties with Italy, Hungary, Rumania, Bulgaria and Finland, which were drawn up and discussed at the Paris peace conference simultaneously should be timed for one definite moment for all the treaties referred to.

"In this connection the Soviet Government believes that it would be incorrect to postpone the entry into force of the peace treaty with regard to Italy alone until the ratification of this treaty by Italy her-

¹ Omission indicated in source text.

self has been completed, as is proposed by the British Government, and proposes for its part that the same procedure should be adopted also with regard to Rumania, Bulgaria, Hungary and Finland.

"Furthermore the Soviet Government stated that when those conditions exist it will be ready in agreement with the Government of Great Britain, France and the US to appoint a definite date for the simultaneous deposit of the instruments of ratification by all the appropriate allied powers upon whom the entry into force of the above-mentioned peace treaties depends.

"In what concerns the ratification by Yugoslavia of the Italian treaty, the Minister of Foreign Affairs does not have any information which would permit of the assumption that Yugoslavia intends not to ratify the treaty."

2. Embassy note No. 589 June 26 referred to above communicated to Soviet Government substance of Deptel 1374 June 24.²

3. French Embassy Moscow received similar note from Soviet Government dated August 4 and on August 8 replied along lines of recent British *démarche* (August 4).

SMITH

² In this telegraphic instruction it was explained that the Department had accepted the British proposal for the simultaneous deposit of ratifications for the Italian and Balkan treaties, but had pointed out that if the Italian treaty were to come into force in accordance with Article 90 prior to Yugoslavia's deposit of ratification, it would be impossible to carry out the cessions of territory in Venezia Giulia to Yugoslavia because of the provisions of Article 89. The Department's view was that the *status quo* in Venezia Giulia would have to continue pending ratification by Yugoslavia. (740.0011 EW (Peace)/6-1947)

740.0011 EW (Peace)/8-1947: Telegram

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

SECRET

Moscow, August 18, 1947—noon.

2665. Soviet delaying tactics regarding ratification of Italian and Balkan peace treaties seem to reflect Soviet estimate that ratification would bring little if any advantage to Kremlin whereas a number of things may be achieved by further postponing entry into force of these treaties.

1. Advantage which Italian treaty designed to bring Russians, withdrawal of Anglo-American troops from Italy, is for time being nullified by lack of progress in finding Governor for Trieste and establishment of FTT Government.¹ On other hand, continued delay in face of self-evident western interest in early ratification may bring with it

¹ For documentation on this subject, see vol. iv, pp. 51 ff.

eventual possibility of selling ratification for some new concessions from Western powers in accordance with well-known Soviet proclivity for selling its favors twice. In meantime, maintenance of present precarious political balance would seem desirable from Kremlin viewpoint.

Significant consequences of treaty ratification to Kremlin operations would appear to be obligations (1) to terminate [armistice?] regimes in Finland and ex-enemy Balkan states and (2) to withdraw troops from Bulgaria. The important current preparations for forthcoming Hungarian elections and transitional character of that Government as well as yet uncompleted liquidation of opposition elements in Rumania and Bulgaria are excellent reasons why Kremlin should be reluctant to relinquish rights and direct controls of the several armistice commissions until anti-Soviet forces definitively eliminated and firmly-based Stalinist regimes are squarely in the saddle. Despite continued presence of Soviet occupation troops in Hungary and Rumania following entry into force of treaties, Kremlin contact with its ex-enemy satellites will presumably be mainly through diplomatic and party channels and will require therefore fully integrated satellite administrations if it is to approximate effectiveness of present armistice military controls.

Greece continues to be a main object in Kremlin planning and desirability from its point of view of maintaining Soviet combat units in Bulgaria is self-evident. Even though treaty provides for Soviet forces in Rumania, within easy supporting distance of any point in Balkans, physical presence of Soviet troops in Bulgaria is more effective backing for any Bulgarian aggression against western Thrace, while at same time assuring Bulgarian internal stability and maintaining Soviet pressure on Turkey. Furthermore, in event of American decision to accept possible Greek invitation to despatch troops to Greece to aid in cleaning up local "guerrillas", Kremlin would no doubt prefer to have combat units already deployed in Bulgaria ready to meet any contingency rather than have to send new units to Bulgaria at "invitation" of Bulgarian Government.

In sum as seen from Moscow, there are no apparent reasons why Kremlin should want to ratify treaties at this time, and numerous reasons suggest themselves why it should continue to present negative course.

Repeated to London as 308.

Department pass to Paris as Moscow's 309 and Rome as 72.

SMITH

740.0011 EW (Peace)/8-1547

*The Chargé in the Soviet Union (Reinhardt) to the Secretary
of State*

No. 1547

Moscow, August 19, 1947.

Subject: Ratification of Italian and Balkan Treaties.

The Officer in Charge refers to the Embassy's telegram no. 2629 of August 12, 7 p. m.,¹ and to the Department's telegrams no. 1609 of August 15, 4 p. m.,² and no. 1611 of August 16, 1 p. m., 1947,³ and has the honor to transmit for the records of the Department the following copies of correspondence exchanged between the Embassy and the Soviet Ministry of Foreign Affairs in this connection:

Two copies of letter dated August 18, 1947, addressed to A. Ya. Vyshinski, Deputy Minister for Foreign Affairs, Moscow.

[Enclosure]

*The American Ambassador (Smith) to the Soviet Deputy Minister for
Foreign Affairs (Vyshinsky)*

Moscow, August 18, 1947.

DEAR MR. VYSHINSKI: I refer to the informal discussion which I had with Mr. Molotov on July 11, 1947 relative to the question of the deposit of the ratifications of the peace treaties with Italy and the ex-enemy Balkan States and to the Ministry's note no. 312 of August 11,⁴ 1947 which set forth the substance of the Soviet Government's communication of July 21 to the British Government on this subject. In this communication the Soviet Government affirmed its opinion that the deposit of the ratifications of the four Powers should be effected simultaneously and stated that it shared the British Government's view with regard to the undesirability of postponing the entry into force of the several peace treaties. However the communication would seem to infer that the Soviet Government regards ratification by the ex-enemy States as necessary to the entry into force of the treaties.

In this connection I recall that in the Ministry's note of January 31, 1947 regarding the Italian treaty,⁵ it is set forth as the opinion of the

¹ Not printed; in it Ambassador Smith suggested to the Department that it reconsider its instructions to him to take up orally with the Soviet Government the matter of ratification of the peace treaties and that he be instructed to send a formal note, the proposed text of which he submitted (740.0011 EW (Peace)/8-1247).

² Not printed; in it the Department expressed approval of the course proposed by Ambassador Smith (740.0011 EW (Peace)/8-1247).

³ Not printed.

⁴ See telegram 2628, August 12, from Moscow, p. 558.

⁵ See footnote 4, p. 519.

Soviet Government that under the pertinent article of that treaty (Article 90) Italy was under the obligation to sign and ratify the treaty as drawn up and that the treaty entered into effect by the deposit of instruments of ratification by the four principal Allied Powers. Inasmuch as the peace treaties with Bulgaria, Hungary, and Rumania contain similar provisions (Article 38 of the Bulgarian Treaty, Article 42 of the Hungarian Treaty, and Article 40 of the Rumanian Treaty) with respect to their ratification and entry into force, the Soviet Government's opinion with respect to the Italian Treaty set forth in its note of January 31, 1947 is equally applicable to the treaties of peace with these three ex-enemy States.

As I informed Mr. Molotov, the United States Government has already ratified the treaties and it is my understanding that similar action has been taken by both the British and French Governments. Furthermore, as you will recall, the several treaties all provide that the instruments of ratification shall be deposited "in the shortest possible time". Accordingly I would appreciate being advised regarding the Soviet Government's plans for its ratification of the treaties and whether it has given consideration to a date for the simultaneous deposit of the ratifications of the four principal Allied Powers.

I am [etc.]

W. B. SMITH

740.0011 EW (Peace)/8-2347: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, August 23, 1947—4 p. m.

2475. Re Moscow's 2671, August 18, relayed Rome as 73, August 19.¹ Secretary General Foreign Office confirmed to us that according to opinion prepared by Perassi,² Italian Govt is empowered to ratify treaty and deposit ratification provided document contains express reservation stating it becomes effective only upon deposit of ratification by four principal allied powers. According to Perassi opinion Italian Govt has alternative of delaying deposit of ratification until such deposit has been made by the four principal powers. Frasoni stated that the govt had not yet decided which of the above courses to follow nor did it intend to reach a decision until the general international situation with regard to the peace treaties had become a little clearer. He expressed his personal opinion that the govt would be subject to embarrassment internally should it appear hasty in taking

¹ Not printed.

² Tommaso Perassi, Deputy in the Italian Constituent Assembly (Republican); Professor of international law in the faculty of jurisprudence of the University of Rome; legal adviser to the Ministry of Foreign Affairs.

the formal step of making its deposit of ratification at Paris at this time. Motive for such a move would have to be explained to Italian people and Constituent Assembly who would need to be given reason why govt did not take the second and more obvious alternative. It seems to us that in this delicate situation it would be wise to adhere to policy we have followed so far (Dept's 1137, July 15) of leaving to Italian Govt decision as to timing of its ratification, at least until United States, British and French ratifications are deposited. In our opinion the preoccupation expressed by Secretary General re unfavorable effect on Italian public opinion which immediate deposit would have is entirely justified.³

Repeated Moscow 147.

DUNN

³ In telegram No. 1526, August 27, not printed, the Department instructed Ambassador Dunn that the decision regarding the deposit of Italian ratification should, for the time being at least, be left to the Italian Government. The message was repeated to Moscow as No. 1650. (740.0011 EW (Peace)/8-2347)

On August 28 Mr. Raymond T. Yingling, Assistant Legal Adviser for Military Affairs and Occupied Areas, prepared a memorandum, "Termination of Foreign War by the President", which read in part as follows:

"EUR has requested the opinion of this office on whether the war with Italy can be terminated by the President. Such action is contemplated in the event that the Soviet Government fails to ratify the Italian peace treaty within the near future. . . .

"Although the matter is not entirely free from doubt, it is the opinion of this Office that as there are no specific constitutional provisions concerning the termination of war the President, in view of his position as head of the State with plenary control of foreign relations and with power as Commander-in-Chief of the Army and Navy to make his decision effective can terminate a foreign war, at least in the absence of statutory provisions inconsistent with such action." (740.00119 EW/8-2847)

740.0011 EW (Peace)/8-2347: Telegram

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

BUCHAREST, August 23, 1947.

761. Rumanian Communist Political Bureau on August 21 decided to request its parliamentary group to press for peace treaty ratification to take place August 23. Yesterday ratification bill consisting of single sentence "government is authorized to ratify and enforce peace treaty signed in Paris on February 10, 1947 between Rumania and allies and associate parties" was presented to Parliament by Foreign Minister Tatarescu¹ with authentic texts and translations of treaty annexed. Tatarescu stated immediate ratification needed so bilateral negotiations to improve some of treaty clauses may begin. This morn-

¹ Dr. Gheorghe Tatarescu, Vice President of the Rumanian Council of Ministers and Minister of Foreign Affairs.

ing, August 23, Parliament unanimously ratified treaty after speeches by representatives of DPB parties.²

MELBOURNE

² *Bloc al Partidelor Democratice* (Bloc of Democratic Parties).

740.0011 EW (Peace)/8-2547: Telegram

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

SOFIA, August 25, 1947.

741. Sobranje has just approved unanimously Cabinet decision ratifying peace treaty. Foreign Minister Georgiev¹ who was first speaker extolled Soviet Union and said Bulgaria through UN would seek amelioration treaty conditions imposed as result US and UK pressure. Speakers for other parties including opposition then supported ratification. In conclusion provisional president Kolarov² reiterated Bulgaria's intention seeking redress for alleged injustices in treaty especially refusal recognize Bulgaria's cobelligerency, Bulgaria's demand for Greek Thrace and reparations clause.

HORNER

¹ Kimon Georgiev, Bulgarian Deputy Prime Minister and Minister of Foreign Affairs since November 1946.

² Vasil Petkov Kolarov, Acting President of Bulgaria since 1946.

740.0011 EW (Peace)/8-2647: Telegram

The Ambassador in Yugoslavia (Cannon) to the Secretary of State

BELGRADE, August 26, 1947.

977. Tanjug officially announces ratification by praesidium of Peace Treaties with Italy, Bulgaria and Hungary.

CANNON

740.0011 EW (Peace)/8-2947: Telegram

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

RESTRICTED

Moscow, August 29, 1947—11 a. m.

US URGENT

2732. There follows Embassy translation Soviet note dated August 28, signed Vyshinski received late last night:

"In connection with your letter of August 18, 1947,¹ I inform you that the government of the USSR has presented to the Presidium of

¹ *Ante*, p. 561.

the Supreme Soviet of the USSR for ratification the peace treaties with Italy, Rumania, Hungary and Bulgaria signed in Paris February 10, 1947.

The Soviet Government proceeding from the requirement for the deposit of the instruments of ratification by the Soviet Union, USA and France in Moscow and Paris, as provided for by the corresponding peace treaties, on one and the same day, proposes to deposit the instruments of ratification mentioned in the course of the next 10 to 15 days.

Concurrently with the present note similar notes are being sent to the Embassies of Great Britain and France."

Repeated London 314, Paris 315.

Department pass Rome 76, Sofia 13, Bucharest 13, Budapest 18.

SMITH

740.0011 EW (Peace)/8-2947: Telegram

The Acting Secretary of State to the Embassy in the Soviet Union

RESTRICTED

WASHINGTON, September 3, 1947—noon.

US URGENT

1676. In reply Soviet note Aug 28 (ur 2732 Aug 29) pls inform FonOff this Govt is prepared deposit instrument of ratification of Ital treaty at Paris on Sept 15 and of Bulg, Rum and Hung treaties at Moscow same date provided USSR, UK and French Govts agree simultaneous deposits. Reply shd not be addressed FonOff until your Brit and French colleagues have recd similar instructions. Embs London and Paris shd request UK and French FonOffs instruct their reps Moscow soonest possible if they concur with Dept.

Since Dept and UK FonOff have agreed give SACMED through CCS seven days advance notice of deposit ratifications Ital treaty in order permit final planning withdrawal Allied forces from Italy, Dept is informing JCS contemplated date for deposit is Sept 15. Brit Emb Wash has been requested to inform Brit Staff Mission Wash in similar sense so that necessary CCS directives can be issued SACMED. Shd you receive any indication Sept 15 date not acceptable to Soviet FonOff, pls inform Dept immediately.

Sent Moscow, rptd London 3812, Paris 3301, Rome 1576, Belgrade 579, Bucharest, 538, Budapest 940, and Sofia 341.

LOVETT

740.00119 Control (Italy)/9-447: Telegram

The Consul General at Trieste (Joyce)¹ to the Secretary of State

SECRET

TRIESTE, September 4, 1947—4 p. m.

PRIORITY

86. 1. The unexpected advent and apparent imminence of R-Day has naturally necessitated rapid revision of military plans based on

¹ Robert Prather Joyce, appointed Consul General at Trieste, July 1, 1947.

indefinite continuance present status. Quick decisions are being made and there is certain amount of understandable and probably inevitable confusion. I am proceeding Rome tomorrow September 5 for one-day conference G-5 at request senior civil affairs officer here.² I shall consult with Embassy and report high-lights from Rome.

2. Have had highly satisfactory meetings with Airey³ and Carnes and am seeing Moore⁴ Monday.

3. American senior military feels Department could and should stall deposit ratification at least until about end September to allow more time implement removal plans. My reply in matters of high policy involving international commitments and our overall interests will naturally govern but feel sure Army problems here being given due consideration by Washington. Would appreciate message on our R-Day policy which I could show General Moore who apparently feels he being left out in cold and not sufficiently advised on broad policy decisions.

Sent Department; Belgrade No. 64; USPolAd Leghorn No. 8.

JOYCE

² Col. James Jewett Carnes, AUS, Senior Civil Affairs Officer, Allied Military Government Trieste, June 22-October 28, 1947.

³ Maj. Gen. Terence Sydney Airey, in command of British forces in the Free Territory of Trieste. In March Gen. Lee had announced that the British troops in the FTT would be under command of Gen. Airey, and that no unified command of the national contingents was contemplated.

⁴ Maj. Gen. Bryant E. Moore, Commanding General, U.S. Forces, Trieste.

740.0011 EW (Peace)/9-1047 : Telegram

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

RESTRICTED

Moscow, September 10, 1947—1 a. m.

URGENT NIACT

[Received September 9—8:02 p. m.]

2812. ReDeptel 1698 September 8.¹ Called yesterday on Acting Foreign Minister Malik.²

FonOff called at 0015 today stating Soviet Government agrees exchange ratifications September 15.

¹ Not printed; in it the Department notified the Embassy in Moscow that no reply had as yet been received from the Soviets regarding the proposal for the deposit of ratifications on September 15. It was explained that in view of the necessity for providing the Allied military authorities in Italy with the maximum advance notice of the effective date of the treaty, the British had proposed that a new approach to the Soviet Foreign Office be made by the British, French, or American Ambassador at Moscow after consultation among the three. The Department agreed to the proposal. (740.0011 EW (Peace)/9-847)

² Yakov Alexandrovich Malik, Deputy Minister for Foreign Affairs of the Soviet Union.

Department please repeat urgently Rome as 80, London as 320, Paris as 327, Bucharest as 16, Sofia as 16, Budapest as 19 and Leghorn and Trieste as unnumbered.

SMITH

740.0011 EW (Peace)/9-1047 : Telegram

The Secretary of State to the Embassy in France

RESTRICTED

WASHINGTON, September 10, 1947—6 p. m.

US URGENT NIACT

3417. Pls confirm immediately report that Yugo deposited ratification Ital treaty Sept 4.¹

MARSHALL

¹ In telegram No. 3692, September 11, from Paris, not printed, Ambassador Caffery reported that the French Foreign Office confirmed that Yugoslavia had deposited its ratification of the peace treaty with Italy on September 4 at 4:30 p. m. (740.0011 EW (Peace)/9-1147).

740.0011 EW (Peace)/9-1547 : Telegram

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

RESTRICTED

PARIS, September 15, 1947—1 p. m.

US URGENT

3761. Instruments of ratification Italian Treaty were deposited at FonOff this morning at 11 a. m. Paris time by France, UK, US and USSR and *procès-verbal* given in my 3740, September 13 was signed.¹

Italy and then India will deposit ratifications later this morning and Canada this afternoon.

Sent Dept 3761 ; repeated Rome 233 ; Moscow 485.

CAFFERY

¹ The Treaty of Peace with Italy was proclaimed by the President of the United States on September 15, 1947, and entered into force the same day ; TIAS No. 1648, or 61 Stat. (pt. 2) 1245. The *procès-verbal* given in telegram 3740, not printed, related to the deposit of ratifications.

740.0011 EW (Peace)/9-1547 : Telegram

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

RESTRICTED

Moscow, September 15, 1947—7 p. m.

URGENT NIACT

2844. Instruments of ratification Balkan (and Finnish) treaties deposited and respective protocols of deposit signed by Molo-

tov, British Chargé Roberts¹ and myself at 1800 hours today.²

At ceremony Molotov stated that instruments of defeated signatories were to be deposited 2000 hours this evening. Will confirm tomorrow and report if any other signatories deposit tonight.³

Dept please pass Berlin 526; London 324; Paris 333; Sofia 18; Budapest 21; Bucharest 18, Helsinki 24.

SMITH

¹ Frank Kenyon Roberts.

² The Treaties of Peace with Romania, Bulgaria, and Hungary were proclaimed by the President of the United States on September 15, 1947, and entered into force the same day; TIAS Nos. 1649, 1650, and 1651, or 61 Stat. (pt. 2) 1757, 1915, and 2065. The United States was not a party to the Treaty of Peace with Finland.

³ Telegram No. 2849, September 16, from Moscow, not printed, reported that the Soviet press of that date carried a Tass statement mentioning that the defeated powers, Romania, Bulgaria, Hungary, and Finland, had deposited instruments of ratification the day before (740.0011 EW (Peace)/9-1647).

Despatch No. 1639, September 20, from Moscow, not printed, reported the receipt of formal notification by the Ministry of Foreign Affairs of the Soviet Union, dated September 18, of receipt of the instruments of ratification from Bulgaria, Hungary and Romania (740.0011 EW (Peace)/9-1647).

THE UNITED STATES PARTICIPATION IN DISCUSSIONS ON DISPOSITION OF THE FORMER ITALIAN COLONIES IN AFRICA

Editorial Note

According to Article 23 and Annex XI of the Treaty of Peace with Italy, signed in Paris on February 10, 1947 (Department of State Treaties and Other International Acts Series (TIAS) No. 1648), the United States, the United Kingdom, the Soviet Union, and France agreed that they would, within one year from the coming into force of the Treaty, jointly determine the final disposition of Italy's former territorial possessions in Africa. The Deputies of the Council of Foreign Ministers were to consider the question of the disposition of the former Italian colonies and to report their recommendations on the matter to the Council. In order to obtain factual information upon which to base their recommendations, the Deputies were to send to the former colonies commissions of investigation to examine conditions in the colonies and to determine the views of the local inhabitants. The documents that follow in this compilation relate to the convening of the meetings of the Deputies for the Former Italian Colonies, the establishment of the Commissions of Investigation, and the views of other interested governments and authorities on the procedure and nature of the final disposition of the territories.

For the documentation on the negotiation of the Treaty of Peace with Italy by the Council of Foreign Ministers at Paris, April-July 1946, and at New York, November-December 1946, as well as at the Paris Peace Conference, August-October 1946, see *Foreign Relations*, 1946, volumes II, III, and IV. For documentation on the signing, ratification, and deposit of ratification of the Treaty, see *ante*, pages 515 ff.

865.014/2-447

Memorandum by the Director of the Office of Near Eastern and African Affairs (Henderson) to the Counselor of the Department of State (Cohen) ¹

[WASHINGTON,] February 4, 1947.

The Italian Prime Minister, during his recent visit to this country,²

¹ The source text bears the handwritten marginal endorsement "I concur B. V. Cohen".

² Italian Prime Minister Alcide de Gasperi visited Washington during January 1947; for documentation regarding the visit, see pp. 835 ff.

left with the Department the attached undated, unheaded and unsigned document on the Italian colonial question.³

It will be noted that the Italians have requested participation in the commissions of investigation to be sent to the colonies in accordance with Annex XI of the Italian Treaty. Recent telegrams from Paris and London indicate that the Italians have also approached the French and British Governments with the same request. The French are reported to be favorable to the request, but the British are said to have informally told the Italians that they foresaw difficulties in any support for the Italian request, which would raise the question of representatives of other interested states accompanying the commissions.

We feel that we could not support the Italian request without granting similar privileges to all of the other interested parties. These would certainly include Ethiopia and Egypt and perhaps others, including the Arab League. (The British also mentioned Australia, South Africa and India.) Commissions of this size would be cumbersome and their work almost certainly hampered by the necessity of considering the claims and counterclaims of the representatives of the interested parties. The clear intent of Annex XI is to provide for impartial, fact finding commissions and the assignment of representatives (or even observers) of Italy, Ethiopia, Egypt, etc. would almost certainly not contribute to this end.

It is our suggestion, if you concur, that the Italians be advised informally that we consider that the second paragraph of Article XI contains ample assurance that their views (and those of other interested powers) concerning the final disposal of the colonies will be given full consideration by the Four Powers, without the necessity of Italian (or other) representatives accompanying the commissions of investigation.

LOY W. HENDERSON

³ Not printed.

865.014/1-1147: Telegram

The Secretary of State to the Embassy in Italy

SECRET

WASHINGTON, March 1, 1947—1 p. m.

297. Rome's 420 Feb 26; Paris' 131 Jan 11 and 820 Feb 22; and London's 438 Jan 21.¹ Dept does not deem it desirable for Italian

¹ None of the telegrams under reference here is printed; they dealt with the Italian Government's request that an Italian expert be authorized to go to Libya, Eritrea, and Somaliland and be heard by the Commission of Investigation to be sent to the former colonies. (865.014/1-1147, 2-2247, and 2-2647) A similar request was made by the Counselor of the Italian Embassy, Mario di Stefano, in a letter of February 18, 1947, to Loy W. Henderson, not printed (865.014/2-1847).

representative, observer or expert to accompany Quadripartite Commission of Investigation to be sent to Italian Colonies. However in view importance reconciling Italian Govt and Italian public opinion to any decision on ultimate disposition Colonies, we favor arrangement whereby Italians would be given opportunity consult with Commission, provided similar opportunity given such other interested states as Egypt and Ethiopia which also have immediate interest in problem.

During visit Dept Feb 28, Italian Amb raised with Secy question Italy presenting testimony to Commission. Amb was informed this Govt felt Italy should be afforded opportunity to present Commission with factual evidence considered essential to impartial study Italian claims. Manner and place of presentation not discussed. It was emphasized that any final answer regarding proposed procedure must be made by Deputies who must also extend any invitation to Italian Govt for consultation with Commission.²

Sent Rome as 297; Repeated London as 984, Paris as 807, Moscow as 351, Cairo as 284, and Addis Ababa as 26.

MARSHALL

² The Secretary of State's memorandum of this conversation with Ambassador Alberto Tarchiani, dated February 28, 1947, is not printed (711.65/2-2847). The substance of the views set forth in this paragraph were also transmitted by Loy W. Henderson in a letter to Italian Embassy Counselor di Stefano, dated March 7, 1947, not printed (865.014/2-1847).

865.014/2-1947 : Telegram

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

SECRET

WASHINGTON, March 5, 1947—3 p. m.

1041. Urtels 857 Feb 7, 1131 Feb 19, 1370 Feb 28, and 1434 Mar 4.¹ During informal conversation on Feb 15, British Embassy official was informed that Dept inclined to accept London as most suitable place for meetings of Deputies on Italian Colonial question. On further study, however, we thought Geneva might have following advantages: (1) neutral location would obviate criticism which might otherwise result from consideration this question in capital of occupying power; (2) Geneva is centrally located and on direct air route Cairo; and (3) if French or Soviets should object to London, Geneva would appear acceptable compromise.

On Feb 28, British Embassy informed us it had received instructions to transmit note to this Govt suggesting Deputies meeting take place London. Emb also stated FonOff had sent similar instructions Brit Embs Paris and Moscow. We requested Emb ask FonOff to with-

¹ None printed.

hold delivery of notes to three powers until we had opportunity to give matter further consideration in view possibility Dept might prefer Geneva.

On Mar 4, we called Brit Emb official into Dept. After acquainting him with our reasons for preferring Geneva as set forth above, we informed him that we would not oppose London as meeting place if British have strong objection to Geneva.

We also discussed following related questions:

(1) As soon as Brit have obtained agreement all four interested powers regarding headquarters Deputies, Dept will immediately take step designate Deputy and Commissioner and hopes other powers will do likewise. Dept considers first meeting Deputies should take place earliest convenient date thereafter in order formulate terms of reference for Commission of Investigation.

(2) Dept agrees with British viewpoint regarding advantages one Commission over two or more. It also agrees with desirability restricting size and duration Commission, but doubts that latter's work can be accomplished in less than six or eight months. In view comparatively short time which would remain for Deputies to agree on recommendation and for Foreign Ministers to arrive at final decision, Dept feels Deputies should be prepared to meet at stated times while Commission is in field. This procedure would give Deputies more time to hear views of other interested states, receive and consider reports of Commission as completed for each territory and discuss other factors entering into final recommendation.

(3) Dept is also anxious ascertain what informal approaches, if any, British have made to French and Soviets regarding meeting place of Deputies and any indications reactions those powers.

Please discuss foregoing with Jebb² FonOff and telegraph results.

Sent London as 1041; repeated Paris as 850; Moscow as 385; Rome as 316; Cairo as 299; and Addis Ababa as 29.

ACHESON

² Hubert Miles Gladwyn Jebb, Assistant Under-Secretary of State in the British Foreign Office; Superintending Under-Secretary, United Nations Department.

MEMORANDUM

His Majesty's Government in the United Kingdom consider that the Four Powers concerned should now take action to put into effect the

¹ Delivered to the Department of State on March 8, 1947.

provisions of the Italian Peace Treaty with regard to the disposal of the ex-Italian Colonies.

2. Under these provisions the Council of Foreign Ministers are to determine the final disposal of the Italian Colonies within one year of the coming into force of the Treaty and their Deputies are to continue consideration of the question, sending out Commissions of Investigation to any of the Colonies to obtain the necessary data and views of the local population.

3. The Council of Foreign Ministers agreed in New York that the Four Powers should nominate their representatives on the Commissions by the date of signature of the Treaty. His Majesty's Government in the United Kingdom have selected Mr. F. E. Stafford ² as their Commissioner for any territories visited, and would be glad to learn the name of the Commissioner selected by the Government of the United States.

4. His Majesty's Government in the United Kingdom consider that the Deputies of the Four Powers should meet at an early date to draw up the terms of reference of the Commissioners and to decide on the future programme generally. It would also no doubt be desirable for the Deputies to make arrangements for the hearings (after the Italian Treaty has come into force) of the other interested governments in accordance with Annex XI of the Treaty.

5. His Majesty's Government in the United Kingdom consider that in order not to add this question to the Moscow Agenda,³ where German and Austrian Affairs must have priority, it would be desirable for special Deputies to be appointed. They suggest that these Deputies should meet in London, in view of the fact that, with the exception of a part of Libya under French Military Administration, all the former Italian possessions in Africa are under British Administration, and the information required will be more readily available in London than elsewhere.

6. It will be appreciated that several months will be required to obtain the essential data of the nature indicated in the Treaty Annex on which the Deputies will base their recommendations to the Council of Foreign Ministers, and that it is therefore desirable that the preliminary meeting to set up the Commissions of Investigation should not be delayed.

² Brig. F. E. Stafford, Egyptian Department, British Foreign Office.

³ Reference to the agenda for the Fourth Session of the Council of Foreign Ministers, Moscow, March 10-April 24, 1947. For documentation regarding this Council session, see vol. II, Chapter II, pp. 139 ff.

7. His Majesty's Government in the United Kingdom will be glad to learn as soon as possible if the above suggestions are acceptable to the Government of the United States and if the latter could send a Special Deputy to London for discussions in the last week of March. His Majesty's Government in the United Kingdom would also be grateful to learn the name of the Special Deputy appointed. They are for their part appointing Mr. Gladwyn Jebb.

8. A communication in the foregoing terms has also been addressed to the French and Soviet Governments.

WASHINGTON, March 7th, 1947.

865.014/3-647: Telegram

*The Acting Secretary of State to the Embassy in Italy*¹

SECRET

WASHINGTON, March 11, 1947—6 p. m.

335. Only point regarding Italian Colonies on which Secretary gave Tarchiani assurances during conversation of Feb 28 was in connection Italian request representation Quadripartite Commission of Investigation. Secretary stated we favored arrangement whereby Italians would be given opportunity consult with commission, as reported Deptel 297 Mar 1.

Secretary stated further that he was not familiar with various proposals for disposition of colonies but hoped to find time to study them. No assurances, however, were given we would support Italian trusteeship over Italian Colonies, as reported in Rome press (Embtel 457 Mar 4²). In view this fact, Dept not only concerned about leak reported urtel 489 Mar 6,² but also with fact that alleged assurances regarding US support Italian trusteeship unfounded in fact.

In your discretion, you may draw this matter informally to attention Foreign Office and suggest that it take steps to correct false impression created in order to avoid raising false hopes Italian people.

ACHESON

¹ The substance of this telegram was sent in telegrams 42 to Addis Ababa, 441 to Cairo, 404 to Rome, 1281 to London, 1062 to Paris, and 621 to Moscow, March 22, none printed (865.014/3-1947).

Telegram 412, March 22, to Cairo, not printed, stated that the Department had received a joint telegram from three Tripolitanian political parties (El Kutla, El Watania, and El Horpa) protesting the alleged United States support for an Italian trusteeship over the Italian colonies. Embassy Cairo was instructed to be guided by telegram 411 in taking the necessary steps to correct erroneous reports in the press (865.014/3-1947).

² Not printed.

865.014/3-647 : Telegram

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

SECRET

WASHINGTON, March 18, 1947—11 a. m.

1206. Urtel 1493 Mar 6.¹ Dept has today answered ² Brit Emb memo dated Mar 7 containing suggestions for putting into effect provisions Italian Peace Treaty re disposal Italian Colonies.

Dept agreeable to preliminary meeting Deputies in London earliest feasible date to draw up terms of reference Commission of Investigation and formulate future program Deputies.

Ambassador Douglas ³ will be appointed Deputy if Soviets and French also agree to London as meeting place. John Utter ⁴ appointed Commissioner.

Dept would appreciate learning nature Soviet and French replies to Brit note.

Sent London as 1206; Rptd Paris as 1002; Moscow as 551; Rome as 370; Cairo as 371; Addis Ababa as 38.

ACHESON

¹ Not printed; it replied to telegram 1041, March 5, to London, p. 571, substantially the same as the British Embassy memorandum of March 7.

² Department of State memorandum to the British Embassy, March 18, 1947, not printed (740.0011 EW Peace/3-747).

³ Lewis W. Douglas, Ambassador in the United Kingdom.

⁴ Officer in the Division of African Affairs.

865.014/4-347 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State ¹

SECRET

LONDON, April 3, 1947—7 p. m.

2069. We are informed by Jebb that Foreign Office is still without reply from Moscow to suggestion deputies to consider Italian colonies meet London.² British pressing further Moscow for reply.

Incidentally, in strictest confidence, he said he was meeting Commonwealth High Commissioners today to lecture them on problems involved in disposition Italian colonies. Evatt ³ was continuing to be disagreeable and insisting that Australia be represented on commis-

¹ The Secretary of State was at this time in Moscow for the Fourth Session of the Council of Foreign Ministers, March 10–April 24, 1947.

² The French Government had earlier agreed to the British proposal for a preliminary meeting of the Deputies in London.

³ Herbert V. Evatt, Australian Minister for External Affairs and Attorney General.

sion. Evatt also resented what he termed the indignity to which Australia would be subjected in submitting its views to deputies, insisting Australia's views should be presented to Foreign Ministers.

British continue to resist this pressure for membership on commission but are taking the position that if he wishes to defer presenting Australia's views until Italian colonial question is reviewed by CFM, possibly a year hence, British have no objection. Jebb has previously indicated his belief that solution of Italian colonial problem will involve harmonizing multifarious conflicting political desires and conference with Commonwealth High Commissioners may represent active measures by British to obtain prior Commonwealth support for British desiderata.

Sent Dept 2069; repeated Moscow 166; repeated Paris 247; repeated Rome 46.

DOUGLAS

865C.01/4-447: Telegram

The Ambassador in Egypt (Tuck) to the Secretary of State

CONFIDENTIAL

CAIRO, April 4, 1947—noon.

414. As foreshadowed in mytel 368, March 26,¹ Secretary General of Arab League² handed me today a note relative to Libya with request it be forwarded Dept.³ Note declares that since it is expected Four-Power Delegation may be sent to ascertain wishes of Libyan people on future status, Secretary General wishes remind me he had informed Foreign Ministers of four great powers by identical cable June 11, 1946 that "the League being in virtue of its pact directly concerned with rights and future status of this Arab country and by dint of plenary powers expressly vested in them by Libyan people are positively interested in any decision concerning Libya and in particular in every inquiry to determine future status of that country and should consequently be represented on any delegation or commission of inquiry in event of such a procedure being adopted."⁴

Note states Sixth Session League Council⁵ confirmed Bloudan decision and that "Secretary General cannot help emphasizing in this connection the importance League attach to such a procedure particularly as it corresponds completely with declarations made by Arabs

¹ Not printed.

² Abdul Rahman Azzam Pasha.

³ The text of the note under reference, dated March 31, 1947, was transmitted to the Department as an enclosure to despatch 2404, April 5, 1947, from Cairo, neither printed (865C.01/4-547).

⁴ The decision quoted here was taken by the Arab League Council at an extraordinary session held in Bloudan, Syria, in June 1946.

⁵ The Arab League Council was in session in Cairo at this time.

of Tripolitania and Cyrenaica that they shall disregard any commission of inquiry on which League is not represented".

Full text by pouch, repeated London as 27.

TUCK

865.014/4-347 : Telegram

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

SECRET

WASHINGTON, April 22, 1947—8 p. m.

1762. Urtel 2069, Apr 3. *Aide-mémoire* of April 10 from Australian Embassy¹ sets forth Australia's desire to participate actively in disposal Italian Colonies. Specific requests made for Australia to (1) discuss with Deputies terms of reference and composition Commission of Investigation (2) participate in actual work Commission as member (3) receive Commission's report in sufficient time to express its views. Furthermore, Australia sought inclusion all interested Govts on Commission, and hearing for Australia before CFM.

Dept has informed Emb it favors affording all interested Govts, including Australia, every opportunity present views to Deputies, and, in appropriate instances, would not object to hearings before CFM. Dept stated, however, that it considers such Govts, with perhaps exception those having direct territorial claims, should deal directly with Deputies rather than Commission on all points raised. Dept opposed participation other interested Govts in work of Commission and pointed out that this body was intended to be quadripartite and would be unworkable if other Govts included. It would not object to Deputies receiving suggestions concerning terms of reference and composition conference from nor oppose furnishing Commission's reports to other interested Govts.

Emb was assured this Govt favored giving every proper consideration to views Australian Govt on final disposal Italian Colonies.²

ACHESON

¹ Not printed.

² The views of the United States described here were conveyed to Australian Minister Alfred Sterling by Acting Secretary Acheson during a conversation on April 10 and in a Department of State *aide-mémoire* to the Australian Embassy, dated April 21, 1947, not printed (740.00119 Council/4-1047).

865C.01/5-347

Memorandum of Conversation, by Mr. John E. Utter of the Division of African Affairs

CONFIDENTIAL

[WASHINGTON,] May 3, 1947.

While in New York on a week-end visit, I had an opportunity to renew friendly relations with Azzam Pasha, Secretary General of the

Arab League, at present in that City for the United Nations Assembly session on Palestine,¹ when I called at his apartment at the Essex House late on Saturday² afternoon.

As I entered, Azzam was listening to the speech of Mr. Gromyko³ before the United Nations Assembly defending the hearing of the Jewish Agency before that body. At the end, Azzam remarked that the Soviets were trying to back two horses. He commented with approval on Mr. Austin's⁴ previous declaration on the subject and went on to expatiate on the Anti-Communist position of Egypt. According to him, the Egyptian Government wishes no trucking with Communism and rather fancies itself as the bulwark in the Middle East against Soviet expansion. Azzam hoped that an early solution to the Anglo-Egyptian problem would be found and when the question was placed before the United Nations, that the United States would play the role of mediator between the United Kingdom and Egypt. He again repeated to me his desire to see relations between these two countries on a friendly and equal basis and an alliance formed which would also include the United States. Azzam has on previous occasions, talked of a Middle East regional group of Arab states under the United Nations which would include Great Britain because of its extensive interests in that area.

LIBYA

PARTICIPATION IN COMMISSION OF INVESTIGATION

I then brought up the question of the Italian Colonies and Libya in particular, by referring to the note of March 31, 1947 presented by the Secretary General of the League of Arab States to the United States Ambassador in Cairo.⁵ This note referred to the extraordinary session of the League at Bloudan and to identical cables addressed on June 11, 1946 to each of the Foreign Ministers of the four Big Powers stating the League's concern with the rights and future status of Libya, and referring to "plenary powers expressly vested in them (the Arab League) by the Libyan people". Participation in the Commission of Investigation to be sent to that territory by the Deputies of the Foreign Ministers was requested. The note even went so far as to cite a declaration of the Arabs of Tripolitania and Cyrenaica "that they shall disregard any commission of inquiry on which the League is not represented".

¹ For documentation on the interest of the United States in the Palestine question in 1947, see vol. v, p. 999 ff.

² May 1, 1947.

³ Andrey Andreyevich Gromyko, Soviet Representative to the United Nations General Assembly.

⁴ Warren R. Austin, United States Representative to the United Nations.

⁵ See telegram 414, April 4, from Cairo, p. 576.

Azzam did not make quite clear on what basis "plenary powers" were vested in the League by the Libyan people, although I gathered that this originated from the request of supposedly representative leaders of the territory. My main concern was to let Azzam know in an informal and friendly way that we could not favor Arab League participation in the Commission of Investigation. I cited the position that this Government had taken when approached by Italy with a similar request, namely that we would support a procedure whereby governments having direct territorial claims, such as Italy, Egypt and Ethiopia, could present their views and data before the Commission as well as before the Deputies, but would oppose such governments taking an active part in the Commission. As for political groups in Libya disregarding any commission on which the Arab League is not represented, I chided Azzam on such a dog in the manger attitude. The Libyans themselves would be the only losers if they failed to cooperate. He agreed, and said that these people were prompted by the fear that they would not be able to express themselves openly without incurring reprisals from the local governments. Unless there were someone on the Commission who could defend their interests before the world, in case they were coerced either during or subsequent to the visit of the Commission, they might be reluctant to state their views and wishes frankly. I assured Azzam that the vigilant presence of the Arab League should not be necessary. In the first place the British Military Administration was not a Fascist government, ready to pounce on any individual who might express an idea contrary to the Administration's views. Secondly it was my understanding that the representatives of the Four Powers should hear the views of the inhabitants jointly and coercion of any sort would scarcely be tolerated. Publicity would certainly be given to any such coercion if known or reported.

When Azzam inquired whether a representative of the Arab League would be heard by the Deputies, I informed him that this could be done only with the consent of the four Deputies, and it seemed to me doubtful that this could be obtained. The Arab League was not a recognized government, but could as an alternative have one of its member states, an "interested government" act as its spokesman. In that case, Azzam remarked that he could be named by the Egyptian Government as its representative. Due to his knowledge of Libya and close contact with the territory over the last thirty odd years, he considers that he is the most competent Arab to present the Arab point of view with respect to Libya.

FUTURE OF LIBYA

While admitting the unrealistic thesis of immediate independence for Libya, Azzam none the less starts from this point, not only because

it is the watchword of the Arab League, but also because the inhabitants of Libya themselves have proclaimed their wish to be free. Next to independence he believes that the Libyans would favor being attached to Egypt. Azzam proceeded to discourse at length on the political, ethnical, religious and economic ties between Egypt and Libya. He stated that there are some six hundred thousand people of Libyan origin who have settled in Egypt over the last 150 years, and the figure could go as high as two million if the migrations of several centuries were taken into account. These people are still closely linked to the tribes in Cyrenaica and Tripolitania. Egypt is a natural market for the cattle, wool, and oil produced in Libya, and it has been customary from time immemorial for the Libyans to drive their herds to the markets in Egypt. I told Azzam that we would be very glad to receive full and authoritative data on the subject of inter-relationship of tribes in Libya and Egypt, and he promised to substantiate his arguments by furnishing facts and figures.

The third possibility for the future of Libya acceptable to the local population might be a United Nations Trusteeship, thoroughly international in character. It should, to be popular, include technicians from Arab states. Egypt, Lebanon and others would be in a position to furnish teachers, doctors, etc.

Finally, Azzam asked if the United States would not be willing to take over the trusteeship. Might this not be a furtherance of the present policy of the United States in the Mediterranean? Azzam said that the Arabs would welcome the United States for they would know that the latter would have the money, specialists and ability to develop the country toward self-sufficiency and the people to self-government. While admitting what he said, I expressed my doubts as to any support of such a proposition in this country.

DIVISION OF LIBYA

Azzam Pasha believes that Libya should not be divided. It might well be a federation and separated into two administrative units, with Cyrenaica under Sayid Idris as Amir, and Tripolitania under its own leaders. Azzam declared himself to be in agreement with Sayid Idris despite reports to the contrary from British sources. Here again, however, the link with Egypt was brought up. Azzam feels that Sayid Idris as well as all of the Senussi confraternity would prefer being under a Moslem rather than under a Christian crown (the British). Under such an arrangement, Azzam still feels that Great Britain could obtain bases in Cyrenaica.

POLITICAL PARTIES

In Tripoli there has been a considerable evolution in the political picture. As I suspected, the solidarity fostered in May 1946 (Discussion

of Council of Foreign Ministers) by the danger of that country's being returned to Italian rule has faded. No longer does the United Tripolitanian Front act in unison. Azzam explained that now the factions had broken up into Watania, Kubla, Tripolitanian-Egyptian Union, etc. To realize some sort of unity in the face of the coming investigation of the wishes of the inhabitants, Azzam told me that he had formed a Committee for the Liberation of Libya, representative of all political elements in Libya. As reports from Cairo from British sources have indicated that this Committee was neither representative nor composed of men of political stature, I inquired who were in this group. The following among others were named by Azzam:

Mahmud Bey Muntasser, wealthy land owner, wielding great political influence over untutored Arabs in large areas.

Taher Bey el Morayed, merchant, educated in French Lycée in Cairo.

Ali Regeb, Sheik.

Bechir Saadowi, Tripolitanian Minister to Ibn Saud.

Garagni, also with Ibn Saud.

These are important men but, of course, may be only the cream of the Committee of Liberation. Through this group Azzam hopes to influence the thinking of the Libyans and their answers to the Commission of Investigation. He declares that his only concern is for the future welfare of the Libyan people and would appreciate advice of any kind from us which could help them.

DISCUSSIONS BETWEEN ITALIAN GOVERNMENT AND ARAB LEAGUE

To my surprise, Azzam informed me that exploratory conversations on Libya had been held between an emissary of Nenni,⁶ when he was Italian Minister of Foreign Affairs, and himself. According to him, the Italian Government was prepared to relinquish any political claim over Libya, provided that Italian nationals residing in that territory were given equal rights and allowed to participate in the administration. The Arab League's attitude is entirely sympathetic to the principle, and took the position that such Italians could and should become Tripolitanian citizens, just as they adopt the nationality of other states in which they settle. The small Italian farmers in Libya were already appreciated and were closely akin to the Arabs. Azzam believes that the Italians are eager to resume friendly relations with the Arab states and was hopeful that something might be worked out with Sforza,⁷ who, he states, is following the same policy as Nenni in this matter. I pointed out that if the Italians through some understanding with the Arabs were willing to renounce political aspirations in Libya in any

⁶ Pietro Nenni, Italian Foreign Minister, October 1946–February 1947.

⁷ Count Carlo Sforza, Italian Foreign Minister from February 1947.

form whatsoever, the French might automatically be faced with the necessity of withdrawing their proposal to place this territory under Italian trusteeship.

ERITREA

When asked whether the Arab League was interesting itself in the fate of Eritrea, Azzam admitted interest though lukewarm in comparison to that shown in Libya. He knew of the formation of the Moslem League in Asmara and said that the Arab League had received petitions for support from this group. Azzam was most vehement in criticizing Ethiopian Government administration, and expressed the hope that guarantees would be demanded from Ethiopia if any part of Eritrea were given to that state. He even went so far as to say that the Eritreans would probably be better off under the Italians than subjected to the reactionary and benighted rule of Addis Ababa. Azzam did, however, feel that Ethiopia should be given an outlet to the sea.

Azzam mentioned the pleasant and interesting talk he had had with Mr. Loy Henderson, and said that he was planning to come to Washington after the present session of the United Nations Assembly. He looked forward to meeting officers in the State Department and to becoming acquainted with the capital of the United States. He also remarked when I was about to leave that he would like to discuss the French North African situation with me, and assured me that he had been counseling patience to the Arabs there as the time was not yet ripe for action and open rebellion could only be deplored and would certainly end in failure and oppression for the North African Arabs. The Arab League, he said, had communicated with the French Government regarding the North African countries under French administration but as yet had received no reply.

Editorial Note

In a statement released to the press on May 29, 1947, the Department of State announced that it had been informed that the Soviet Government had agreed to the British proposal for a meeting of the Deputies of the Council of Foreign Ministers in London to consider the disposition of the Italian colonies. The Department's statement further explained that it was the view of the United States Government that the Deputies should not discuss the actual disposition of the Italian colonies at this preliminary session, but should confine themselves to such procedural matters as the establishment of the Commis-

sion of Investigation. For the text of the Department's statement, see Department of State *Bulletin*, June 8, 1947, page 1129.

The British Government proposed and the United States and French Governments had agreed that the first meeting of the Deputies for the Former Italian Colonies should be held in London on June 6, 1947. The Secretary of State designated Ambassador Lewis W. Douglas as his Deputy at these meetings and named John E. Utter, Division of African Affairs, and Foreign Service Officer Philip H. Bagby as advisers to the Ambassador in the forthcoming negotiations. On June 2, the Soviet Government informed the British that it was not prepared to participate in meetings of the Deputies until the coming into force of the Peace Treaty with Italy. Despite the Soviet attitude, Utter and Bagby proceeded to London to carry on consultations preparatory to the meetings of the Deputies.

865.014/5-2947

Memorandum by the Assistant Secretary of State for Occupied Areas (Hilldring) to the State-War-Navy Coordinating Committee

SECRET

[WASHINGTON,] May 29, 1947.

Subject: Request of Views of Joint Chiefs of Staff on the Disposition of the Italian Colonies.

According to Article 23 of the Peace Treaty with Italy, the final disposal of the Italian territorial possessions in Africa, i.e. Libya, Eritrea and Italian Somaliland shall be determined jointly by the Governments of the Soviet Union, of the United Kingdom, of the United States of America, and of France within one year from the coming into force of the present treaty. Under the terms of Annex XI of the treaty, a Commission of Investigation, composed of representatives of the four powers mentioned above, is to be sent to the Italian Colonies for the purpose of consulting the wishes of the local inhabitants and of supplying the Deputies with the data necessary to enable the Foreign Ministers to arrive at a decision regarding the future disposition of these areas. In making their recommendations to the Foreign Ministers, the Deputies will take into consideration not only the wishes and welfare of the inhabitants but also the interests of peace and security, as well as the views of other interested governments.

The Deputies may soon resume the consideration of the question, and it is therefore imperative that the United States formulate a general policy which may guide its Deputy during the period of negotiation.

Briefly, the United States Government has advocated trusteeship with the United Nations as the administering authority for these territories, and independence to be granted to Libya and Eritrea at the end of ten years. At the present time, however, the Department is contemplating modification of the ten-year provision for Libya, so as to allow for a longer period of trusteeship, if deemed desirable, as a result of the Commission's findings. Alternative plans for the disposition of Eritrea are also being discussed as there is increasing doubt that this territory can become a viable state within the foreseeable future. This government has also favored a territorial cession of southeastern Eritrea giving Ethiopia access to the sea through Assab.

Although the Department is not informed of the present position, France has not previously wavered in its proposal to place the Italian Colonies under Italian Trusteeship. France has opposed any suggestion that the Colonies be granted independence, even after a period of trusteeship.

On April 29, 1946 the Soviet Union abandoned its demand for an individual trusteeship over Tripolitania, and in May 1946 supported the French proposal. At the present time the views of the U.S.S.R. on the subject of the Colonies are unknown.

While Great Britain has been sympathetic to International Trusteeship, it has not concealed its concern over the future of Cyrenaica. Reference has frequently been made by the British to their pledge to the Senussi, that these Cyrenaicans would never again be placed under Italian rule. Great Britain has also indicated an interest in Cyrenaica from a strategic point of view. It is likewise obvious that the disposition of Italian Somaliland is of great concern to the United Kingdom in view of that territory's contiguity to the British East African possessions, which may play an important role in future military plans of the United Kingdom, once the British Army has evacuated Egypt. The British have indicated their sympathy for Ethiopian aspirations in Eritrea.

This memorandum is submitted for the purpose of ascertaining the views of the Joint Chiefs of Staff on the Military implications involved in the disposal of the Italian Colonies, with particular reference to the British requirements for bases in Cyrenaica and perhaps in Italian Somaliland.

JOHN H. HILDRING

CFM Files : Lot M-88 : Box 111 : IC Files

*Position Paper Prepared in the Department of State*¹

CONFIDENTIAL

[WASHINGTON,] June 2, 1947.

U.S. POSITION ON PROCEDURAL MATTERS AT THE FORTHCOMING MEETING
OF SPECIAL DEPUTIES ON DISPOSAL OF ITALIAN COLONIES

THE PROBLEM

The problem is to determine the position which the United States should take in the meeting of the Deputies to be held shortly in London for planning the study of the disposition of the Italian Colonies and for establishing a Commission of Investigation to be sent to those Colonies. According to the terms of Annex XI of the Peace Treaty with Italy, the Deputies shall continue the consideration of the question of the disposal of the former Italian Colonies with a view to submitting to the Council of Foreign Ministers their recommendations in this matter. They shall also send out commissions of investigation to any of the former Italian Colonies in order to supply the Deputies with the necessary data on this question and to ascertain the views of the local population. (See Annex A²)

The preliminary meeting of the Deputies to determine the organization and terms of reference of the Commission, as well as the future program of the Deputies, is presently scheduled for June 6, 1947.

RECOMMENDATIONS

1. There should be one Commission of Investigation to visit all the Italian Colonies. Representation on the Commission should be limited to the Four Powers primarily concerned and each Power should be represented by one Commissioner, two but not more than four Advisers, and necessary secretarial assistance. A central secretariat and all arrangements for travel and accommodation in the Colonies should be provided by the British Government, the cost to be divided on a

¹ Copies of this position paper were taken to London by John Utter and Philip Bagby, advisers to Ambassador Douglas on the disposition of the Italian colonies. The paper was used during discussions with the British and French on the preparation of an agreed set of positions on questions likely to arise at the forthcoming meetings of the Deputies for the Former Italian Colonies. American and British representatives reached general agreement on these questions at the end of September 1947, but all matters became subject to four-power negotiation at the meetings of the Deputies which opened on October 3, 1947.

² The Annex, not printed, contained the texts of Article 23 and Annex XI of the Peace Treaty with Italy. For the full text of the Treaty, see TIAS No. 1648.

pro rata basis among the four Governments. The Deputies should request the British and French Governments to communicate with the appropriate authorities of the Italian Colonies in order to facilitate the work of the Commission of Investigation in those territories.

2. The terms of reference of the Commission should be as follows:

A. The Commission, which shall establish its own itinerary, shall have authority to conduct its investigation in Libya, Eritrea and Italian Somaliland in order to examine political, economic and social conditions as they bear upon the problem. Special attention shall be paid to the wishes and welfare of the inhabitants of the Colonies as well as to the interests of peace and security.

The Commission is not authorized to investigate any matter outside the boundaries of the Colonies, except under instructions from the Deputies, who will obtain permission from the Government or Governments concerned.

The views of other interested Governments, as expressed to the Deputies, shall be taken into consideration; the Commission shall be empowered to hear the views of Italy, Egypt, and Ethiopia, and to receive from the representatives of these countries factual evidence bearing on the problem. These representatives may be heard by the Commission in London and, if requested, in one specified place in each of the three Colonies.

B. The Commission shall proceed to the area not later than (date) and shall submit to the Deputies of the Foreign Ministers on or before (date) (N.B. The date to be inserted here should in no case exceed seven months from the coming into force of the Treaty.) reports of the facts disclosed by the investigation. There shall be three separate reports, i.e. one on Libya, one on Eritrea and one on Italian Somaliland. These reports shall include recommendations, it being understood, however, that such recommendations shall not be binding on the Deputies. Separate reports may be submitted, if requested by the Deputies, after the visit to each territory.

The Commission shall, if it deems it advisable or if requested by the Deputies, make special reports to the Deputies.

C. The Commission shall have authority to call upon the Governments, officials and inhabitants of those territories, and to consider the views of competent witnesses, irrespective of nationality, as well as to call upon such other sources as the Deputies may deem necessary, for information relevant to its investigation.

3. As soon as the Peace Treaty has come into force, and while the Commission is visiting the Colonies, the Deputies should hear the views of the other interested Governments. If this work is completed before submission of the Commission's report, the Deputies should adjourn.

4. The term "other interested Governments" should be defined as those Governments having territorial claims in the Colonies, such as Italy, Egypt, and Ethiopia, or those who participated actively in the

war in Africa on the side of the Allies. It is believed that these might include Australia, South Africa, New Zealand, India, Pakistan, Greece, Ethiopia, Belgium, Poland, and Czechoslovakia, but there should be prior consultation with the British in London to determine whether the armed forces of all of these states actually participated actively in the war in Africa.

5. The following general procedure should govern the participation of other interested Governments in the discussion of the disposal of the Colonies:

A. Ordinarily the views of such Governments should be presented to the Deputies.

B. In exceptional and appropriate instances, however, they should be permitted to present their views to the Council of Foreign Ministers, but every endeavor should be made to keep such consultation to a minimum.

C. The other interested Governments should not be permitted to participate in the work of the Commission of Investigation. Moreover, only Italy, Egypt, and Ethiopia should be heard by the Commission. (See Section 2A)

D. The other interested Governments, if they so desire, should be given the opportunity to submit to the Deputies their suggestions on the terms of reference and the composition of the Commission.

E. The reports of the Commission should be made available to the other interested Governments immediately on completion in order to enable those Governments to express their views thereon.

6. There should be no discussions regarding the final disposal of the Colonies until the report of the Commission has been received. When the report is received, the Deputies should proceed to discuss the disposition of the Colonies. Whenever agreement is reached or, if no agreement is reached, ten months after the coming into force of the Peace Treaty, recommendations or the questions at issue should be referred to the Foreign Ministers, unless the latter instruct the Deputies to continue the consideration of the problem.

7. These issues can be taken up at any meeting of the Foreign Ministers which may take place between ten months and twelve months after the coming into force of the Italian Peace Treaty, or, if necessary, at a special meeting.

8. The Deputies should always meet in London except when their presence may be required elsewhere by the Foreign Ministers.

DISCUSSION

Commission of Investigation.

Annex XI of the Treaty of Peace with Italy states that "commissions of investigation" shall be sent to the former Italian Colonies. It

would appear desirable to restrict the number of commissions to one for the following reasons:

1. The cost and the amount of personnel required to accomplish the Commission's task would be materially reduced.
2. The experience which the Commission would gain in one area would be of assistance to it in the other areas.
3. The weight given to facts and conclusions would be uniform for all three territories.
4. Both the British and the French have indicated their preference for one commission.

It is also thought that the representation of each country on the Commission should be restricted in number to one Commissioner and not more than four Advisers. The British have indicated that the problem of accommodation and transportation of the personnel on the Commission will be difficult and complicated. It is therefore felt that the Commission should be restricted as much as may be consistent with the effective discharge of its task.

Questions may arise from time to time involving territories neighboring on the Colonies. For example, several of the border areas are indefinite and, in other cases, contiguous states have requested border rectifications. It may prove desirable for the Commission to visit these border areas and to enter the territory of contiguous states in order to complete their knowledge of the problem. It is therefore felt that the Deputies should be empowered to obtain the permission of contiguous states for visits of the Commission to such border areas.

Due to the enormous distances which the Commission must cover and the complexity of the problems involved, it is believed that the Commission should be given as much time as possible, consistent with the time limitation of one year imposed by the Treaty, to undertake its investigations. A period of seven months has, therefore, been recommended as reasonable, inasmuch as the Commission must visit three widely separated areas, hear the views of interested governments having territorial claims in these areas, and write final reports for submission to the Deputies.

Although Annex XI appears only to envisage the Commission as a fact-finding body, it is felt that the Commission should submit recommendations to the Deputies in order that the maximum benefit may be obtained from its investigations. These recommendations would be based primarily on the Commission's findings in the territories and would not bind the Deputies, who, in framing their recommendations, would, therefore, be free to take into account other pertinent data.

To provide for a possible eventuality whereby the Commission might be unable to agree on a report covering all three Colonies, it is considered preferable for the Commission to submit a separate report on

each of the three Colonies. In this way possible disagreement regarding one area would not prevent or delay the forwarding of the views of the Commission regarding the other areas.

Other Interested Governments.

Due to the limited time (three months) allotted to the Deputies for their consideration of the actual disposal of the Colonies, it would be advantageous for them to hear the views of other interested governments while the Commission is in the field. This procedure should not, however, prevent other interested Governments from subsequently submitting additional views after they had had an opportunity to study the reports of the Commission of Investigation.

It is felt that the term "other interested Governments", which appears in Annex XI, should be given as restricted an interpretation as possible. This end can be accomplished by defining such Governments as those which have territorial claims on the Colonies or those which actively participated in the war in Africa.

This Government is already committed to support the procedure outlined in Section 5 of the Recommendations regarding the participation of other interested Governments in the discussion of the disposal of the Colonies. These commitments have been made in exchanges of communications with the Australian, Italian, and Egyptian Governments. These exchanges of notes constitute Annexes B-F, inclusive.³

Recommendations of the Deputies.

In order that the Deputies may give fullest consideration to the findings of the Commission of Investigation, it would be preferable for them not to discuss substantive matters involving the actual disposal of the Colonies until the Commission's reports have been received. A further benefit from this procedure would be that the representatives of each country on the Commission would be available in London as advisers to each of the Deputies.

Assuming that the Commission is allotted seven months in which to conduct its investigations and complete its reports, the most equitable distribution of the remaining five months would appear to be three months for the Deputies to form their recommendations and two months for the Council of Foreign Ministers to make its decision.

³ Annexes B and C were the texts of the Australian Embassy *aide-mémoire* of April 10, 1947, and the Department's reply of April 21, described in telegram 1762, April 22, to London, p. 577. Annexes D and E were the texts of the Italian Embassy Counselor's letter of February 18, 1947, and Loy Henderson's reply of March 7, described in footnotes 1 and 2 to telegram 297, March 1, to Rome, p. 570. Annex F was the text of the memorandum of July 25, 1946, from the Department of State to the Egyptian Legation, not printed, suggesting that the Egyptian Government might wish to make known to the Deputies of the Council of Foreign Ministers its desire to submit its views to any Commission sent to former Italian Colonies (740.00119 Council/7-2546).

865.014/6-1747: Telegram

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

SECRET

LONDON, June 17, 1947—1 p. m.

3300. Itcol 6 from Bagby. Stafford informs me that although the British do not wish to take a definite position on the disposition of the Italian Colonies until commission has submitted its report, their thinking has undergone some evolution with regard to Somalia. They have abandoned the idea of Greater Somalia, due to lack of enthusiasm with which their proposal was greeted in the CFM and the impossibility of inducing Ethiopia to cede the Ogaden.¹ They still believe that British trusteeship would be the best solution and would advocate a rectification of the Ethiopian frontier so that it would follow the boundaries of tribal areas. They believe they can obtain Ethiopian consent to this latter.

They are still thinking of a division of Eritrea between the Sudan and Ethiopia without trusteeship, which they feel would be too complicated for so small an area. He has not yet mentioned British opinions about Libya.

Sent to Dept as 3300, repeated Paris as 333 for Utter. [Bagby.]

GALLMAN

¹ Telegram 3419, Itcol 10, June 23, from London, added the following comment on this matter:

"British are still interested in British trusteeship over Italian Somaliland but abandoned idea of joining British Somaliland and the Ogaden with it in a larger trust territory. We now learn that the British Treasury may oppose British trusteeship even over smaller area because of expense." (865.014/6-2347)

865.014/6-2747: Telegram

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

SECRET

LONDON, June 27, 1947—6 p. m.

3549. Itcol 17 from Utter and Bagby. Reference Itcol 2.¹ As we had heard nothing from the Soviets since the Ambassador's call on Za-

¹ Telegram 3185, Itcol 2, June 10, from London, read in part as follows:

"FonOff informed Embassy that [British Secretary of State for Foreign Affairs Ernest] Bevin will see Soviet Ambassador [Georgiy Nikolayevich] Zaroubin today to propose informal discussions and exchange of views between British and Soviets on subject of commission of investigation for Italian colonies preliminary to Deputies meeting. The Ambassador [Douglas], before leaving for weeks visit in Germany, called on Zaroubin this morning and made similar suggestions, explaining that Utter and Bagby are here [and] would welcome exploratory conversations on subject. Zaroubin promised to give matter favorable consideration and said that his Counsellor [of Embassy Georgiy Filippovich] Saksin would get in touch with Utter and Bagby. Similar overtures will be made to the French. Such bilateral conversations should expedite subsequent formal negotiations of Deputies." (865.014/6-1047)

roubin we called on Saksin today. It turned out that he was in charge here during Zaroubin's absence in Paris. (As far as we can find out, the latter has not yet made his proposed visit to Moscow.) We referred to the Ambassador's and Bevin's conversations with Zaroubin and explained that we were anxious to begin preliminary talks with the Soviets in order to save time when the Deputies actually met and so enable the commission to have more time in which to do its job thoroughly.

We added that we were having such talks with the British and had made similar overtures to the French. Saksin confessed that he was completely uninformed on the question and that he had not understood that any agreement had been reached between the Ambassador and Zaroubin about preliminary talks. He welcomed our visit, however, since it would enable him to learn more about the question.

We then showed him the Dept's procedural paper and explained the various questions which would have to be decided before the commission could depart. Saksin showed considerable interest in the problems of the size of the commission and its itinerary and finally said that he would recommend to Moscow that one or more specialists be sent to London at the present time so that they could familiarize themselves with the problems involved and perhaps reach some preliminary understandings through bilateral talks. We took this occasion to suggest that it would be useful if Moscow could send the Soviet Commissioner designated for this purpose.

We were struck with Saksin's cordiality and the frankness with which he confessed his ignorance and we suspect that the delays caused by the Russians in this instance are due more to their lack of understanding of the problem than to any ulterior motive.

[Utter and Bagby]

DOUGLAS

865.014/7-347 : Telegram

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

SECRET

LONDON, July 3, 1947—5 p. m.

3648. Itcol 18 from Utter and Bagby. Stafford has told us in confidence that the British General Staff still feels that British bases in Cyrenaica are absolutely essential to their strategy in the eastern Mediterranean since British troops will have to be withdrawn from Egypt and very possibly also from Palestine. Foreign Office has tried to persuade the General Staff to alter this position, but without success. While Stafford made no definite statement, it appears likely that the British may still seek trusteeship over Cyrenaica. Stafford seems

disposed to discourage unrealistic demands for independence by the inhabitants and if this line is accepted by Foreign Office and pushed to its logical conclusion, it would rule out the alternative solution, often mentioned by the British, of an independent Cyrenaica, bound to Britain by treaty of alliance as in the case of Transjordan. Please inform Colonel Bonesteel.¹

Stafford also said that Bevin had considered proposing, as a compromise to possible renewed Soviet request for trusteeship over Tripolitania, to place Tripoli and the adjoining coastal areas under an international regime similar to that of Tangier, but had been dissuaded by Foreign Office elements who thought such a regime would be impractical and give too great a voice to Soviets. At present Foreign Office is indifferent to the fate of Tripolitania except that they wish to exclude Russians and believe that the Italians could only be reinstated after much bloodshed.

[Utter and Bagby]

DOUGLAS

¹ Lt. Col. Charles H. Bonesteel, 3d, previously of the Plans and Operations Division, War Department General Staff, in July 1947 was appointed a special assistant to Under Secretary of State Robert A. Lovett.

865.014/7-847

*Memorandum from the State-War-Navy Coordinating Committee to
the Department of State*

TOP SECRET

WASHINGTON, 8 July 1947.

SWN-5543

Subject: Disposition of the Italian Colonies

Reference: SWN-5436¹

In response to a request from the Department of State forwarded by the State-War-Navy Coordinating Committee in the above reference, the following has been received from the Joint Chiefs of Staff:

"The Joint Chiefs of Staff have considered a memorandum from the State-War-Navy Coordinating Committee dated 2 June 1947 requesting their views on the military implications involved in the disposal of the Italian colonies with particular reference to the British requirements for bases.

"It is in the interest of United States security to prevent any potentially hostile power from obtaining a firm hold in the Middle East and/or Mediterranean areas. Unfortunate and potentially catastrophic

¹ Memorandum of June 2, 1947 from the State-War-Navy Coordinating Committee to the Joint Chiefs of Staff transmitting the text of the memorandum of May 29 from Assistant Secretary of State Hildring to the State-War-Navy Coordinating Committee, p. 583.

though it is, the USSR is our ideological enemy and our most probable enemy should war occur. Further, the USSR, militarily the strongest power in the world today with the exception of the United States, is engaged in improving its strategic position and increasing its military potential by attaching to itself states, peoples and areas to which it has no legitimate claim and to the great military disadvantage of the United States and our potential allies. The United States is now attempting to check this unwarranted expansion of Soviet control. Therefore, it would be contrary to announced United States policy and to United States military interests to accept any disposition of the Italian colonies which gave the USSR either unilateral or joint control of any of the colonies in question, even though this control were obtained in the guise of trusteeship under the United Nations.

"The objections to unilateral Soviet control are too obvious to warrant discussion. The objections to joint control stem from our previous experiences in Germany, Austria, Hungary, Rumania and Bulgaria where the Soviets have not hesitated to negate almost completely the effects of United States participation in joint control by means immoral, contrary to previous agreements with the United States and disadvantageous to the state concerned. If allowed to participate in joint control of any of the Italian colonies, the Soviets would be most likely to employ like tactics to gain for themselves complete control in all but the legalistic sense.

"The Soviets could exercise effective control of any of the colonies if a satellite or a non-satellite communist government were granted control. It would, therefore, be militarily disadvantageous to the United States to allow Italy to resume control of any or all of her colonies unless it had previously become clear that the future government of Italy will be non-communist and affiliated with the Western Democracies. This consideration is over and above the consideration of whether Italy would be able to maintain peace in the colonies, which, in view of the armed forces granted her by the treaty of peace, appears doubtful unless appropriate increases in her armed forces were authorized. In view of the strong ties existing between the various states of the Arab world, armed conflict between Italian forces and Arab forces native to the Italian colonies would threaten world peace.

"The Joint Chiefs of Staff consider Great Britain and her Empire to be our most probable and most important allies, in the event of war with the USSR. A firm hold in the Middle East and Eastern Mediterranean is one of the basic tenets of British strategic policy. Facilities must, therefore, at all times be available somewhere in the area Palestine-Egypt-Cyrenaica which will enable United Kingdom sea, land and air forces to operate effectively in the Middle East and Eastern Mediterranean. The future of Palestine is obscure. The revision of the 1936 treaty between Great Britain and Egypt is deadlocked. Cyrenaica is, therefore, more important than ever for the successful implementation of British strategic policy.

"However, there is doubt that the British can, within the next ten years, deploy sufficient land, sea and air forces in the area to insure, with a reasonable degree of certainty, adequate protection of Anglo-American strategic interests in the Middle East and the Eastern Mediterranean. In spite of this and in view of the great strategic importance

of this area to the United States and to the United Kingdom, retention of British forces in the area is, from the security point of view, the least objectionable alternative to

"a. Joint United States-United Kingdom responsibility for the military security of the area, or

"b. Assumption by the United States of unilateral responsibility for the military security of the area."

For the State-War-Navy Coordinating Committee:

W. A. SCHULGEN

Acting Secretary

865.014/7-1047: Telegram

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

SECRET

LONDON, July 10, 1947—6 p. m.

3790. Itcol 21. Bonneau,¹ of the French Foreign Office, arrived as planned on July 8 (see Itcol 20²) and after spending the afternoon in discussions with British, dined with us. He returned to Paris morning July 9.

He informed us that French commissioner will be Etienne Burin des Rozières, a career diplomat at present in Vienna³ who speaks excellent English. He is personally known to Utter and should prove most cooperative. Their secretary of delegation will be Féquant⁴ who is familiar with CFM work. Bedbeder will continue to be their number two. Their delegation will probably not exceed five and will be completed by the addition of a French-Russian interpreter and a stenographer.

Bonneau said that he had asked one of the Counselors of Soviet Embassy in Paris to call on him about ten days ago and had explained to him in detail the desirability of having preliminary talks about procedure and terms of reference of commission before the coming into force of peace treaties in order to be able to meet time limit of one year. The Russian had apparently understood and agreed to recommend this procedure to his government. He said he hoped to have an answer next day since "half of Soviet Ministry of Foreign Affairs" was then in Paris but nothing has been heard from him since.

¹ Gabriel Bonneau, director, Division of African and Levant Affairs, Office of Political Affairs, French Foreign Ministry.

² Not printed; it reported that Bonneau would come to London to hold further conversations with the British and American officials (865.014/7-847). Bonneau had earlier meetings with Utter in mid-June.

³ Burin des Rozières served as Deputy French Representative on the Austrian Treaty Commission which met in Vienna, May 12–October 11, 1947.

⁴ Albert Féquant, General Secretariat, French Foreign Ministry.

Bonneau volunteered information that France's chief interest in question of Italian colonies was to ensure restoration Italy to its rightful position in world affairs. While he did not definitely say so we took this to mean that France still advocates the placing of the colonies under trusteeship of Italy. Bonneau added that Scott-Fox⁵ in Foreign Office when told this had replied that Britain feared bloodshed especially in Libya if decision were reached to return colonies to Italy but that they might agree to return of Italian Somaliland. When we questioned Stafford later about his last remark he said that some elements in Foreign Office felt that return of Italian Somaliland would be desirable as an encouragement to Italians but that it was unlikely that Britain would propose such a solution or accept it except as a final compromise to achieve unanimity (see Itcol 6 and 10⁶).

Bonneau also told us he had discussed in detail with Stafford British draft terms of reference and procedural paper and would prepare a draft of his own after his return to Paris. While he would have to give the various questions further study he was agreeable to having a single commission with only four powers represented and to limitation on size of each delegation. He felt that seven months was a reasonable time to allot to commission and he agreed on the whole with Stafford's list of interested governments.⁷ (Stafford told us later that Bonneau had suggested omitting Poland and Czechoslovakia at first as a tactical measure and that British would consider this suggestion.)

Bonneau felt that there were really only two matters as far as he could see at this juncture which might cause difficulty. The first was the itinerary. He believed that commission should visit Libya first of all because the inhabitants of Libya were the most easily inflamed by propaganda and as little time as possible should be given for Egyptian and other Arab propagandists to arouse the population. (Stafford said later he had told Bonneau that he felt such propaganda would be continuous during meeting of deputies and therefore it made little difference when commission visited Libya. On the other hand the weather was best in Somaliland in autumn and early winter and commission would do better if it started in this colony which was least

⁵ R. D. J. Scott-Fox, Assistant Head, Egyptian Department, British Foreign Office.

⁶ Telegram 3300, Itcol 6, June 17, from London, is printed on p. 590; regarding telegram 3419, Itcol 10, June 23, from London, see footnote 1 to Itcol 6.

⁷ Telegrams 3486, Itcol 14, June 25 and 3487, Itcol 15, June 25, both from London, neither printed, transmitted the texts and commentary on a British Foreign Office paper on procedure and other matters likely to arise at the coming meetings of the Deputies for the Former Italian Colonies. The British paper was based on the United States position paper printed on p. 585. The British list of "interested governments" whose views were to be heard by the Deputies included Italy, Egypt, Ethiopia, South Africa, India, Australia, New Zealand, Greece, Poland, Czechoslovakia, and Belgium.

divided politically. We agree with Stafford and would appreciate Department's views.)

The other matter which worried Bonneau was the provision for making separate reports available to interested governments as soon as they were completed (see Itcol 14 and 15, paragraph 5, subparagraph 6). While he had no objection to Commission drafting a separate report after its visit to each colony, he felt any conclusion reached should be kept secret until Commission had left Africa. If reports were given at once to eleven other governments their contents would surely be divulged to the press and an unpopular recommendation (say return to Italy) might lead to disturbances when Commission visited other colonies especially Libya.

Since this original British position was changed by British only under pressure from Dominions, and since it has already been approved by Department (see Itcol 4,⁸ paragraph 5 E), we believe we should support French and we withdraw our recommendation in Itcol 15. Please telegraph Department's views.

Department will observe that major preoccupation of French is with danger of nationalist propaganda and disturbances in Libya. Presumably they fear repercussions of such events in French North Africa. Bonneau mentioned several times that Libya of all the colonies was the prime concern of French.

Bonneau said he would like to see us in Paris when he had had time to give all these questions further study and that he would invite us formally through Embassy in Paris at a later date.

Bonneau seems to have been under a misapprehension (due perhaps to a language difficulty) that Scott-Fox has some information to the effect that Russians might not ratify peace treaties. We later checked this with Stafford who was sure that Scott-Fox was merely indulging in some private speculation about possible development of international situation. We mention this in case Bonneau's version is reported to Department by Paris.

Sent Department 3790, repeated Rome 79, Paris 393, and Moscow 241. [Utter and Bagby.]

DOUGLAS

⁸ Telegram 3213, Itcol 4, June 12, from London, not printed, reported on British Foreign Office comments on the United States position paper printed on p. 585. With respect to paragraph 5 E of the United States paper, the British felt that individual reports by the Commission of Investigation should not be given to the interested governments until the final report of the Commission had been given to the Deputies (865.014/6-1247). The British subsequently reversed themselves on this point and adopted the earlier American position which favored making preliminary Commission reports available to interested governments.

865.014/7-1847: Telegram

The Secretary of State to the Embassy in the United Kingdom

CONFIDENTIAL

WASHINGTON, July 18, 1947—8 p. m.

3093. Colit 12. ECOSOC at its Mar session requested SYG make field survey, with concurrence govts concerned and at their request, of reconstruction problems Ethiopia and other devastated areas not included reports ECOSOC Temporary Subcommission on Reconstruction Devastated Areas (limited to Europe, Asia and Far East).¹ Accordingly SYG inquired Eth Govt whether it desired field survey made Ethiopia. Similar inquiry addressed UK Govt as occupying power Italian colonies Africa and UK replied Jun 19 it would be glad have such survey undertaken Tripolitania, Cyrenaica and Eritrea. Preparations now being made but no date set for departure field missions. Brit have requested SYG make arrangements for movements of Missions through Maj Gen Cumming, Chief Civil Affairs Officer British Middle East Land Forces.

Dept discussed matter informally with Brit Emb officials here who have telegraphed London suggesting Brit play for time by taking attitude that ECOSOC Commission's surveys in Italian Colonies should not be undertaken independently of or in advance of survey of Ethiopia. This hinged Commission's departure on Ethiopia's acceptance of invitation. Emb further suggested that in event this not acceptable Foreign and War Offices, Brit Govt might take attitude whole question should be carried over to next meeting ECOSOC.

Subsequent to Depts talks with Brit Emb officials, Eth Govt reported to have notified SYG that would renounce UN reconstruction aid "in favor of other member nations more immediately in need of urgent assistance". This action makes impracticable Brit Emb's first alternative suggestion. Dept has now informally suggested to Brit Emb that Brit Govt might instruct Cumming that at such time as SYG might communicate with him re arrangements, he reply that for following reasons, BMA would prefer ECOSOC Commission's survey not conducted until after Quadripartite Commission's field work completed: (1) Simultaneous presence both Commissions in colonies or even separate visits too close together would cause considerable confusion and possibly have adverse effect on work both bodies. Since Quadripartite Commission will be working under time limit, its investigations must

¹ For a brief review of the resolution adopted by the United Nations Economic and Social Council at its Fourth Session on March 28, 1947, and the steps leading to a decision by the Secretary General in September 1947 to postpone the survey called for by the resolution, see *Yearbook of the United Nations 1947-1948* (United Nations, Lake Success, New York, Department of Public Information, 1949), pp. 546-547.

take precedence; and (2) two Commissions in areas at approximately same time would prove too great administrative burden on BMA.

Please discuss informally with Stafford and telegraph Dept his and your comments, repeating Addis Ababa.

Sent London at 3093; rptd Addis Ababa as 137. (Re Legtel 175); USUN New York as 318 (for Stinebower²).

MARSHALL

² Leroy D. Stinebower, United States Alternate Representative on the Economic and Social Council; Special Assistant to the Assistant Secretary of State for Economic Affairs.

865.014/7-2247 : Telegram

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

CONFIDENTIAL

LONDON, July 22, 1947—6 p. m.

3992. Itcol 25. See Colit 12.¹ Stafford informs us that original intention of Foreign Office, when UK accepted offer of SYG for ECOSOC field survey in Tripolitania, Cyrenaica and Eritrea, was that General Cumming should be consulted as to when such survey could appropriately be made. Stafford states that, by some unfortunate wording in acceptance, UK appeared to be ready for ECOSOC Commission's survey at any time.

Foreign Office has referred the matter to Stafford, who has made following suggestion, which he is confident Foreign Office will follow:

Postponement of ECOSOC field survey altogether until after four power commission has completed field work in former Italian Colonies, in order to:

1. Avoid possibility of inconvenience and confusion arising from two parties being in field at or about same time and
2. Prevent attempts to use field survey as medium for political activity or intrigue (once Quadripartite Commission's visit is made, this danger will no longer exist).

Moreover, Stafford states that UK delegation at UN will be asked to arrange everything with SYG and Cumming will be out of picture for time being.²

We agree entirely with Department that ECOSOC Commission should not visit territories until after Quadripartite Commission's field work is completed.

Sent Department 3992, repeated Addis Ababa unnumbered.

DOUGLAS

¹ *Supra*.

² On August 22, 1947, the United Kingdom Government requested of the United Nations Secretary General the postponement of the survey of the former Italian colonies until after the visits there by the Commission of Investigation. On September 15, the Secretary General agreed to the postponement.

865.014/8-1947: Telegram

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

TOP SECRET

LONDON, August 19, 1947—5 p. m.

4487. 1. When advised that both Utter and Palmer¹ would be in London August 18, Michael Wright² expressed a desire to discuss with them most informally questions relating to disposal of Italian colonies, and more particularly Cyrenaica. At luncheon, including Lewis Jones,³ Wright stressed fact that there is no Cabinet decision in London as to whether British will remain in Near East at all and if they do, whether Cyrenaica is, in circumstances, most desirable base for them. Wright would not predict when these decisions would be taken, but said matter is receiving urgent study by British authorities. He reiterated his personal views as described in Emtel 4398, August 14.⁴

2. Only new information obtained from Wright was his admission that British Government has formulated no views how British base Cyrenaica could be brought into being. Wright said three alternatives under consideration are:

- (a) Sole British trusteeship;
- (b) British strategic trusteeship;
- (c) Independence with understanding between British and Sayid Idriss regarding lease of strategic bases.

Wright made it clear that present trend of British thinking is to regard Cyrenaica, where vital British interests are centered, as separate from problem of Tripolitania and other Italian colonies.

3. Wright said that in his view, this is instance calling for close Anglo-American cooperation and pooling of US and British ideas. He said US views as to how Cyrenaica base might be secured for Britain would be of greatest help to Foreign Office, because "after all, you Americans started this trusteeship business and should be able to think a way out of the present box into which we seem to be placed".

4. Wright will report latest developments to same group (see Paragraph 1) just prior to Palmer's departure for Washington August 30. Meanwhile, it is obvious that Wright hopes that, while time is not yet ripe on British side to discuss this question at high level between governments, all US officials concerned (State, War, Navy, etc.) would formulate the general US view on all aspects this question in preparation for later discussions.

5. Wright's views and fact that he has talked to Embassy so frankly should be closely guarded until British Cabinet takes its decision regarding Near East base and formal US-British talks begin.

CLARK

¹ Joseph Palmer II, assistant chief, Division of African Affairs.

² Assistant Under-Secretary of State in the British Foreign Office.

³ George Lewis Jones, second secretary at the Embassy in London.

⁴ Not printed.

865.014/9-1947

The British Embassy to the Department of State

No. 513

Ref: 313/-/47

AIDE-MÉMOIRE

His Majesty's Embassy is instructed to inform the State Department that, now that the Italian Peace Treaty is in force ¹ and the year has begun within which the four Powers are to determine the disposal of the Italian Colonies, His Majesty's Government in the United Kingdom would welcome an early meeting of the deputies to discuss procedural matters, including the instructions to be given to the Commissioners and to decide on the future program generally.

2. His Majesty's Government therefore suggest that the first meeting should take place in London on the 30th September. His Majesty's Embassy is to inquire whether this date is agreeable to the State Department; if it is, it is hoped that the United States deputy will be instructed accordingly.²

3. It is understood that the United States, Soviet and French governments are appointing their Ambassadors in London ³ as their deputies for this purpose. Mr. Jebb has been obliged to proceed to New York for the Assembly ⁴ and Sir Noel Charles ⁵ has therefore been appointed as the United Kingdom deputy.

4. His Majesty's Government would be grateful to learn as soon as possible the composition of the United States Delegation and, in particular, the names and ranks of any personnel for whom hotel accommodation, of which there is an acute shortage at the present time, will be required.

5. It is hoped that the United States Government will instruct the United States Commissioner to be present in London when the deputies meet, since time will be saved if the Commissioners can discuss the various technical points regarding their tour concurrently with the deputies meeting.

¹ The Peace Treaty with Italy entered into force on September 15, 1947; for documentation on the signing, ratification, and deposit of ratification of the Treaty, see pp. 515 ff.

² In an *aide-mémoire* dated September 25, 1947, the Department of State notified the British Embassy that the time and place for a meeting of the Deputies for the Italian Colonies were agreeable to the United States Government.

³ The French Ambassador in the United Kingdom was René Massigli.

⁴ The reference here is to the Second Regular Session of the United Nations General Assembly, September 16–November 29, 1947.

⁵ British Representative to the Italian Government with the personal rank of Ambassador, April 1944–October 1947.

6. A similar communication is being addressed to the Soviet and French governments.

WASHINGTON, September 19, 1947.

Files of the Office of Near Eastern, South Asian and African Affairs: Lot 55 D 36

*Memorandum by the Director of the Office of Near Eastern and African Affairs (Henderson) to the Secretary of State*¹

TOP SECRET

[WASHINGTON,] October 1, 1947.

PROBLEM

The problem is to determine the policy of this Government concerning the final disposal of Italy's territorial possessions in Africa, namely, Libya (comprising Tripolitania and Cyrenaica), Eritrea, and Italian Somaliland.

RECOMMENDATIONS

It is recommended that the policy of the United States with respect to the future of each of these territories should be as follows:

1. *Libya*. That Libya be placed under the international trusteeship system, with the Government of the United Kingdom as the administering authority, under terms of trusteeship which would provide for the people of Libya to become self-governing at the expiration of a period of ten years from the date of the establishment of such trusteeship, at which time Tripolitania and Cyrenaica would be permitted individually to elect whether they desire to (a) become separate independent states, (b) remain united as an independent Libya, or (c) become federated with other states or territories.

2. *Eritrea*. That Eritrea be ceded in full sovereignty to Ethiopia, except for the area in the northwestern part of Eritrea inhabited by Moslem-Sudanese, which should be incorporated into the Anglo-Egyptian Sudan.

3. *Italian Somaliland*. That Italian Somaliland, together with British Somaliland, be placed under the international trusteeship system, with the Government of the United Kingdom as the administering authority, under terms of trusteeship which would provide for eventual self-government but which would not fix the period of time within which the area would become self-governing.

DISCUSSION

At meetings of the Council of Foreign Ministers concerning the Peace Treaty with Italy, various proposals were made regarding the disposal of the Italian Colonies in Africa. These proposals, as well as

¹ The source text was included as Annex XII of a bound dossier of documents entitled "Pentagon Talks of 1947".

what are believed to be the present attitudes of the Governments of Italy, Ethiopia, and Egypt, and of the Arab League, have been summarized in Annex I ² to this memorandum. The Foreign Ministers were unable to agree upon any definitive solution to the problem. They finally agreed in principle, however, to a suggestion of the United States Delegation that Italy be required to renounce sovereignty over the Colonies, which would be held in trust by the Four Powers for a period of one year from the coming into force of the Peace Treaty with Italy, during which time the Foreign Ministers would endeavor to determine jointly the final disposal of these territories. This principle was incorporated in Article 23 and Annex XI of the Italian Peace Treaty (see Annex II ³).

In the present international situation, none of the proposals previously made regarding the disposition of the Italian Colonies is satisfactory from the point of view of the United States and the Western World.

It is in the interests of United States security to prevent any potentially hostile power from obtaining a hold in the Middle East, the Mediterranean area, or in Africa. It would, therefore, be contrary to the policy of the United States, and to United States military interests, to accept any disposition of the Italian Colonies which would give the Soviet Union either unilateral or joint control of any of the colonies in question, even if this control were obtained in the guise of a trusteeship under the United Nations. The objections to collective trusteeship are based on our difficulties in obtaining Soviet cooperation in Germany, Austria, Hungary, Rumania, Bulgaria, and Korea.

A decision to grant any of the Italian Colonies immediate independence would result in the creation of weak states which would be exposed to Soviet aggression or infiltration. Moreover, the Soviet Union could exercise effective control over any of these Colonies if their administration should be entrusted to a state in which there is a possibility that a communist government may come into power. For this reason, it would be disadvantageous to the United States to allow Italy to resume control of any of its former colonies unless it had previously become clear that the future Government of Italy will be non-communist and affiliated with the Western democracies. This consideration is over and above the consideration of whether Italy would be able to maintain peace in the Colonies, which appears to be

² Annex I, not printed, was largely a review of positions taken by the Soviet Union, United Kingdom, France, and the United States during the Second Session of the Council of Foreign Ministers in Paris, April 25-May 15 and June 15-July 12, 1946. For the records of that Council session, see *Foreign Relations*, 1946, vol. II, pp. 88 ff.

³ Annex II is not printed.

doubtful in view of the limited armed forces permitted Italy by the Peace Treaty. It is doubtful also that the Italian Colonies in Africa could ever become self-sustaining, and their return to Italy would place an added burden on Italy's already strained economy. Nor would the return of the Colonies to Italy alone solve that country's problem of over-population.

Aside from the foregoing considerations, it is believed that the Arabs in Libya would resist by force any return to Italian rule. In view of the strong ties existing between the various states of the Arab world, armed conflict in Libya between Italian forces and local Arab forces would be extremely harmful to the interests of the United States. Moreover, any action by the United States openly supporting the return of the Colonies to Italian administration would further impair our relations with the Arab states, which are already strained as a result of the Palestine and Egyptian issues. Among other damaging results, a hostile attitude on the part of the Arabs would threaten from the rear the position we are striving to hold in Greece, Turkey, and Iran.

On September 19, an *Aide-Mémoire*⁴ was received from the British Embassy stating that, now that the Italian Treaty has come into force and the year has begun within which the Four Powers are to decide upon the disposal of the Italian Colonies, the British Government would welcome a meeting of the Deputies of the Foreign Ministers at an early date to discuss procedural matters in connection with the implementation of Article 23 and Annex XI of the Treaty, including instructions to be given to the Commission, and to decide on the future program generally. It seems highly unlikely, however, that agreement will be reached by the Foreign Ministers. The question of the disposition of these Colonies, therefore, will in all probability go before the General Assembly of the United Nations.

In view of the situation in the Mediterranean area, we cannot wait until the commission of investigation has had time to visit the areas and make its report to decide what our attitude regarding the future of the Italian Colonies will be. It is the opinion of the Joint Chiefs of Staff that Great Britain would be our most probable and most important ally in the event of another war, and it would be extremely unfortunate, from our point of view, for British troops and matériel to be removed from the Near Eastern area. There is already a tendency in certain British circles to withdraw entirely from the Near and Middle East, leaving no great Power established in that area and thus exposing it to Russian aggression or infiltration unless the United States is prepared to fill the vacuum. We strongly believe, therefore,

⁴ *Supra*.

that Britain should continue to maintain a base in the Eastern Mediterranean area, and that facilities must at all times be available somewhere in the area of Palestine-Egypt-Cyrenaica which will enable the United Kingdom sea, land, and air forces to operate in this area. It appears unlikely that the British can continue to maintain bases in Palestine. Moreover, we believe that British troops should be unconditionally withdrawn from Egypt at the earliest practicable date and that bases in Cyrenaica are the only available substitutes. Cyrenaica is, therefore, more important than ever from the point of view of British and United States strategic interests. It has already been decided that we should inform the British Government that if it would like to transfer its troops and matériel from Egypt to Cyrenaica immediately, we would have no objection thereto; and that we would be disposed eventually to support arrangements for the establishment of permanent British bases in Cyrenaica, when the final disposition of that territory is decided, provided such arrangements could be effected in accordance with the principles of the United Nations Charter and provided the making of such arrangements proves to be practicable in the light of the then existing international situation.

It is accordingly recommended that the United States support the principle of placing Libya under the international trusteeship system with the Government of the United Kingdom as the administering authority. The terms of trusteeship should provide for the peoples of Libya to become self-governing at the end of ten years from the date of the establishment of such trusteeship, at which time Tripolitania and Cyrenaica shall be permitted to elect individually whether they desire to become separate independent states, remain united as an independent Libya, or become federated with other states or territories. By making a definite provision in the trusteeship agreement for self-government at the end of ten years, there would appear to be a good chance that this proposal would be acceptable to the Arab states. It might be possible, particularly in case the friendly backing of the Arab world could be obtained, to rally the two-thirds vote in the General Assembly necessary to give Great Britain a non-strategic trusteeship over Libya. Also, in view of the friendly relations existing between the British Government and the Senussi, an independent state of Cyrenaica, or even an independent Libya, might be willing to give the British Government permanent bases in Cyrenaica.

The Government of Ethiopia has made claims to Eritrea. From exhaustive study given this question in the Department, we feel that there is ample historical, ethnological, linguistic, religious, and economic justification for the cession to Ethiopia, with appropriate safe-

guards, of the greater part of Eritrea, which would provide Ethiopia with its much needed access to the sea. It has recently been reported from Ethiopian sources that both Great Britain and the Soviet Union have given Ethiopia assurances on the Eritrean question. If Ethiopia is unsuccessful in obtaining this area, one of two courses appears to be likely: (1) Ethiopia will fall into the hands of reactionaries and be set back many years politically, economically, and socially; or (2) Ethiopia may turn towards the Soviets. From a strategic standpoint, Ethiopia is becoming increasingly important to British Empire security and, therefore, to our own security. An increase in Soviet influence in Ethiopia would constitute a direct threat to British control of the strategically important southern entrance to the Red Sea. It is known that the British Government is establishing bases in Kenya Colony and is considering plans for a central African life-line extending from Nigeria to Kenya. We understand that British troops and matériel already are being transferred to Kenya from India. It is in the interest of Great Britain to protect the flanks of this life-line, and it seems obvious to us that a strong, friendly, and peaceful Ethiopia is necessary to achieve this purpose. We recommend that Eritrea be ceded in full sovereignty to Ethiopia, except for the northwestern part, which is inhabited by Moslem-Sudanese who are more closely akin to the peoples of the Anglo-Egyptian Sudan than to the Ethiopians and which, we believe, should be incorporated into the Anglo-Egyptian Sudan.

Because of the strategic location of Italian Somaliland with respect to Kenya colony and the Aden protectorate, we believe that it would be advantageous to the United States and Great Britain for the latter country to assume responsibility for the future administration of Italian Somaliland. It would thus appear that the most desirable solution is for Italian Somaliland to be administered along with British Somaliland as a unit, and for the area so created to be placed under the international trusteeship system with the Government of the United Kingdom as the administering authority. We are opposed, however, to the proposal previously made by Great Britain for joining Italian Somaliland, British Somaliland, and the Ogaden Province of Ethiopia under an international trusteeship. We see no justification for including the Ogaden, which is and should remain a part of Ethiopia. In view of the backward state of development of the Somalilands, no definite time for their attainment of self-government should be specified in the trusteeship agreement, but the agreement should provide for their development toward eventual self-government.

LOY W. HENDERSON

Editorial Note

The Deputies for the Former Italian Colonies of the Council of Foreign Ministers held 17 meetings between October 3 and November 22, 1947. These meetings, held in London at the invitation of the United Kingdom Government, were in pursuance of the provisions of Article 23 and Annex XI of the Treaty of Peace with Italy which charged the United States, the United Kingdom, the Soviet Union, and France with the task of jointly determining the final disposition of Italy's former colonies in Africa.

Principal members of the delegations at these meetings of the Deputies were:

UNITED STATES

Deputy

Lewis W. Douglas, Ambassador in the United Kingdom.

Alternate Deputy and Adviser

Waldemar J. Gallman, Counselor of Embassy, London.

Advisers

Philip H. Bagby, Foreign Service Officer.

John E. Utter, Division of African Affairs, Department of State.

Alfred E. Wellons, Division of African Affairs, Department of State.

UNITED KINGDOM

Deputy

Sir Noel Charles, former British Representative in Italy.

Advisers

Frank Edmund Stafford, Egyptian Department, Foreign Office.

R. D. J. Scott-Fox, Assistant Head, Egyptian Department, Foreign Office.

I. E. Bell, Egyptian Department, Foreign Office.

SOVIET UNION

Deputy

Georgiy Nikolayevich Zaroubin, Ambassador in the United Kingdom.

Alternate Deputy and Adviser

Georgiy Filippovich Saksin, Counselor of Embassy, London.

Adviser

Ivan Mikhailovich Martinov, Ministry of Foreign Affairs.

FRANCE

Deputy

René Massigli, Ambassador in the United Kingdom.

Advisers

Etienne Burin des Rozières, Foreign Ministry.

Jacquin de Margerie, Conference Secretariat, Foreign Ministry.
Colonel de la Chapelle.

Pierre Franckfort, Second Counselor of Embassy, London.

The first 13 meetings of the Deputies, October 3 to November 5, were concerned with determining the matters of procedure for the Deputies and the terms of reference, itinerary, and time-table of the Commission of Investigation to be dispatched to the former Italian colonies. The remaining four meetings of the Deputies, November 12-22, were given over to a hearing of the views of the Ethiopian, Italian, and Egyptian Governments regarding the disposition of the former colonies and to concluding activities of the first phase of the Deputies session. The documentation that follows includes the principal agreements reached by the Deputies and reports on the hearing of the views of Ethiopia, Italy and Egypt. Documentation on the meetings of the Deputies, February-September 1948, and on the Report of the Commission of Investigation is scheduled for publication in a subsequent volume of *Foreign Relations*.

The records of decisions and official documents of the Deputies together with the United States Delegation minutes of the meetings are included in the Council of Foreign Ministers files, Lot M-88, Boxes 110-111. The United States Delegation reported by telegram to Washington on each meeting of the Deputies. These messages together with Department comments, instructions, and related papers are included in Department file 865.014.

865.014/10-747

*Memorandum of Conversation, by James J. Durnan of the Division of
African Affairs*

CONFIDENTIAL

[WASHINGTON,] October 7, 1947.

Participants: Mr. Mario di Stefano, Italian Minister
Mr. Joseph Palmer 2nd, AF
Mr. James J. Durnan, AF

Mr. di Stefano, in referring to the meeting of the Foreign Ministers' Deputies in London, stated that he had noted items in the press indicating a disagreement in connection with the definition of the term "interested governments" as used in the Italian Peace Treaty and inquired as to the exact nature of the disagreement. Mr. Palmer informed Mr. di Stefano that the US had proposed the "interested governments" should comprise those countries whose forces fought in Africa on the side of the Allies during the last war and those who have made territorial claims in the former Italian Colonies, i.e., Italy, Ethiopia and Egypt. The British proposed that the term should be unrestricted with any government privileged to submit its views both on procedural matters and on the question of the disposition of the colonies. The Soviet proposal, which had been accepted by the French, would limit

the interested governments to the Allied and Associated Powers which had signed the Italian Peace Treaty plus those which had made territorial claims. Asked as to our views on the latter two proposals, Mr. Palmer stated that we would probably support the British proposal, but if this was not found acceptable to the other Deputies we would agree to the Soviet proposal.

Mr. di Stefano then inquired as to our views with respect to the Soviet contention that the peace treaty required two Commissions of Investigation to be sent to the former Italian Colonies. Mr. Palmer stated that we favored one Commission for reasons based largely on economy, difficulty in finding experienced personnel, and uniformity of standards used in evaluating conditions in each colony. Mr. di Stefano referred to a letter received from Mr. Henderson in March 1947,¹ and inquired as to the Department's position with respect to an Italian representative being heard by the Commission in the colonies. Mr. Palmer stated that while we could not give any support to the Italian request for an Italian representative to be attached to the Commission, we would support any request which might be presented to the Deputies for the Commission to hear the views of an Italian representative in the colonies. Mr. di Stefano then inquired as to whether we would present such a proposal at the meeting of the Deputies and was informed that while we would not take any initiative in the matter we would give it support if the question was raised by any other government, including the Italian Government.

Mr. di Stefano discussed at length the long historic ties between Italy and North Africa, the friendly relations which existed and continued to exist between the Italian peasant settlers and Arabs in North Africa, the benefits derived by the Arabs in Libya from Italian administration, and the pressing need for Italy to find an outlet for its surplus population. Mr. di Stefano stated if Libya was disposed of other than as a trust territory under the individual or joint administration of Italy there would be serious troubles in North Africa. Asked to elaborate on this point, Mr. di Stefano stated that unless Italy returned to Libya in some capacity it would have no alternative but to collaborate with the Arabs for the expulsion of France and Great Britain from North Africa. In response to Mr. Palmer's inquiry as to the benefits Italy expected to derive should such an event materialize, Mr. di Stefano was not entirely clear other than to say that Italy had received overtures from the Arabs and would be installed in North Africa on the basis of equality with the Arabs.

¹ The reference here is to a letter of March 7, 1947, not printed, from Loy W. Henderson to di Stefano, which repeated the substance of paragraph 2 of telegram 297, March 1, to Rome, p. 570. Henderson's letter was in response to di Stefano's letter of February 18, 1947, not printed, regarding Italian participation in the Commission of Investigation to be sent to the former Italian colonies. (865.014/2-1847)

Mr. di Stefano stated he had heard that the U.S. was considering the acquisition of Libya as a trust territory and inquired as to the accuracy of this report. Mr. Palmer stated that this was one of many press reports expressing different views on the question of the disposition of the Italian Colonies. Asked as to whether the Department had formulated any views on the disposition of the Italian Colonies, Mr. Palmer stated that the matter was being studied and that no decision had been reached as yet. Pressed on the point, Mr. Palmer stated that he did not feel at liberty to discuss the matter further. Mr. di Stefano remarked that he felt certain conclusions might be drawn from the discussion but was informed by Mr. Palmer that it would be a grave mistake for Mr. di Stefano to infer that we had already made up our minds on the question of the disposition of the Italian Colonies. Mr. di Stefano then inquired as to the position of the other Powers and was informed that we had no information on the subject.

Editorial Note

Between October 16 and November 7, 1947, American and British officials held conversations in Washington, referred to as the "Pentagon Talks of 1947", on a variety of political, military, and economic subjects concerning the Middle East and the Eastern Mediterranean. For documentation on these conversations, see volume V, pages 485 ff.; see in particular the undated paper prepared by the Department of State entitled "Disposition of the Italian Colonies", paragraph m, page 543, the undated joint statement of the U.S.-U.K. groups entitled "Assurance of British Strategic Facilities in Cyrenaica", page 586, and the undated joint statement of the U.S.-U.K. groups entitled "Disposition of Former Italian Colonies Other Than Cyrenaica", page 588.

CFM Files : Lot M-88 : Box 110

*Instructions from the Deputies for the Former Italian Colonies of the Council of Foreign Ministers to the Four Power Commission of Investigation for the Former Italian Colonies*¹

SECRET

LONDON, 21st October, 1947.

C.F.M./D/L/47/IC/25

I. COMPOSITION

1. The Commission shall consist of Delegations from each of the Four Powers, composed of a Head of Delegation, not more than three

¹ These instructions were completed and approved by the Deputies at their 9th Meeting, October 20, 1947.

advisers, a Secretary of Delegation and not more than four interpreters and clerical assistants.²

II. TASK

2. The task of the Commission of Investigation shall be to collect and supply the Deputies with the necessary data on the question of the disposal of the former Italian Colonies and to ascertain the views of the local population in accordance with the Joint Declaration of the Governments of the Soviet Union, the United Kingdom, the United States of America, and of France, concerning the former Italian territorial possessions in Africa.³ This shall include data regarding political, economic and social conditions in each colony, as well as the wishes and welfare of the inhabitants and the interests of peace and security.

For this purpose the Commission shall visit each of the former Italian Colonies, i.e. Libya, Eritrea and Italian Somaliland, and carry out investigations on the spot.

3. The Commission shall also carry out any other investigations which may be required by the Deputies concerning such questions as boundary adjustments and any other matters on which information may be required by the Deputies.

4. Upon completion of the investigations in each Colony the Commission shall prepare and submit a report to the Deputies on that Colony, containing such data and information as are called for herein. These reports shall be, if necessary, supplemented or amplified by the Commission on completion of its investigation in all the territories. These reports shall not contain any recommendations on the final disposal of the territories.

III. PROCEDURE

5. The itinerary of the Commission shall be drawn up by the Commission itself, approved by the Deputies, and amended where necessary by the Commission.

6. The Commission shall not investigate any matters outside the boundaries of the former Italian Colonies, except under instruction from the Deputies.

7. The Commission shall have the right to confer with the administration and any officials, organised bodies and inhabitants of the Colonies, irrespective of nationality, as well as to call upon such

² Heads of the Delegations were: United States—John E. Utter; United Kingdom—F. E. Stafford; France—Etienne Burin des Roziers; Soviet Union—Artemiy Fedorovich Fedorov.

³ The reference here is to the Joint Declaration constituting Annex XI of the Treaty of Peace with Italy.

sources in the Colonies as they may deem necessary for information relative to the investigation.

8. (i) To the fullest extent possible all sections of the local population are to be given an opportunity of making their views known, and to ensure this the Commission shall visit centres at which the people can most easily be congregated.

(ii) The timetable, local itineraries, and technical arrangements shall be made by the Commission in co-operation with the local authorities.

9. The Commission shall complete its work, including the submission of its reports to the Deputies within a period of not less than six and not more than seven months from the date of the departure of the Commission from London.

10. The work and documentation of the Commission shall be conducted in three official languages: English, French and Russian.

IV. CHAIRMANSHIP AND SECRETARIAT

11. During the Commission's stay in London, the Chairman of the Commission shall be the head of the delegation of the country whose Deputy is for the time being presiding at the meetings of the Deputies.

12. When the Commission is on the spot, the Chairmanship of the Commission shall be held by the heads of delegations, each of whom will act in turn for periods of seven calendar days. The order of rotation shall be the Latin alphabetical order, in the English language, viz. France, Union of Soviet Socialist Republics, United Kingdom and the United States of America.

13. The Commission shall set up a joint secretariat consisting of the secretaries of Delegations, together with such additional clerical assistants and interpreters as it may be found necessary to appoint for this purpose. The Commission shall appoint one of the Secretaries to act as Senior Secretary who will be responsible to the Chairman for the conduct of the work of the joint secretariat.

14. The Commission will keep the following for submission to the Deputies:

- (a) summary minutes of the meetings of the Commission;
- (b) summary records of the interviews conducted by the Commission;
- (c) summary records of the investigations conducted on the spot by the Commission or members designated therefor; and
- (d) an index of documentary material acquired by the Commission to which will be annexed any documents which the Commission considers useful to the fulfilment of its tasks.

CFM Files : Lot M-88 : Box 110

*Decision by the Deputies for the Former Italian Colonies of the
Council of Foreign Ministers*¹

SECRET

LONDON, 21st October, 1947.

C.F.M./D/L/47/IC/27

TIME-TABLE OF THE CONFERENCE OF DEPUTIES AND OF THE COMMISSION
OF INVESTIGATION FROM OCTOBER, 1947 TO JUNE, 1948

1. The Deputies shall constitute a Four Power Commission for the investigation of the former Italian Colonies not later than October 20th, 1947.

2. The Deputies shall send out not later than October 20th, 1947, invitations to other interested Governments, as well as to the Governments of Italy and Egypt, asking for a reply within 14 days, enquiring whether they desire to submit their views regarding the disposal of the former Italian Colonies.²

3. The Commission shall leave for the field early in November.

4. The Deputies, early in November, will invite other interested Governments, as well as the Governments of Italy and Egypt, which have expressed the desire to present their views, to do so in the order established by the Deputies.

5. During the period early November, 1947, to early June, 1948:

(a) The Commission will carry out their investigations in the Colonies.

(b) The Deputies will consider the views of the other interested Governments, as well as of the Governments of Italy and Egypt.

(c) The Commission will present its reports to the Deputies.

(d) Copies of the reports of the Commission will be circulated by the Deputies to other interested Governments, as well as to the Governments of Italy and Egypt.

6. The Commission of Investigation will complete its work early in June.

¹ The text of this decision was agreed upon by the Deputies at their 8th Meeting, October 17, 1947.

² At their 3rd Meeting, October 7, 1947, the Deputies agreed to define "other interested Governments" as all Allied and Associated Powers, besides the United States, the United Kingdom, the Soviet Union, and France, which signed the Peace Treaty with Italy (Australia, Belgium, Byelorussian S.S.R., Brazil, Greece, India, Canada, China, the Netherlands, New Zealand, Poland, Ukrainian S.S.R., Czechoslovakia, Ethiopia, Union of South Africa, Yugoslavia) and countries that had made territorial claims (Egypt and Italy), it being understood that the definition would include Pakistan. On October 20, 1947, the Secretary General of the Deputies, E. A. Paton-Smith, sent letters to these "other interested Governments" inviting them to express, if they so desired, their views regarding the disposal of the former Italian Colonies. The text of the letter was circulated to the Deputies as document CFM/D/L/47/IC/30, October 21, 1947, not printed.

CFM Files : Lot M-88 : Box 110

*Decision by the Deputies for the Former Italian Colonies of the
Council of Foreign Ministers*¹

SECRET

LONDON, 21st October, 1947.

C.F.M./D/L/47/IC/29

PROCEDURE FOR HEARING "OTHER INTERESTED GOVERNMENTS" AND THE
GOVERNMENTS OF ITALY AND EGYPT

1. Appropriate invitations should be sent to "other interested Governments", as defined by the Deputies, as well as the Governments of Italy and Egypt, asking for a reply within 14 days as to whether they desire to submit their views, in writing or orally should they desire it, regarding the disposal of the former Italian Colonies.

2. The opening date and the chronological order of hearings of the "other interested Governments", as well as of the Governments of Italy and Egypt, by the Conference of Deputies in London shall be decided by the Deputies later, in accordance with paragraph 1, after receipt of replies to the invitations. In drawing up the chronological order of hearing the views of the above-mentioned Governments, the Deputies shall give the first opportunity of stating their views regarding the disposal of the former Italian Colonies to the countries neighbouring these territories, i.e. to Egypt and Ethiopia, as well as to Italy.

3. The Deputies shall study the points of view submitted by "other interested Governments", as well as by the Governments of Italy and Egypt with a view to completing the work by the time the reports of the Commission of Investigation of the Four Powers are received.

4. "Other interested Governments", as well as the Governments of Italy and Egypt should not participate in or be directly connected with the work of the Commission of Investigation of the Four Powers.

The drawing up and approval of instructions, route and time-table of the work of the Commission of Investigation of the Four Powers, as well as the definition of their composition is the prerogative exclusively of the Deputies of the Foreign Ministers of the U.S.S.R., of the U.K., of the U.S.A. and of France.

5. The Deputies shall send copies of the reports of the Commission to "other interested Governments", as well as to the Governments of Italy and Egypt, immediately upon their completion, giving them the right, after examination of the reports, to present supplementary views to the Conference of Deputies either in writing or orally, if they so desire.

¹ This decision was agreed upon by the Deputies at their 8th Meeting, October 17, 1947.

6. Any of the "other interested Governments", as well as the Governments of Italy and Egypt may on the recommendation of the Deputies and with the consent of the Council of Foreign Ministers be given the opportunity to present their views directly to the Council of Foreign Ministers at any session on the agenda of which appears the question of the disposal of the former Italian Colonies.

865.014/10-1647

*The Director of the Office of Near Eastern and African Affairs
(Henderson) to the Italian Minister (di Stefano)*

[WASHINGTON,] October 28, 1947.

MY DEAR MR. DI STEFANO: I wish to refer to your letter of October 16, 1947 concerning certain requests of the Italian Government in connection with the meeting in London of the Deputies of the Foreign Ministers.¹ As you are aware, the Deputies of the Foreign Ministers have now agreed upon the terms of reference and the itinerary of the Commission to investigate the former Italian Colonies. It has been decided that the Commission will visit the territories in the following order: Eritrea, Italian Somaliland, and Libya.

With regard to your request that Italian experts be allowed to present their opinion to the Commission in the various areas visited, the terms of reference agreed upon by the Deputies for the Commission preclude hearing official representatives of the Italian Government in the territories. As you are aware, the American Deputy proposed that those states having territorial claims in the area should be afforded the opportunity of sending representatives to present their views to the Commission at certain specified places, but this proposal was not accepted. As the matter stands at present, however, the Commission is empowered to confer with the inhabitants of the colonies, irrespective of nationality, and all sections of the local population are to be given an opportunity of making their views known.

Under the procedure which has now been agreed upon, moreover, the Deputies of the Foreign Ministers will hear the views of the interested governments on the disposition of the former Italian Colonies and, in particular, will hear first of all those governments which have territorial claims; namely, Italy, Egypt and Ethiopia. It is understood that invitations have been sent to these governments to present their views to the Deputies and that after replies have been received hear-

¹ Not printed; it stated that the Italian Government was deeply concerned about the serious repercussions that might result should there be protracted delay in the arrival in Libya of the Commission of Investigation. (865.014/10-1647)

ings will be scheduled for the governments concerned. After the examination of the reports of the Commission the interested governments, including the Government of Italy, may present supplementary views to the conference of Deputies either in writing or orally. Furthermore, these same governments may, on the recommendation of the Deputies and with the consent of the Council of Foreign Ministers, be given an opportunity to present their views directly to the Council of Foreign Ministers. In view of these procedures, it would appear that the Italian Government will have ample opportunities to present its views and claims and to have them considered carefully by the Council of Foreign Ministers and its Deputies.

Sincerely yours,

LOY W. HENDERSON

865.014/11-1247 : Telegram

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

SECRET

LONDON, November 12, 1947—7 p. m.

6011. Itcol 90. Fourteenth meeting of DepItCol¹ held today 3 p. m. with Zaroubin presiding. Ethiopian Vice Minister Foreign Affairs Aklilou made long speech and presented memorandum on "claims of the Imperial Ethiopian Govt to the return of Eritrea and Italian Somaliland".² Speech and memorandum similar to those previously presented to CFM and Paris Peace Conference. Emphasized claim to all of Eritrea and all of Italian Somali. Copies speech and memorandum being forwarded to Dept.

During questioning Zaroubin asked if proposal made at CFM in May 1946 re trading Ogaden for Eritrea was still supported by Ethiopian Govt. Aklilou stalled in replying and asked for text of proposal. Zaroubin said he would raise question again in later meeting after Ethiopia had time to consider. Aklilou then announced that two months ago he had presented British Govt new draft treaty between Ethiopia-UK which contains paragraph which would return Ogaden to Ethiopia.³

Since emphasis Ethiopian statement was on Eritrea, questions were asked about Ethiopian claims to Italian Somali. Aklilou said written

¹ Deputies for the Former Italian Colonies.

² The text of oral and written views of the Ethiopian Government were circulated to the Deputies as document CFM/D/L/47/IC/72, November 12, 1947, not printed.

³ For an additional report on the subject raised in this paragraph, see telegram 6104, Itcol 91, November 18, from London, *infra*.

statement on Somali would be submitted soonest possible⁴ and hoped to present oral statement on Somali at another hearing.

Deputies agreed send Ethiopian speech and memorandum to ItCol Commission with covering letter mentioning important points to be investigated. Letter to be drafted by Secretary-General and approved by Deputies.

Deputies agreed hear views Italy Nov 19 and Egypt Nov 21. Deputies also agreed to reply South Africa in same manner as reply sent New Zealand which says New Zealand will be afforded opportunity express views both before and after ItCol Commission presents reports.⁵ Replies to other interested govts are to be drafted in similar vein subject to Deputies' approval.

GALLMAN

⁴ The Ethiopian Government's communication, dated November 17, 1947, regarding Ethiopian claims for the return of Italian Somaliland was circulated to the Deputies as document CFM/D/L/47/IC/75, November 17, 1947, not printed.

⁵ In communications to the Secretary General of the Deputies dated October 27 and October 31, 1947, respectively, circulated to the Deputies as documents CFM/D/L/47/IC/38 and 47, neither printed, the New Zealand and South African Governments protested against the restrictions imposed by the Deputies on the expression of views of Allied Governments which had participated in the war in Africa on all procedural and substantive matters at all stages of the proceedings of the Deputies. The identical replies sent to the New Zealand and South African Governments on November 1 and 13, 1947, respectively, and summarized here, were circulated to the Deputies as documents CFM/D/L/47/IC 57 and 57 bis, neither printed.

865.014/11-1847: Telegram

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

SECRET

LONDON, November 18, 1947—7 p. m.

6104. Itcol 91. Re Colit 50¹. Zaroubin's questioning of Ethiopians on possibility Ogaden-Eritrea trade referred to Ethiopian's memorandum dated May 15, 1946 presented Deputies CFM, June 4, 1946, with document CFM (D) (46) 126.² Zaroubin quoted part of paragraph three of this memorandum that "it would appear that Ethiopia by giving up one-fourth of her empire, namely the province of the

¹ Telegram 4875, Colit 50, November 17, to London, not printed, requested an amplification of paragraph 2 of telegram 6011, Itcol 90, November 12, from London, *supra* (865.014/11-1747).

² Not printed. For documentation on the Second Session of the Council of Foreign Ministers in Paris, April-July 1946 and the related meetings of the Deputies, almost exclusively devoted to the preparation of the draft peace treaties with Italy, Bulgaria, Hungary, Rumania, and Finland, see *Foreign Relations*, 1946, vol. II, pp. 88 ff.

Ogaden might receive in return a portion of Eritrea, a land that has belonged to Ethiopia for over three thousand years".

After 14th meeting of deputies ItCol Zaroubin sent above quoted excerpt to Aklilou, Ethiopian Vice Minister of Foreign Affairs. Aklilou replied on November 17 with explanation that Zaroubin had quoted only small part of paragraph three of memorandum referred to. Aklilou transmitted full text of paragraph under reference which he said "should set at rest all doubts in regard to the matter". Full paragraph does not substantiate Soviet allegation and concludes "the Imperial Ethiopian Govt entertain the belief that none of the four great powers will seriously support a suggestion that Ethiopia may regain territories of which she has been deprived by aggression at the cost of paying for the same in other territories of the empire, the use of which she has contributed to the prosecution of the war now victoriously ended".

Embassy today rec'd copies this correspondence between Soviets and Ethiopians with documents quoted above.³ Zaroubin may also have had in mind British proposal for United Somaliland including Ogaden under British trusteeship made to CFM April 29, 1946, and contained in document CFM (46) 22.⁴ British proposal summarized page eight OIR report number 4326⁴ on "proposals for the disposition of the Italian colonies in Africa".

Ethiopians yesterday submitted written statement⁵ to Deputies claiming all Italian Somaliland should be returned to Ethiopia. Ethiopian Govt has not requested further oral hearing on Italian Somaliland.

DOUGLAS

³ The correspondence under reference here is included in the working files of the Division of African Affairs, Lot 54 D 464, Box 1640.

⁴ Not printed.

⁵ CFM/D/L/47/IC/75, November 17, 1947, not printed.

865.014/11-1947: Telegram

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

SECRET

LONDON, November 19, 1947—10 p. m.

6123. Itcol 92. Fifteenth meeting deputies ItCol held today 3 p.m. with Massigli presiding. Italian Ambassador Gallarati Scotti read speech in English presenting view Italian Government that all three former colonies should be placed under Italian trusteeship within

framework UN Charter.¹ Speech pointed out that because of differences between territories it would be necessary devise suitable form trusteeship for each territory. Bulk speech devoted to praising Italian accomplishments in colonies and claiming great benefits would result from Italian administration in future. Copies of speech being forwarded to Department. Italian memorandum on Eritrea² already sent Department. Scotti said today written statement regarding Somaliland would be submitted soon.

During questioning British deputy asked if Italian Government had considered length of time trusteeship should last. Italian adviser Cerruli³ replied negatively, saying Italian Government had considered only general question of trusteeship.

In response to questions raised by Douglas as to whether the colonies had been economic and financial liability to Italy, Cerruli asserted cost civilian administration met by revenues from colonies but that military and extraordinary expenses including public works had been paid for by Italian Government. Cerruli insisted that in future these capital investments would be benefit to administration. At Zaroubin's suggestion, deputies agreed ask Italian representatives to present data on economic questions.

Since deputies could not agree on whether to send Italian statement to Commission nor on text of draft letter transmitting Ethiopian statement to Commission, it was agreed to discuss disposition statements all three governments after hearing Egyptian views at next meeting.

Deputies discussed draft letters replying to certain interested governments for nearly two hours without agreeing on solution. Secretary-General admitted he had exceeded his instructions in sending letters to Canada and Australia identical with letters previously sent to South Africa and New Zealand. Zaroubin very critical this mistake and refused approval Secretary-General's action retroactively although other three deputies willing to do so. Early in discussion, Zaroubin indicated approval of identical letters to Byelorussia, Czechoslovakia, Poland, Ukraine, and Yugoslavia. After misunderstanding concerning letters to Australia and Canada, Zaroubin refused agree to sending letters to Soviet satellites, although other deputies had approved. Apparently Zaroubin felt Soviet satellites being treated dif-

¹ Tommaso Gallarati Scotti, the Italian Ambassador in the United Kingdom. For the text of Gallarati Scotti's speech, see Margaret Carlyle (ed.), *Documents on International Affairs, 1947-1948*, issued under the auspices of the Royal Institute of International Affairs (New York, London, Toronto, Oxford University Press, 1952), p. 250.

² The memorandum under reference was circulated to the Deputies as document CFM/D/L/47/IC/70, November 7, 1947, not printed.

³ Enrico Cerulli, African specialist in the Italian Ministry of State.

ferently from British dominions since text of letters were different although practical effect the same. Texts these draft letters to be discussed again at next deputies meeting.

DOUGLAS

865.014/11-2147 : Telegram

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

SECRET

LONDON, November 21, 1947—5 p. m.

6140. Itcol 93. Sixteenth meeting DepItCol held today 10 a. m. with Massigli presiding. Gallman represented United States. Egyptian Ambassador Abdel Fattah Amr presented brief statement in English reaffirming full views set forth in written statement being forwarded to Department.¹ Written statement emphasizes unity of Libya, claims Libya should become independent state immediately, and if Libya should need help during period of readjustment Egypt, either solely or conjointly with other members Arab League, would supply help required. Written statement also calls for rectifications of Egypt's western boundaries and claims all of Eritrea. Statement says Egypt believes people of Italian Somaliland entitled to immediate exercise right of self-determination. Speech added nothing to written views and answers to American questions reaffirmed written claims. United Kingdom deputy asked if Egypt thought it would be just for Ethiopia to have outlet to sea. Answer was if Egypt controlled Eritrea Massawa would be made available to Ethiopia and, besides, other ports could be used by Ethiopia. French and Soviet deputies did not ask any questions.

Deputies continued discussion from last meeting on draft letters replying to certain interested governments for more than two hours without reaching solution. Soviet deputy stated same form of letter should be sent to all these governments (see Itcol 92²) and introduced new draft letter which would [have?] advised these governments to present their views to deputies before reports of commission are received and would have informed these governments they would have right to present supplementary views to deputies after examination of reports if they so desire. Gallman suggested Soviet draft might form basis of replies with certain modifications and additions. British deputy insisted replies should be modeled on letter sent New Zealand. Various compromise suggestions were not acceptable to either British

¹ The written statement under reference was circulated to the Deputies as document CFM/D/L/47/IC/76, November 18, 1947, not printed.

² Telegram 6123, Itcol 92, November 19, from London, *supra*.

or Soviets. During discussion Zaroubin emphasized his interpretation of agreed procedure (see Itcol 64 ³) that governments desiring present supplementary views after examining reports of commission must first present views for deputies to study reports of commission received.

British deputy finally suggested sending letters to governments concerned which would be same as letter sent New Zealand on understanding that another letter would be sent to these governments later containing points in Soviet draft which would have to be agreed to by deputies. British deputy agreed make modifications in Soviet draft acceptable to British Government today. Deputies agreed meet tomorrow morning to consider draft letters again and complete other business remaining.⁴

DOUGLAS

³ The telegram under reference, not printed, transmitted the text of document CFM/D/L/47/IC/29, October 21, 1947, p. 613.

⁴ At their 17th Meeting, November 22, 1947, the Deputies agreed to send an acknowledgement to the other interested Governments whose communications were awaiting replies and to withdraw the letters which had been sent in error to Canada and Australia on November 13. The Deputies also agreed to transmit to the Commission of Investigation the views presented to the Deputies by Ethiopia, Italy, and Egypt. The Commission was to investigate, in particular, any conflicting statements of fact in the views of the three governments. In pursuance of an earlier decision, the Deputies agreed not to meet again until after the conclusion of the Fifth Session of the Council of Foreign Ministers in London, November 25-December 15, 1947.

INTEREST OF THE UNITED STATES IN THE REPATRIATION OF GERMAN PRISONERS OF WAR IN WESTERN EUROPE; AGREEMENT WITH FRANCE FOR RECRUITMENT OF VOLUNTARY LABOR FOR FRANCE IN THE UNITED STATES ZONE OF GERMANY

740.62114/11-2946 : Circular Telegram

The Acting Secretary of State to the Diplomatic Missions in Belgium, France, Luxembourg, and The Netherlands

TOP SECRET
US URGENT

WASHINGTON, November 29, 1946—6 p. m.

For the Chief of Mission from the Secretary. The President, the Secretary of War¹ and I have decided to begin immediately repatriation of POWs in Am custody or transferred by US to liberated nations. I realize the problems both economic and political which this decision will cause to the Govts of France, Belgium, the Neth and Lux. You should immediately approach the head of Govt to which you are accredited. There follow the lines along which you should speak. Please be guided thereby, using your best judgment as to emphasis most persuasive to head of Govt:

You should base your approach on the pressure being exerted on this Govt by public opinion in the US, with the statement that pressure for return of these POWs is becoming so intensified as to leave this Govt no alternative but to begin immediately a repatriation program. Fortunately, in the case of France, as well as Belgium, the Netherlands and Luxembourg, we are dealing with Govts who can appreciate the force of public opinion in a truly democratic state. In all four cases it is believed that the Govts will appreciate the necessity with which we are faced if they are convinced that public opinion in the US demands this action.

You should then touch on the following points:

(a) A year and a half have elapsed since the end of active hostilities in Europe.

(b) The Geneva POW Convention,² both in its letter and spirit, contemplates the repatriation of POWs as soon as possible after the cessation of active hostilities.

¹ Robert P. Patterson.

² Signed at Geneva July 27, 1929; for text, see *Foreign Relations*, 1929, vol. 1, pp. 336-367.

(e) The concept of forced labor is repugnant to the American people. The growing feeling in this country, therefore, is that failure to repatriate POWs who are not charged with war crimes or who are not otherwise ineligible for repatriation is indefensible on moral as well as legal grounds.

(d) Our position has become more difficult in this connection since the Soviet Govt has announced its intention to repatriate immediately a large number of German POWs in its custody. Added to this is the strong movement in Great Britain which has forced the British Govt to take similar action with respect to POWs under its control.

(e) We are, therefore, obliged to announce that beginning immediately we are instituting a program of repatriation applicable both to German POWs transferred for labor to Allied Govts and those remaining under direct American control in Europe. We have, of course, already repatriated most of the German POWs over whom we retained control.

(f) We are not, however, unmindful of the economic problems in your country which the labor of these POWs serves in part to ameliorate. Accordingly, our program provides for graduated repatriation over a period ending Oct. 1, 1947, at which time it is contemplated that all German POWs for whom the US is responsible and who are eligible for repatriation will have been returned to their homes. This will provide an opportunity to make gradual adjustments to meet the situation resulting from the departure of this labor. The American military authorities charged with the implementation of the repatriation program will consult with the French authorities with regard to the repatriation of particular occupational groups among the POWs but, of course, it must be understood that repatriation must proceed on a regularly scheduled basis over the period stipulated.

(g) Announcement of this program will be made in the US in the near future.

(h) A simultaneous notification of our intention is being made to the French, Belgian, Netherlands and Luxembourg Govts by our Chiefs of Mission in those countries.

(i) Should Head of Govt suggest that POWs in his country's custody for whom U.S. is responsible be offered the opportunity to accept while still in that country the status of "free laborers", you should tell him that the position is unacceptable to us since it would inevitably lead to charges of coercion. In any case it is in our view in violation of the Geneva Convention, which expressly requires repatriation. As further evidence of our recognition of local economic problems you should offer our cooperation in the recruitment of German labor on a voluntary basis in Germany for immigration to country concerned to supplement available native labor.

Chiefs of Mission please coordinate simultaneous approach to respective Heads of Govt and cable immediately "Niact for the Secretary" when approach to Govt is made.³

³ Replies, dated December 3, 1946, from the four Missions, reported acceptance by the four Governments of the United States program, although the French Minister for Foreign Affairs, Georges Bidault, said that he was not happy about it.

Sent Paris as 6239,⁴ Brussels as 1404, The Hague as 675, and Luxembourg as 66. [Byrnes.]

ACHESON

⁴ The following sentence was added to the cable to Paris: "You will recall that I made similar approach to Bidault last summer and that at his urgent request I reluctantly agreed to defer action until after French elections."

740.62114/1-747

The Secretary of State to the Legal Adviser (Fahy)

[WASHINGTON,] January 7, 1947.

MR. FAHY: Reference is made to your memorandum ¹ as to prisoners of war. When I first discussed with Bidault the return of war prisoners and he referred to the shortage of labor, I urged that he take some of the displaced persons. He told me that he could not do so. They did not want the Jews and the Soviets objected to their taking either Slavs or Poles.

Again in New York when I advised Couve de Murville ² that our message had gone forward to Bidault urging him to take over some of the displaced persons, he said that he did not think it possible for them to do it. However, I urged the matter upon him in the hope that when they were faced with the necessity of returning the prisoners they might change their minds.

Both Bidault and de Murville would take Germans, but they want Germans who are young, physically strong and who were not actively Nazis. I fear the specifications will restrict the immigration.

J[AMES] F. B[YRNES]

¹ Not printed.

² Deputy to the French Foreign Minister at the meeting of the Council of Foreign Ministers in New York, November 4-December 12, 1946.

740.62114/1-1647: Telegram

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

SECRET

PARIS, January 16, 1947—midnight.

US URGENT

210. Following is translation of a note Blum ¹ signed immediately upon his return from London about noon today which he has just sent me by hand:

(*Begin translation*). I have the honor to acknowledge the receipt of Your Excellency's memorandum which you delivered to my predecessor-

¹ Léon Blum, President of the French Council of Ministers.

sor on December 3 last,² concerning the repatriation of the German prisoners of war who have been transferred from the American Army to the French Army.

1. The French Government desires to inform the Government of the United States that it fully appreciates the statements made in the above-mentioned memorandum and according to which there is a close connection between the problem of the release of the German prisoners of war and the present economic situation in France.

In this respect, the American Government's offer to facilitate recruiting, in the American zone of Germany, of volunteers for work in France is very much appreciated. The French Government is convinced that this offer will enable it to lessen the material difficulties which the release and repatriation of the German prisoners of war will inevitably entail for French economy. Moreover, the American Government is fully aware of these difficulties since it has of its own accord—and the French Government keenly appreciates this gesture—postponed the date on which it considers the prisoners captured by its armies and transferred to France should be released. However, the French Government believes it advisable to recall very briefly its vital necessity to have recourse to German labor and the importance to French national production of the contribution of the prisoners of war.

2. Because 720,000 French workers were sent to Germany as forced laborers under the "Service de Travail Obligatoire," because 1,500,000 French prisoners of war were kept in the Reich for 5 years, and because of the forced labor required of political deportees, French labor has suffered a decrease in numbers which, taking into account only the dead and the totally unemployable, represents more than 500,000 persons, to this figure must also be added several hundreds of thousands of persons partially unfit to work whose contribution to French economy can be only a very limited one. These losses, the result of the German action against France, have up to now been compensated for by the labor of the prisoners of war, of whom 220,000 make an indispensable contribution to national agriculture; nearly 150,000 work in various branches of industry, in transportation, on public works and on reconstruction; and 56,000 mine 20 percent of the French coal production. (44,000 as miners in the coal mines, and 14,500 working above ground. Moreover, German prisoners of war are employed in the iron mines and the potassium mines, etc.)

At a time when France is suffering a considerable reduction in its supplies of coal from the Ruhr, when it is obliged to content itself with coal imports from abroad which are less than 50 percent of the coal imports in 1938, when it must do without the labor of tens of thousands of workers of Slav origin, principally miners, who have requested their repatriation and whose departure, followed by that of the German prisoners, would result in a decrease of 25 percent in France's national coal production, the contribution of the German prisoners to its economy, chiefly in connection with the crucial problem of coal, assumes an absolutely vital importance.

3. With a view to reconciling its desire to meet the request of the American Government and the necessities of French economy, the

² See telegram 6239, November 29, 1946, to Paris, p. 621, for substance of the memorandum.

French Government intends, with the consent of the United States, to offer, in particular to the German prisoners transferred by the American command and who remain under French control, the choice of being repatriated to Germany or of remaining in France as voluntary workers benefiting from a status very similar to that of French workers. With a view to guaranteeing to the American Government that no pressure will be exercised on the German prisoners in question and that these prisoners will enjoy complete freedom of choice in this respect, the French Government intends to invite the International Committee of the Red Cross to designate representatives who will be members of the commissions entrusted with offering the option described above to the prisoners entitled to be released. This measure should enable a considerable number of these prisoners to be released very rapidly under conditions in entire conformity with respect for the individual—and sooner than the date determined by the American Government for the release of the prisoners which it transferred to France.

4. The repatriation of prisoners who do not volunteer for work in France obviously gives rise to questions of various sorts, and particularly of transportation, which, because of the shortage of French coal production, can be solved only with great difficulty. In fact, this shortage has already obliged the French Government to reduce by 22 percent train travel on French railways at a time when freight trains are required to transport additional goods because of the decrease or the cessation of canal transportation, due to the winter.

Furthermore, agreements must necessarily be concluded with the various zones in Germany from which the prisoners came originally, for the repatriation to those zones of those who do not volunteer for work in France.

5. In order to determine as soon as possible the terms of settlement of the prisoners of war problem and to conclude the resulting agreements, a French technical delegation has been instructed to be prepared to meet an American technical delegation, either at Frankfurt or at Paris. The French Government would greatly appreciate learning the date on which the negotiations can begin. (*End translation*)

Blum had very considerable difficulty even with his own Socialist Ministries (particularly Industrial Production, National Economy, Labor and Reconstruction) to get them to agree to foregoing note. The delay in our receiving this note was caused largely by the fact that the above-mentioned Ministries presented two previous drafts (which were shown to me in confidence) which were most unsatisfactory from our point of view. He signed this note in the brief period between his arrival in Paris about noon and his departure for Versailles for the presidential elections at 2 o'clock this afternoon, in the knowledge that if he did not do so, the whole question would have to be re-examined when the new government is finally formed, and a less satisfactory reply might be forthcoming. The official who brought the note said Blum had requested him to tell me in confidence that he (Blum) had done his level best to produce a satisfactory reply for us.

740.62114/2-547: Telegram

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

SECRET

PARIS, February 5, 1947—7 p. m.

US URGENT

515. Department's 322, January 24, 7 p. m.¹ I have been told informally by both Foreign Office and International Red Cross that latter does not feel it can accept the French proposal to participate in the option between repatriation and voluntary labor in France to be offered to German prisoners of war.

Foreign Ministry stated that representatives of various interested French governmental agencies are meeting today and tomorrow and an important meeting of the Cabinet will occur the day after tomorrow to consider proposing an alternative solution to US Government. Foreign Office said in confidence that French are considering proposing to US that the UNRRA, Intergovernmental Committee on Refugees, or even perhaps official American representatives replace International Red Cross in supervising the reaction to such possibilities.

Insofar as the meeting of French-American technical experts is concerned Foreign Office hopes to be able to arrange first meeting in Paris during next week so that repatriation program can commence.

CAFFERY

¹ Not printed.

740.62114/2-1447: Telegram

The Secretary of State to the Embassy in France

SECRET

WASHINGTON, February 25, 1947—7 p. m.

743. French Embassy has delivered note dated February 14¹ containing elaborate proposals for disposal German POWs. Department has requested French Embassy have Foreign Office make available copy to you.

Our comments follow. U.S. has recognized the serious position of the French economy in respect to its urgent need for manpower and considers that we have cooperated fullest extent with the French Government in the matter of repatriation of these POWs. In advising the French you should remind them that Secretary Byrnes, at Bidault's urgent request, postponed for 6 months presenting the French with our decision to ask repatriation these POWs. We have, in addition,

¹ Not printed.

offered to help recruit DPs and Germans (including liberated POWs) in our zone of Germany and this offer still stands. You should also remind them that both Bidault and Blum personally, and as heads of governments, have agreed in principle with our objectives and have expressed appreciation for our understanding cooperation.

We are obliged to insist upon the immediate initiation in actual operation of a phased and orderly program of repatriation of POWs. To that end we request that immediate discussion begin on a technical level with the American authorities which will result in putting plan into actual operation on a regularly scheduled basis. The question of which groups should move first can be taken up in those discussions. We see no point in discussing question of postponement of date of completion beyond October 1, 1947, when at present no planned repatriation is in actual operation and its numerical aspects can not be judged on basis of performance. We believe that the essential thing to accomplish now is the inauguration of the program leaving the problems of the future to be settled as they arise.

Note unclear in two basic respects: (1) by referring throughout to "liberation on the spot or repatriation". Our position is that unless InterCross reconsiders its reported refusal to supervise free choice by prisoners between repatriation and liberation on the spot (your tel 683, Feb 14 ²) we must insist on full repatriation; (2) note apparently combined French captured POWs with those turned over by U.S. Our position has to do only with those POWs captured by U.S. forces and we can not consider counter proposal amalgamating the two categories.

Note also states that of the 740,000 prisoners of war transferred to France in July 1945, 290,000 have already been "stricken off the rolls" ("rayés des controles"). While this may not be entirely relevant to present and future problem Department desires breakdown information as to what happened to these 290,000.

Please inform USFET fully.

MARSHALL

² Not printed.

740.62114/2-2847 : Circular telegram

The Secretary of State to Certain Diplomatic Officers ¹

SECRET

WASHINGTON, February 28, 1947—3 p. m.

(Infotel) See infotels, Feb 6, 2 p.m., and Feb 10, 7 p.m.² Caffery reports after discussions with French Internatl Committee Red Cross

¹ Sent to Embassies in Belgium, Netherlands, United Kingdom, and the Soviet Union.

² Neither printed.

agreed participate in proposed plan by which German PW's given choice of repatriation or remaining in France as voluntary workers. Internatl Committee issued statement that plan will be carried out under conditions complete freedom and PW's will enjoy guarantees at least equivalent those provided by Geneva Convention. In discussions French reps stated their repatriation plan contemplates return PW's at rate 31,000 a month with no distinction made between PW's captured by French and those received from US.

MARSHALL

740.62114/2-2747 : Telegram

The Secretary of State to the Embassy in France

SECRET

WASHINGTON, February 28, 1947—6 p. m.

US URGENT

797. Our comments follow on InterCross statement urtel 890 Feb. 27.¹ Our original position called for full repatriation these POWs. However, at request French we agreed in principle to permit POWs waive repatriation and elect release from POW status to remain in France as voluntary labor provided InterCross willing accept invitation of French to supervise such option. Our willingness agree such plan based on belief InterCross participation would guarantee free choice and individual rights. Our further conditions stated Deptel 322 Jan. 24.¹ These still stand.

It is our view that with free choice guaranteed POWs waiving repatriation, after having been fully informed status to be accorded them in France, effect termination of their status as prisoners of war and consequently our obligation for them under the Geneva Convention likewise terminates. We are unwilling to agree to any arrangement which continues the obligation of this Govt for such POWs beyond the date of the signing of such option. Any obligation InterCross feels it may have regarding POWs following their release is matter strictly between the French and InterCross. If French agree permit InterCross continue protect interests voluntary workers, we would certainly not object.

Likewise we are not prepared to assume obligation to furnish technical and financial assistance to InterCross in carrying out program. Consider this matter also between French and InterCross. In any event believe additional duties accruing InterCross this connection

¹ Not printed.

would not be great since presumably only those indicating a desire to opt need be approached. Additionally under repatriation program contemplated by us InterCross services overall program France would diminish rapidly.

MARSHALL

740.62114/3-1347 : Telegram

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

US URGENT

PARIS, March 13, 1947.

1116. Following is French text of communiqué released this afternoon by French FonOff on agreement on repatriation and liberation of PWs:¹

"COMMUNIQUÉ TO THE PRESS

March 13, 1947

The American Government requested in a memorandum of December 3, 1946 that the German prisoners of war transferred by the United States to France and still remaining at the present time under French control be repatriated at the latest by October 1, next.

There are at the present time 630,000 German prisoners of war under French control of whom, in addition to the 450,000 transferred by the United States, 180,000 were captured by the French forces.

Of the total of 630,000 prisoners, more than 500,000 are at present employed in the French economy, including 55,000 in the coal mines, 210,000 in agriculture, and the remainder in the various branches of French industry (metallurgy, transportation, construction, etc. . .).

Calling attention to the fact that the departure from here on October 1 of a total of 450,000 men would be a disaster particularly in French agriculture and coal mines where the prisoners, in the latter economic group, are extracting 20 percent of French coal production, the French Government has requested that the Americans permit the system of liberation on the spot (options) on the same basis as that for repatriation.

On those bases, the American and French negotiators have agreed to the following system:

a) The option will be offered to all the German prisoners with the exception of certain special categories. A period of three months will be granted to the prisoners to whom the option is offered to declare themselves for or against such option.

b) If they declare themselves opposed, the non-volunteers will remain prisoners and will be repatriated following an established schedule, taking into consideration a certain number of priorities.

¹ For text of the American press release on the same date regarding the agreement, see Department of State *Bulletin*, March 23, 1947, p. 539. For text of Memorandum of Understanding on Repatriation and Liberation of Prisoners of War, dated at Paris, March 11 and 13, 1947, see *Treaties and Other International Acts Series (TIAS) No. 2405*; *United States Treaties and Other International Agreements (UST)*, vol. 3 (pt. 1), p. 445.

The repatriation will be made in the beginning at the rate of 20,000 men per month at the minimum.

c) Volunteers for work in France will, on the contrary, be given a work contract to the maximum limit of 25,000 men a month. It is a question of a "text" which will enable the French Government, after a few weeks, to find out whether the prisoners converted to workers and furnished with contracts are still working in France or not.

d) At the end of the period of several weeks indicated above, the two delegations will meet again to take stock of the experiment and to examine the rate of liberation on the spot and of repatriation.

The Agreement provides the American Government with all the necessary assurances with regard to the absolute freedom of choice of the prisoners which will be controlled by the International Committee of the Red Cross which has the full confidence of Washington and Paris.

The two delegations have studied during several meetings the problem of the transfer of wages which German voluntary work in France presents. The French delegation has agreed on this point to give full liberty to German workers who will themselves decide concerning the percentage of their wages which they will relinquish in francs to obtain payments in marks for their families in Germany. To the agreement [garbled] prisoners of war is attached a memorandum concerning the technical terms of the repatriation. This memorandum indicates in particular that the French Government will furnish to the United States the complete statement of the difference between the number of German prisoners of war transferred by the United States to France in 1945 and that of the prisoners who still remain at the present time under French control.

A list of names of the prisoners making up this difference will be furnished.

The two delegations have completed a draft agreement relating to the recruitment of displaced persons in the American zone of Germany. Within a short time, a third agreement relating to the recruitment of free German workers will be completed. The agreement relating to displaced persons and the agreement relating to the recruitment of free German workers for France will be signed simultaneously."

CAFFERY

851.504/3-2447: Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, March 24, 1947—7 p. m.

US URGENT

1077. War despatching following cable General Clay:

"From WDSCA. Reurad CC-8312 March; ourade WX 88154, December; and WX 93587, March."¹

¹ None printed.

Since President, SecState and SecWar agreed permit French voluntary recruitment of German labor in US Zone in return French agreement on repatriation German POWs (reourad WX 88154, Dec), US committed to undertake discussions with French relating to recruitment of labor in US Zone Germany. Reurad CC 8362[8312?] assumed here and considered necessary qualified representative of yours will be present in Paris beginning March 26 for purpose participating in this phase negotiations. We do not regard quadripartite approval necessary for such discussions, or possible action as result of discussions, within US Zone since recruitment on voluntary basis not inconsistent with US, UK, French views expressed in ACA apropos earlier Russian drafting German technicians. Agree that recruitment must take place so as not to conflict with our obligations to British under Bi-Zonal Agreement.²

Negotiations with French arising from US request repatriation US captured POWs began March 4 and resolved themselves into three phases—repatriation proper, recruitment DPs, and recruitment free German labor. Repatriation agreement signed March 13. Re DPs, French willing reach agreement similar that to be concluded with Belgians, but are withholding signing until initiation discussions recruitment voluntary labor US Zone Germany. March 26 date set resumption negotiations last two phases.

Following will be used as basis of negotiations with French on recruitment US Zone:

1. Resettlement DPs has priority for US over recruitment free German labor and will be so treated administratively by US if not possible obtain French agreement this point. In view French Communist opposition to recruitment DPs on political grounds, and recent Bidault declaration Moscow re dispersal German population, doubt French would agree such stipulation in agreement, but we must insist on provision that recruitment German labor shall not interfere with or otherwise affect recruitment among DPs.

2. Recruitment will be directed in first instance at Germans presently unemployed.

3. Recruitment will be conducted under direction of Zonal Commander, and no labor will be recruited without approval of Zonal Commander who will take into consideration need for retention in US Zone of such labor as is strictly necessary to carry out three-year program for achievement self-sustaining economy in bizonal area pursuant to US-UK Agreement.

4. All labor will be recruited on voluntary basis.

5. Arrangements should be made to establish means for German labor voluntarily recruited for service in France and for German POWs electing voluntarily to remain in France to remit support allowances to their dependents in Germany. OMGUS has been authorized to introduce in Allied Control Authority general proposal for quadripartite procedures governing benevolent remit-

² For text of the Memorandum of Agreement between the United Kingdom and the United States on the Economic Fusion of their Respective Zones of Occupation in Germany, December 2, 1946, see Department of State Treaties and Other International Acts Series (TIAS) No. 1575, or 61 Stat. (pt. 3), 2475. See also *Foreign Relations*, 1946, vol. v, pp. 481 ff.

tances from all countries to Germany. When and if adopted such agreed procedure should also govern remittances by German labor employed in France. Pending adoption general procedures, French should arrange interim procedure for remittances by German labor employed in France to French Zone and arrange with USSR authorities for remittances to USSR Zone by optants. US should undertake to obtain prompt British agreement to interim procedure for remittances to US-UK Zones. In all cases our view that agreement should be sought on acceptance by all Zonal Authorities in Germany of indigenous currency. In case of regular quadripartite procedure as well as interim procedure our view that indigenous currency of remitting country should be accepted without obligation on part of remitting country to convert such currency to dollars or sterling. Foreign currency equivalent of remittances should be available, however, for payment of imports from remitting country. In connection option plan for POWs now in France French Govt has proposed that it be permitted to utilize 1.2 billion Reichsmark acquired in Alsace Lorraine currency conversion and certain other marks or mark claims held by French nationals to make out-payments to beneficiaries of remittances by optants. It is probable French will make similar proposal in connection with remittances by voluntary recruits. Such arrangement as well as French proposal regarding exchange rate reported in AmEmbassy Paris 98³ to USPolAd would be unacceptable.

Request confirmation to Paris and Washington that qualified OMGUS representative will be in Paris March 26 to participate negotiations on basis stated above.

Sent Paris as 1077 rptd Berlin as 637 and Moscow for Delsec as 1371.

ACHESON

* Not printed.

851.504/3-2847: Telegram

*The Secretary of State*¹ to the Acting Secretary of State

SECRET

Moscow, March 28, 1947—5 p. m.

URGENT

1065. Kosmos 15. For Acheson from Marshall. Your 641, March 24, 7 p. m.² We appreciate that US is committed to undertake discussions with French relating to recruitment of labor in US zone Germany. We are also bound by the terms of our bi-zonal agreement with the British. As subject is of major economic importance, we should enter into no

¹ Secretary of State George C. Marshall was in Moscow for the meeting of the Council of Foreign Ministers, March 10-April 24, 1947.

² This is the same as telegram 1077 to the Embassy in France, *supra*.

agreement with French in the absence of accord with British. In other words, question should be decided on bi-zonal basis and not unilaterally by US, but no objection to preliminary discussion with French to ascertain details French plan. As we understand it, French interested primarily in able-bodied German male skilled workmen and technicians. These are also at a premium in Germany and, of course, directly concern German production and consequently affect US-UK budgetary outlay.

We also do not agree that quadripartite approval is not necessary, and are doubtful of the accuracy of the statement that recruitment on voluntary basis is not inconsistent with views expressed in ACA incident to Soviet deportation of German technicians. Suggest you verify minutes carefully on this point.

Moreover, if we do agree to unilateral recruitment, we should not establish unworkable conditions which would be certain to result in continuing friction between zone Commander and French Government involving repeated appeals to our Government. It does not appear clear how recruitment would prove practical under conditions outlined with respect to priority of displaced persons and need for labor in German economy.

General Clay concurs.

Sent Berlin as 181; Department please repeat Paris as Moscow's 89.
[MARSHALL].

851.504/4-247 : Telegram

The Acting Secretary of State to the Secretary of State at Moscow

SECRET

WASHINGTON, April 2, 1947—7 p. m.

774. Moskco 38. For Secretary from Acheson. As possible factors in your decision on matter subject Kosmos 15 we submit following considerations:

French ability and willingness effect repatriation German POWs conditioned upon internal manpower situation which in turn endangers success of their recovery program under Monnet plan. Extent to which they can effect rapid repatriation in accordance with our wishes dependent in part upon acquisition replacement labor: foreign workers, including Germans; DPs; etc. Under conditions laid down Deptel 641¹ number and type of German labor recruited by France will be small in comparison with number POWs repatriated and large net gain of workers to Germany will result. Our refusal to facilitate recruitment of Germans for work in France may delay agreement for recruitment

¹ This is the same as telegram 1077, March 24, to Embassy in France, p. 630.

DPs, will adversely affect French ability to repatriate POWs and this in turn will result in prolonging German manpower shortage. French have been advised of nature of our commitment to British under bi-zonal agreement to establish bi-zonal arrangement on self-sustaining basis as rapidly as possible. We realize and French should be told that any agreement reached with French must be in harmony bi-zonal agreement.

While we do not find from examination relevant ACA minutes that US is committed to seek quadripartite approval for recruitment voluntary labor at present in US zone, we recognize that in event agreement in Moscow on treatment Germany as economic unit, any recruitment program would have to be subject to appropriate revision.

ACHESON

851.504/7-747

The French Embassy to the Department of State

[Translation]

WASHINGTON, July 7, 1947.

AIDE-MÉMOIRE

The Embassy of France has the honor to refer to its note No. 164 of May 7 and its *aide-mémoire* of June 16 and 18.¹

During the past months, the French Government has spared no pains in scrupulously carrying out the agreement which it signed on March 11, 1947² concerning the repatriation of German prisoners whose custody was entrusted to it by the American authorities. Between March 1 and July 1, 1947, it succeeded in effecting a total of 87,000 repatriations, 7,000 more than the number set for the same period on the basis of 20,000 repatriations per month. If one adds that, from January 1 to March 1, 15,000 prisoners had already been returned to Germany, this gives a figure of 102,000 men, or nearly one quarter of the total number of prisoners transferred by the United States to France and left under French control, who have been repatriated.

When the French Government agreed to fix the monthly number of repatriations at 20,000, it relied upon the promise contained in the *aide-mémoire* of December 3, in which Mr. Jefferson Caffery indicated that the American authorities in Germany would receive instructions, if the French Government expressed such desire, to cooperate in the recruitment of German workers for France.

¹ Neither printed.

² See telegram No. 1116 from Paris, March 13, 1947, footnote 1, p. 629.

As a matter of fact, the recruitment of free labor in Germany by the French authorities has encountered long delays on the part of the American authorities and financial terms which were not acceptable to the French Government. In order to overcome these difficulties, the latter proposed to the American Government certain solutions which were, specifically, the subject of the *aide-mémoire* of June 18. It sincerely regrets that there was not greater haste in concluding the agreement sought.

While such agreement failed to materialize the aggravation of the general labor situation only rendered the solution of this problem more difficult for the French Government.

The strikes which have occurred in the coal mines and on the railroads have caused a serious diminution of the raw materials which are indispensable to the French economy.

With the approach of a harvest which is of exceptional importance and seriousness for the country, the French Government, placed under the obligation of improving at all costs, the tragic situation of its wheat supply feels itself obliged not to divert more than a minimum amount of labor from the agricultural population.

The failure of the Italian Government to carry out the commitments made in the labor agreement, in which France took the initiative, has reduced to 5 or 6,000 the recruitment of 17,000 workers per month anticipated in the application of that agreement.

The hiring of displaced persons in Germany cannot give substantial results before harvest time.

If, moreover, in conformity with the Agreement of March 11, work contracts in the number fixed are to be distributed at once to the German prisoners, the transformation of the latter into free workers, by making it easier for them to leave their work and to return to Germany, even in spite of their contracts, entails grave risks for the French economy in the critical period through which it is now passing.

Lastly, the French Government is obliged to permit the workers born in Eastern Europe who formally express the desire to do so, to return to their countries. These elements furnish the French economy with workers who are particularly useful by reason of their specialization in mining and agricultural work. Anxious to lose as few of these workers as possible, the French Government has taken every precaution to make sure that their departure was really voluntary and was not caused by any pressure; it could not, however, oppose the return of these free workers to their countries when they sincerely expressed the desire to do so. While in 1946 these repatriations to the Eastern countries were limited to 7,000 Poles and 2,000 Yugoslavs, or a total

of 9,000 workers, the departures amount, during the present year, to much larger figures, which consist of:

17,000 Poles, comprising 8,000 employed in coal, iron and potassium mines, 3,000 miscellaneous workers and 6,000 agricultural workers;

2,000 Yugoslavs, several hundred of whom are miners, the others being for the most part agricultural workers;

10,000 Ukrainians and Byelorussians, chiefly agricultural workers.

To this total of 29,000 workers are added the members of their families, a large number of whom are employed in the French economy.

In the *aide-mémoire* of June 16, the Embassy of France was instructed to state that the recruitment of free German workers conditioned the ability of the French Government to maintain the repatriation of German prisoners of war at the monthly figure contemplated. It stressed the urgency presented for this reason by the conclusion with the American authorities of an agreement on the recruitment of free German workers, analogous to the one which was being negotiated with the British authorities.

The apprehensions of the French Government have become a reality. The situation set forth above places it under the unavoidable obligation, under penalty of causing in the French economy a crisis which may have serious repercussions, to reduce, taking into consideration the provisions of paragraph 3 of the Agreement of March 11, the repatriations of German prisoners from 20,000 to 10,000, during each of the two months of July and August.

The French Government will make every effort possible to compensate for this reduction in the coming months, by exceeding the repatriation quotas established. It is confident that it will succeed in doing so if an improvement in the general labor situation in France can be effected and particularly if the contingents not only of displaced persons but also of German free labor which the French Government has been trying to obtain for several months are received. The French authorities would therefore attach the greatest importance to receiving without delay the reply of the American Government to the offers appearing in the *aide-mémoire* of June 18, a reply which, they very much hope, will be favorable.³

H[ENRI] B[ONNET]

³ On July 15 Frances E. Willis, Assistant Chief of the Division of Western European Affairs, gave to Armand Bérard, Minister Counselor in the French Embassy, an *aide-mémoire* expressing regret that the French Government felt compelled to reduce the rate of repatriation during July and August and the hope that it would be possible to compensate for this reduction in the following months. Miss Willis added that instructions had been sent to the American Embassy in Paris to approach the French Government with a view to working out an agreement. (851.504/7-1547)

851.504/8-1247 : Telegram

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

SECRET

BERLIN, August 12, 1947— 10 p. m.

1935. ReDeptel July 11 to Berlin as 1453, to Paris as 2572.¹ Below is quoted substance of cable OMGUS to War, commenting on proposal contained Dept's reference telegram :

"We appreciate the difficulties of solving the problem of remittances which arise from the agreement of the United States to permit French voluntary recruitment of German labor in the US zone in return for French agreement on repatriation of German prisoners of war. However, we would like to point out that the present proposal is basically no different from the original French proposal except that we have covered up the fact that the French are permitting remittances at \$0.10 rate.

"In effect we are agreeing that the French will receive reparations in the form of part payment of the wages of German workers in France at the expense of the German economy.

"If, however, we assume that German workers in France are voluntary workers in a foreign land it would appear that the workers should be permitted to send to their families in their native land any desired portion of their earnings, in which case the foreign currency thus accrued should be at the free disposal of the native country of the worker.

"In the first instance, paragraph 16 C of the revised directive on military govt of Germany would appear to be applicable, and in the second instance, paragraph 18 C of the new directive would appear to be applicable.² Both of these paragraphs would appear to be contrary to the position which we are now requested to take. It would also appear that to negotiate on the basis of the position set forth in reference cable would create an undesirable precedent if remittance practices with all other countries had to be adjusted to conform to a formula such as set forth in paragraph 2 C of reference cable.

"We do not propose to agree to the blocking of any portion of the remittances to be made by recruits now or by optants. We know from the Embassy Paris cable 2899 of 21 July ¹ that they intend to refer the matter to Berlin at an early date. We judge that by detailed discussions they refer to the remittance problem as well as the recruiting of voluntary labor."

Sent to Paris as 340, repeated Department as 1935.

MURPHY

¹ Not printed.

² For text of JCS 1779, July 11, 1947, Directive to Commander in Chief of United States Forces of Occupation Regarding the Military Government of Germany, see Department of State, *Germany 1947-1949: The Story in Documents* (Washington, Government Printing Office, 1950), pp. 33-41.

851.504/8-2147 : Telegram

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

SECRET

PARIS, August 21, 1947—7 p. m.

3382. With reference to conflict between German as opposed to French economic interests in PW repatriation, German labor recruitment and remittance questions reported in Berlin's 2013, August 20,¹ we have repeatedly emphasized in all negotiations these subjects with French, that US must give full consideration to its financial and other commitments in rebuilding a self-supporting German economy, as set forth in revised directive on military government dated July 11, 1947. Primary fact that proceeds derived from remittances must be available to German economy for purchase of imports was clearly stated in our memorandum of July 16, 1947 to French Government setting forth proposals contained in Deptel 2572 of July 11.¹ Blocking of proceeds of such remittances until June 30 or December 31, 1948, would not prohibit their becoming available at later date for purchase of imports in accordance our basic principle. Pending establishment of acceptable franc-mark exchange rate, we fully concur that proportionate payment scheme for reasons outlined in paragraph 2C, Deptel 2572, appears more desirable than agreeing to partial exchange rate such as proposed by French.

In connection with paragraph 2, Berlin's 2013, International Committee of Red Cross submitted detailed breakdown of PW repatriations accomplished by French from March through July 1947 (see Embassy's dispatch 9443, August 14, 1947,¹ copy to USPolAd, Frankfurt and Berlin), which totals 103,101. This figure exceeds original French commitment to repatriate 20,000 monthly during initial phase of agreement. We have requested French to supply us with breakdown of eventual destinations in Germany of these former PWs. It is believed number returning to US and British Zones, however, may represent a considerable proportion based on relative populations of zones. A majority of these repatriates are reported to be able-bodied workers, a factor which will undoubtedly benefit the bi-zonal economy. Conversely, French state they intend to recruit not more than 20,000 workers from US Zone under pending German recruitment program, the families of all but maximum 10 percent of those departing simultaneously from US Zone for French Zone under terms latest French proposal. Thus the financial consideration involved in this aspect of remittance program is relatively slight for reasons given in paragraph D Department's 2572, July 11. Exact number of optants with families

¹ Not printed.

in US Zone not known, but information from French indicates many prisoners opting to remain in France are doing so because they are without immediate families in Germany and therefore, would not participate in remittance arrangements.

General principles set forth in reference Deptel are believed to represent most equitable solution and best means of securing early implementation of PW repatriation program, although Embassy welcomes of course, within scope of general proposals which we have already put forward to French, suggestions from interested OMGUS officials as to how proposed agreement can be made more satisfactory to them.

For Department's information, British Embassy Paris states informally British Government desires to conclude as soon as possible an agreement along the lines suggested by French and summarized in my 3326, August 19.²

Sent Department as 3382, repeated Berlin as 313.

CAFFERY

² Not printed.

Editorial Note

Following an exchange of analogous notes at Paris on September 29 and 30, 1947, between the French Ministry of Foreign Affairs and the British Embassy, there was effected by exchange of notes signed on October 25 at Paris an Agreement between the United States of America and the French Republic on Recruitment of Voluntary Labor for France in the United States Zone of Germany. For texts of the notes signed by the Secretary General of the Ministry of Foreign Affairs (Chauvel) and the American Ambassador (Caffery), see Department of State Treaties and Other International Acts Series (TIAS) No. 1878, or 61 Stat. (pt. 4) 4113.

PUBLICATION BY THE DEPARTMENT OF STATE OF
"NAZI-SOVIET RELATIONS, 1939-1941"

862.414/8-3047

*Memorandum by the Director of the Office of Public Affairs
(Russell)*¹

CONFIDENTIAL

WASHINGTON, 9/30/47.

Subject: Publication of the German War Documents Relating to the 1939-1940 Discussions Between the Russians and the Germans, Particularly the Molotov-Ribbentrop Conversations.

There are various possibilities with respect to what might be published at this time:²

a. The report of November 1940 from the German Ambassador to Moscow of a conversation between him and Molotov, setting forth the conditions upon which Russia would adhere to the Three Power Pact. This document has, as far as we know, never been published or even referred to publicly. It is extremely damaging to the Russian position. It delineates the territories in Europe and the Near East that Russia insisted would have to come under Russian domination and provides for the definite alignment of Russia with Germany, Italy, and Japan.

b. In addition to a., Nazi reports of a series of four conversations between Molotov, Ribbentrop, and Hitler in Berlin in November 1940. These have been referred to publicly on a number of occasions but have never been published in full. These are not as strong in their effect because they portray Molotov as opposing many of the arguments of Ribbentrop and Hitler.

c. The account of Ribbentrop's first visit to Moscow in August 1939 and the text of the Russo-German Secret Agreement of that month. The text of the Secret Agreement has been published unofficially but no mention has been made of the existence of this detailed account of the conversations between Stalin, Molotov, and Ribbentrop which accompanied the signing of the Pact of August 1939.

d. All the important 1939-1940 Russo-German papers might be published. These, in the opinion of the editor of the German War Documents Project,³ would create a much greater cumulative effect than any selection from the correspondence. They show the length to which

¹ Addressed to the Assistant Secretary of State for Occupied Areas (Saltzman), to the Directors of the Offices of European Affairs (Hickerson), of Near Eastern and African Affairs (Henderson), and of Special Political Affairs (Rusk), and to the Legal Adviser (Gross).

² For previous documentation on the interest of the United States in the disposition of German Foreign Office archives, captured in 1945, see *Foreign Relations*, 1945, vol. III, pp. 1099 ff., and 1946, vol. V, pp. 200 ff.

³ Raymond J. Sontag.

Soviet Russia went in aiding Germany on the eve of and during World War II. They cover the period from the spring of 1939 to June 1941.

If no special decision is made at this time, this material would in the normal course of events not be published until around 1950.

The editor of the German War Documents Project would be willing to have *d.* above published as a part of that project. Most of these documents have already been translated. It would take one month to complete the translation and annotations. Under normal procedure it would require another two months to prepare the manuscript for the printer and complete the publishing. Consideration might be given to obtaining Congressional priority in the printing, in which case it might be published within a week or two following the completion of the editing. If publication of *d.* were to be decided upon, although the agreement with the British (to which the French have also adhered)⁴ does not require agreement by them to such publication, there is an oral understanding between us and the British and the French that any party will notify the others of its intention to publish any of the documents covered by the Project.

The editor of the German War Documents Project would not approve as a part of the Project the printing of *a.*, *b.*, or *c.* above separately. If publication of these documents were decided upon, they should be released by the Department in some other form, not as a part of the Project.

The Russians have copies of the documents in the German Foreign Office archives. If we print a dozen or so documents, they would undoubtedly print others which would show that Russia at times resisted German pressure. This country might then be accused of giving a one-sided picture.

It will be recalled that the Spanish were able to show that *The Spanish Government and the Axis* did not tell the whole story and thereby to undermine the effectiveness of that publication.⁵

The cumulative effect of all of the documents referred to in *d.* above is very strong and it would be difficult for the Russians to rebut them.

The decision with respect to whether any of the above should be published at this time is, aside from the considerations mentioned herein, purely a political decision. It was decided by Under Secretary Acheson on May 28, 1947 on the basis of political considerations at that time not to publish these documents out of order and apart from the regular program. The appropriate political officers should now make the decision whether supervening events indicate that this de-

⁴ For information on this agreement, see *Foreign Relations*, 1946, vol. v, p. 200.

⁵ For documentation on the release of this pamphlet in March 1946, see *ibid.*, pp. 1042-1043, 1054-1055.

cision should be changed. It should also be taken into account whether such a decision would involve the Department in the necessity of publishing other documents of particular interest, such as those relating to the Grand Mufti.

The Russians are in possession of a great number of German Foreign Office papers and the question might arise whether they would follow any publication of ours by the publication of any embarrassing material in their possession. The editor of the Project states that the material examined so far shows nothing which, if published, would embarrass this government seriously.

F[RANCIS] H. R[USSELL]

[Enclosure]

SUMMARY OF NEGOTIATIONS BETWEEN THE RUSSIANS AND THE NAZI
GOVERNMENT 1939-1941

The German documents on Russia become interesting in April 1939 when there began feelers for a political understanding. For some two months, the Germans and the Russians eyed each other suspiciously, anxious to make friends, but each afraid of the other. When it became evident that the British and the French were not willing to allow Russia a free hand in the Baltic, the Russians quite suddenly dropped their reserve and invited Ribbentrop to Moscow. The discussions there are treated in a very long memorandum which recreates the spirit of the occasion very well. As a result of these discussions, there emerged the public pact and an economic treaty for the exchange of Russian raw materials and German armaments. There was a secret agreement dividing spheres of influence, leaving everything in the Baltic north of Lithuania to Russia, together with Bessarabia.

After the Polish campaign, Ribbentrop again went to Moscow. There, the Russians agreed that they would press for a peace favorable to Germany. A new division of the spoils was arranged, Germany taking more of Poland, Russia getting all of Lithuania, except a small region in the south which was to go to Germany. In the succeeding months, there were extended economic negotiations which are of some interest because they show the great contribution which Russia made to the German war effort. Russia greeted in these documents the German invasion of Norway with enthusiasm and relief and applauded the invasion of Belgium and Holland. When, however, the speed and the extent of the German victory became apparent, the Russians moved very rapidly to claim their share of the spoils, while Germany still needed Russian support. The Russian occupation of the Baltic states occasioned some bad feeling, particularly when Russia took the part of southern Lithuania which had been promised to Germany. German

resentment was increased when Russia suddenly moved into Bessarabia and, more important, into the Bukovina.

When the collapse of France was complete, the Germans began to strike back at the Russians. They encouraged the Finns to resist new Russian demands, and they aroused the Russians to fury by guaranteeing the new frontiers of Roumania. Russian anger turned into panic on the news of the Three Power Pact between Germany, Italy, and Japan. On receiving news of this Agreement, Molotov abandoned his earlier reluctance to visit Berlin and arrived there in November 1940. He had two interviews with Ribbentrop, and two at which Ribbentrop and Hitler were both present. Hitler and Ribbentrop tried to force Russia to join the Three Power Pact and to accept the Asiatic territory south of Russia to the Indian Ocean as her sphere of influence. On his return to Moscow, Molotov said that he would be willing to join the Three Power Pact if all the territorial demands of Russia were met.

The Germans never replied to Molotov's counter-proposal. Instead, they secretly circulated in December 1940 the first detailed plans for the invasion of Russia.

Through the early months of 1941 the Russians at least outwardly continued to hope for peace and for admission to the Three Power Pact along with [*the?*] lines proposed by Molotov in the previous November.

Throughout the documents, there are quoted very uncomplimentary Russian remarks concerning the French, the British, and the Americans. It was the opinion of the best informed Germans that Russia would much rather have an alliance with Germany than with the Western democracies.

761.62/10-247

Memorandum of Conversation, by the Assistant Secretary of State for Occupied Areas (Saltzman)

CONFIDENTIAL

WASHINGTON, October 2, 1947.

Participants:	Charles E. Saltzman—Chairman	Dean Rusk
	John D. Hickerson	Fritz Oppenheimer ³
	Llewellyn E. Thompson ¹	Francis Russell
	Joseph C. Satterthwaite ²	C. V. Hulick ⁴

The first meeting of the Committee on publication of the Molotov-Ribbentrop papers was held in Mr. Saltzman's office at 3:00 p.m., October 2nd.

¹ Chief, Division of Eastern European Affairs.

² Deputy Director, Office of Near Eastern and African Affairs.

³ Special Assistant to the Legal Adviser for German-Austrian Affairs.

⁴ Charles V. Hulick, Executive Assistant, Office of the Assistant Secretary of State for Occupied Areas.

Mr. Russell described the progress made by his office in assembling the material and the possible methods of publication. He stated that it would take one month to complete the translation and annotation of these papers and that if the Government Printing Office facilities were used it would require another two months. However, if necessary, much faster service could be arranged through the staff of the Foreign Relations Committee of the Senate. It was agreed that all the important 1939-1940 Russo-German papers should be published.

Mr. Hickerson stated that, in his opinion, these papers should not be published prior to the ending of the CFM Conference, or approximately December 15th.⁵ He felt that publication prior to that time would seriously embarrass the U.S. Delegation at the General Assembly of the United Nations and the Secretary of State at the CFM Conference.⁶ Mr. Satterthwaite said that Mr. Henderson was suddenly called out of town and was unable to attend the meeting. He said that Mr. Henderson told him that he thought the papers might be published in approximately two or three weeks and that he did not see any strong reason for withholding publication beyond that time. Mr. Rusk supported the view of Mr. Hickerson and raised the question as to whether the publication of these papers at any time would be embarrassing due to the Soviet practice of violent and vituperative retaliation. Mr. Russell stated that a member of his staff had made a detailed examination of the greater portion of these papers and felt that no real embarrassment would be involved.

Mr. Oppenheimer raised the question as to what instructions would be given to the German press and pointed out that existing regulations prohibited the German press from publishing comments which would tend to alienate the Allied Powers. Accordingly, he felt that if the German press published these papers and made any editorial comment that the Soviet member of the ACC would immediately demand that the German editors involved be punished. Mr. Hickerson replied that he felt that we should instruct the German press that extracts of the papers or the papers themselves might be reproduced without editorial comment and that our representative on the ACC be forewarned to resist any attempts on the part of the Soviets to demand punishment. He also pointed out that the Soviets were not observing the provisions of these regulations in their own zone. There was general agreement that no instructions be given to the German press regarding the republication of these papers but that our representative on the ACC be advised beforehand and be instructed to resist any attempt on the part

⁵ For documentation on the meeting at London of the Council of Foreign Ministers, November 25-December 16, 1947, see vol. II, pp. 676 ff.

⁶ For documentation on the regular session of the General Assembly at New York, September 16-November 29, 1947, see volume I.

of the Soviets to demand punishment for action taken by the German press.

The Chairman authorized Mr. Rusk to informally obtain the views of Mr. Herschel Johnson ⁷ as to the effect of the publication during the current Assembly of the United Nations. The Chairman requested Mr. Satterthwaite to convey Mr. Hickerson's views to Mr. Henderson upon his return and find out if Mr. Henderson agrees to withholding publication until approximately December 15th.

It was agreed that a memorandum would be prepared recommending to the Secretary action to be taken and pointing out that it would be necessary to obtain approval from the British prior to publication.

CHARLES E. SALTZMAN

⁷ United States Representative at the second session of the United Nations General Assembly.

862.414/10-347

*Memorandum by the Assistant Secretary of State for Occupied Areas
(Saltzman) to the Under Secretary of State (Lovett)*

SECRET

WASHINGTON, October 3, 1947.

DISCUSSION

We have an arrangement with the British, to which the French have recently adhered, providing for the publication, after editing by a group of scholars, of the documents contained in the captured German archives. There is an understanding between us and the British and French that any party will notify the others of its intention to publish any of the documents covered by this project. The Russians have not agreed to participate in this work but have independently published some of the captured German documents in their hands.

We have had numerous requests for the publication of these documents, particularly those relating to the Soviet-German pact of 1939. We have heretofore taken the position that we could not publish these documents separately.

The material concerned would in the normal course not be published until sometime in 1950. It is estimated that the ones relating to the Soviet Union could be edited and printed and be ready for release about the first of December of this year.

At a meeting of the interested Officers of the Department held in my office on October 2 it was decided to recommend the publication of these Russo-German papers shortly after the conclusion of the forthcoming meeting of the Council of Foreign Ministers unless developments prior to that time should warrant our withholding them. It was

realized that it is probable that the Russians will attempt to retaliate by publishing documents embarrassing to us or more probably the British. On balance, however, it was felt that United States interests would be served by the publication of these papers and that in view of the seriousness of the issues raised by current Soviet policies we would not be justified in further delaying their publication. In this connection it should be noted, however, that some of them have already been published unofficially and that Foreign Minister Bevin in October, 1946, confirmed the authenticity of the publication in a British paper of the secret protocol attached to the Soviet-German non-aggression pact of 1939.

RECOMMENDATIONS

(1) That we inform the British and French of our intention to publish the important captured German documents covering Soviet-German relations from 1939 to June 1941, early in December unless developments at the meeting of the Council of Foreign Ministers should indicate the wisdom of further delaying their publication.

(2) In view of the seriousness of this decision it is suggested that you obtain the approval of the Secretary.¹

¹ Concurrences were shown by Messrs. Hickerson, Henderson, Oppenheimer (for Mr. Gross), Russell, and G. Bernard Noble, Chief of the Division of Historical Policy Research. Mr. Rusk wrote in the following note: "The question of when we tell the British and French must be considered by the Secretary in relation to British and French nervousness during present GA session. Otherwise, I concur. D. R."

On October 31 the Executive Officer, Office of Departmental Administration (McWilliams) informed Mr. Saltzman that the Secretary of State had approved the memorandum, in principle, but wished that implementing action be delayed until he had discussed the project with the President and the Cabinet. (862.414/10-3147)

862.414/12-2647

Memorandum by the Chief of the Division of Historical Policy Research (Noble) to the Deputy Director of the Office of European Affairs (Thompson)

SECRET

WASHINGTON, December 26, 1947.

Wednesday morning, December 24, Mr. Sontag and I had conferences with Mr. Henderson of the British Embassy¹ and Mr. Wapler of the French Embassy² on the subject of the Department's policy regarding the publication of documents on the Soviet-German relations, 1939-1941. Mr. Henderson and Mr. Wapler were not able to come in at the same time; consequently we met with them separately.

¹ John Nicholas Henderson, Second Secretary, British Embassy.

² Arnauld Wapler, Counselor, French Embassy.

Mr. Henderson first raised the question whether the understanding between our governments permitted separate publication by the Department of these documents, and he accepted our assurance that it did. He suggested that probably the Soviets would argue that this publication was a violation of the recent "anti-war mongering" resolution adopted by the General Assembly of the United Nations,³ though he did not apparently feel that this should bar action. His major concern was with the fact that the British Government had not been informed earlier of the intentions of the Department, and he expressed the view that his government might be subject to criticism in Parliament on the ground that the Department of State was in advance of the Foreign Office on the side of open diplomacy. He did not feel that the British Government would raise objections to the publication, though he seemed anxious to inform his government at the earliest possible moment of the Department's proposed action.

Mr. Wapler expressed a good deal of satisfaction over the proposed publication. He said, however, that his government would necessarily have to wash its hands of the enterprise. It would be pleased with the American decision and would be glad not to have to take responsibility for the action. He expressed some satisfaction that his government had not been consulted in advance so that it would not be faced with the necessity of making a decision in the matter.

Copies of the proposed preface and editors' foreword were given to Mr. Henderson and Mr. Wapler. Both of them thought these were well adapted to the needs of the occasion.

³ United Nations, *Official Records of the General Assembly, Second Session*, resolution 110, adopted on November 8, 1947. For documentation, see volume I.

862.414/2-1648

*Memorandum by the Director of the Office of Public Affairs (Russell)
to the Under Secretary of State (Lovett)*

CONFIDENTIAL

WASHINGTON, February 16, 1948.

As was to be expected, the publication of the German War documents bearing on relations with Russia, 1939-1941,¹ has aroused widespread interest and comment both in the United States and abroad, except in those countries where the "iron curtain" has restricted freedom of expression on the subject.

¹ For text of a press release announcing publication by the Department of State on January 21, 1948, of *Nazi-Soviet Relations, 1939-1941: Documents from the Archives of the German Foreign Office* (publication 3023), see Department of State *Bulletin*, February 1, 1948, p. 150.

REACTIONS IN THE UNITED STATES

In the United States the reception has been preponderantly, if not overwhelmingly, favorable. The space given the publication by leading newspapers was probably unprecedented. On all sides, however, the volume was viewed as a propaganda piece in the so-called "cold war" with the U.S.S.R. Nevertheless, most would agree with *Time* that it has "the virtue of sober truth".

Adverse criticism has gradually taken shape. Typical criticisms of one segment of opinion are (a) that the documents should have been published earlier; and (b) that, in view of the evidence, this Government should not have delayed so long in adopting a "realistic" policy toward the U.S.S.R. Other adverse critics, however, have alleged that (a) the release of the documents at this time only accentuates U.S.-Soviet tensions; (b) the documents thus presented are out of context and give a distorted picture of events; and (c) the Germans will conclude that they lost the war because Hitler made the mistake of breaking his agreement with the U.S.S.R. and that they should return to the Soviet alliance. There is no question, however, that the American public as a whole regards the publication of the documents as appropriate and necessary under the circumstances.

REPERCUSSIONS IN THE UNITED KINGDOM AND FRANCE

When, in December 1947, it was decided to publish the documents, the representatives of the British and French Embassies were informed (on December 24) of the Department's intention to make the documents public. The information was given four weeks in advance of the date on which the documents were released to the press (January 21). When Mr. Henderson of the British Embassy inquired whether the Department's decision was final, he was told that if his Government had important objections to raise these would certainly be taken account of by the Department. Mr. Wapler of the French Embassy was similarly informed.

Both secretaries informed their Governments of the Department's action, and both reported back with replies. The British Foreign Office expressed regret that the "decision" was made without prior consultation, but made no objection of principle.

The French Government made no objection whatever to the publication, though it left the responsibility for the action with the Department of State. Mr. Wapler of the French Embassy informally stated that he was sure his Government would be pleased with the Department's action, but that of course it would have to "wash its hands" of the affair.

In the United Kingdom the incident was not played up significantly in the press, though it received wide notice. Questions relating to the

publication were raised in the House of Commons. On January 28, Hector McNeil, replying for the Secretary of State for Foreign Affairs, stated that "H.M. Government are considering whether any useful purpose will be served by issuing these documents separately at an early date", but said that they wanted to avoid issuing "haphazard selections".

On February 4 Mr. Churchill ² raised the question whether the Government intended to make "a similar separate British publication". Mr. Bevin, in reply, said that his Government had "the matter of a similar separate British publication under consideration". He said he would not, because of its publication in another country, be rushed into "taking out of its context one particular thing without careful study of the rest". He expressed doubt as to whether the American publication was the wisest way of dealing with this problem and said that he had understood that the matter was "going to be dealt with in relation to the other Allies as a comprehensive historical statement", and he had no idea it was going to be published out of its context. He added that, "Whatever happened in 1939-41, I have got to study what is likely to happen in 1948".

The above statements by Mr. McNeil and Foreign Secretary Bevin do not take account of the fact that the Foreign Office had been fully informed in December as to what precisely the Department was proposing to do.

The attitude of the British Government was explained confidentially by Mr. Henderson of the British Embassy, on the basis of a memorandum from the Foreign Office, which stated that Mr. Bevin had no reason to doubt the accuracy of the compilation, "but the fact that these German documents had been published in this way necessarily makes certain people in the United Kingdom suspect that they have been published not so much in the interest of historical accuracy as for an immediate propaganda purpose. Publication in this way also seems to have had the effect of provoking the Soviets into publishing documents directed against Great Britain. This does not especially worry the British Government inasmuch as they are in any case preparing to publish their own documents themselves, but they would have preferred to have been able to publish them first and not to have had the issue forced in such a way as to let the Russians get in first with their highly tendentious version".

In France the publication of the documents was given widespread but not sensational attention. The patriotic press tended to follow the lead of the Government press agency in commenting that the unilateral procedure was not regarded as "normal diplomatic usage", while the

² Winston S. Churchill, former Prime Minister.

Communist wing branded the documents as "forgeries of the Nazi Gestapo".

Ambassador Caffery reported from France that he had received many inquiries concerning a French translation which he would regard as useful. The French Government has limited itself to stating that it was not consulted prior to publication which, of course, is in line with their previously announced intention to wash their hands of responsibility.

THE SOVIET REPLY

The Soviets began making replies to the documentary publication on February 10 and have issued four statements. The reports of these replies indicate that, while branding those responsible for publishing the documents as "falsifiers of history", they do not challenge the authenticity of the documents themselves. They have rather sought to shift the spotlight by attacking the pre-war and wartime policies of the United States, the United Kingdom and France. The following charges are made:

1. The Allied documents policy was discriminatory against the U.S.S.R.

- a. The claim is made that in the summer of 1945 the British rejected the Soviet request for participation in the study of captured German documents.

- b. It is also claimed that in September 1945 the American officials proposed to the ACA in Berlin that all captured enemy documents in all the zones should be opened freely to representatives of the United Nations, but that this proposal was subsequently withdrawn.

2. The publication is propagandistic. It covers only the period 1939-1941, and it is based exclusively on Nazi documents.

3. The Allies contributed to German rearmament against the Soviet Union. A "golden rain of American dollars fertilized the heavy industry of Hitler Germany", and American industrialists were closely linked with German monopolists. This charge is elaborated at considerable length.

4. The British and French, in the pre-war period, adopted a policy of "appeasing" Hitler Germany while "the Soviet Union came forward as the initiator and champion of collective security".

5. The Anglo-French policy sought to direct German aggression against the U.S.S.R.

6. The Soviet policy during the 1939-1941 period was merely a "fight for time", forced on the U.S.S.R. as a result of its failure to reach an agreement with the Western Powers for a collective security front against Germany.

7. The United States, through Allen W. Dulles, conducted negotiations in 1943 for a separate peace with Germany.

8. The United States and Great Britain deliberately delayed opening a second front in the West in an effort to bleed Russia white and end her role as a world power.

COMMENTS ON THE SOVIET REPLY

The Soviet charges are, for the most-part, red-herrings, employed for the purpose of diverting attention. They will, therefore, not all be considered at this time, although they do merit the attention of the Department in due course. The following comments are immediately relevant:

1. With regard to the charge that the United Kingdom and the United States discriminated against the Soviets in the use of captured German documents:

a. A British Government spokesman has denied all knowledge of a Soviet request in the summer of 1945 for joint exploitation of the documents.

b. On the other hand, the Soviet statement that American authorities proposed in September 1945 that all German archives be thrown open to the governments of all the United Nations is substantially validated by the records of the Department. Such a proposal was made, but the British representative asked for and was granted several delays in order to receive instructions, and the proposal was later withdrawn on the request of the American intelligence authorities in Berlin.

2. As to the charge that the documents are a distortion of the facts because they cover only 1939-41, it is to be regretted that these papers could not have been published as part of the regular series, which would, of course, have given a broader perspective on Nazi relations with all other powers. Time obviously did not permit this to be done. It, nevertheless, remains true that the documents are an accurate account of Nazi-Soviet relations during the 1939-41 period, and the truth which they contain is not obscured by the fact that they come from the German Foreign Office, since they were prepared at the time not for propaganda purposes but as accurate analyses of situations for the confidential use of Nazi authorities.

3. Regarding the charge that the British and French conspired to get Germany into war with the U.S.S.R., the documents thus far cited do not demonstrate the existence of such a conspiracy. Nor have the editors found any evidence of such a conspiracy. It is nevertheless possible that, by a careful choice of parts of documents, the Soviets could present a picture which would be convincing to those desiring to be convinced. It is assumed that the Soviets will attempt to do this.

4. The Soviets have announced their intention of publishing subsequently a collection of documents which will presumably substantiate the charges that have thus far been made. It was to be expected that some such riposte would be forthcoming, and the question arises as to what may be expected. It may be recalled that three volumes of German documents were issued by the Soviets in 1946, bearing on German relations with Turkey, Hungary and Spain. It is the opinion of the American editors of the German War Documents Project that the Soviets may have large parts of one of the higher files of the political division of the German Foreign Office, thereby being in possession of an important cross-section of the record of German foreign relations. The Soviets have not, however, yet shown their hand.

The precise extent of the Soviet holding of documents is not known by the editors, hence no accurate forecast can be made as to possible Soviet action.

IMPLICATIONS FOR UNITED STATES POLICY

The foregoing facts suggest the following considerations of policy:

1. Consideration might be given to offering access to the German Foreign Office Archives to Soviet scholars on a basis of the reciprocal right of access for the editors of the other participating powers to all German Foreign Office documents in the possession of the Soviet Government.

In this connection, a UP report of February 10 stated that a Foreign Office spokesman had invited the Russians to join Great Britain, the United States, and France in publishing without censorship the German Foreign Office documents on Hitler's relations both East and West. This has not been confirmed, and the British Embassy states that the Foreign Office has made no statement that would support such a report.

It is reasonable to suppose that permitting representatives of the U.S.S.R. to join the German War Documents Project would complicate the task of the editors and impose serious delays in publication. This is well illustrated by a statement made by the Soviet reply of February 10 which refers to the alleged negotiations with the British in 1945 and which states that publication of the documents would be inadmissible "without careful and objective verification", which, it stated, would have to be made jointly. The assumption lying behind this proposed "verification", as envisaged by the Soviets, is contrary to the fundamental principle of scholarly objectivity on which the documents project rests. Joint "verification" suggests the right of individual veto for political reasons on the inclusion of particular documents. Serious differences of opinion would doubtless arise and the completion of the project would be jeopardized.

2. The situation clearly calls for the publication at the earliest possible date of the volumes containing a comprehensive record of the crucial years preceding and during the war. It is anticipated that in the Berlin meeting this April the editors will make the final selection of documents covering the period from mid-1937 to the outbreak of war in 1939. Other volumes will follow as soon as possible, bringing the record down through the war years.

The early consummation of this publication program should be pressed, for it will place pre-war and wartime diplomatic relationships in clearer perspective and provide a satisfactory answer to the adverse critics at home and abroad.

3. The Russian statements and documents issued in reply to the Department's documentary publication should be carefully analyzed, annotated, and appraised, and relevant information should be prepared for use as circumstances may dictate.³

³The memorandum was referred to the Counselor of the Department, Charles E. Bohlen, who notified Mr. Russell that he did not think it would be wise to offer access to Soviet scholars but that the other two recommendations were all right. Mr. Hickerson concurred. (862.414/2-2348)

INTEREST OF THE UNITED STATES IN QUESTIONS RELATING TO NAVIGATION OF THE RHINE AND DANUBE RIVERS

[Documentation on this subject, not printed, is in Department of State file No. 840.811.]