Return to General CLAY

**OMGUS CABLE FORM**

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**THE REPORTS WHICH I HAVE RECEIVED ON THE RESOLUTIONS WHICH WILL BE ADOPTED AT THE INTERGOVERNMENTAL COMMITTEE FOR THE PROTECTION OF FOREIGN INTERESTS HAVE GIVEN ME SOME CAUSE FOR CONCERN. PARA I UNDERSTAND THAT THERE IS ONE RECOMMENDATION WHICH WOULD PROVIDE FOR EXPERTS OF INTERESTED COUNTRIES TO EXAMINE ECONOMIC AND FINANCIAL CONDITIONS IN THE AACHEN COAL MINES WITH A VIEW TO RECOMMENDING THE PRICE WHICH SHOULD BE CHARGED FOR COAL FROM THIS AREA PD ANY AGREEMENT BY THE UNCLE SUGAR GOVERNMENT TO ALLOW FOREIGNERS TO ENTER GERMANY IN ORDER TO MAKE ECONOMIC SURVEYS AND RECOMMEND ECONOMIC POLICIES TO BE IMPOSED UPON THE GERMAN WOULD HAVE A VERY UNFORTUNATE EFFECT UPON OUR ENTIRE PROGRAM OF TURNING OVER THE MANAGEMENT OF THE GERMAN ECONOMY TO THE GERMANS PD MOREOVER GMA IT IS INCONSISTENT WITH THE OVERALL FINANCIAL AUTHORITY EXERCISED BY UNCLE SUGAR MILITARY GOVERNMENT UNDER PRENT AGREEMENT DESIGNED TO PROTECT OUR HUSBAND FINANCIAL SUPPORT PROGRAM PD I URG TO THAT THIS MATTER BE GIVEN CAREFUL CONSIDERATION PRIOR TO FORMAL APPROVAL BY OUR GOVERNMENT PD PARA I ALSO UNDERSTAND THAT THERE IS A FRENCH RECOMMENDATION THAT THE GOVERNMENTS INVITE THE COMMANDERS IN CHIEF TO TAKE INTO ACCOUNT THE DESIRABILITY OF RE-ESTABLISHING GMA TO THE EXTENT COMPATIBLE WITH EXISTING REGULATIONS GMA DISTRIBUTION OF SALT ACCORDING TO AGREEMENTS WHICH EXISTED PRIOR TO THE NAZI REGIME PD PAREN FROM CINCEUR SIGNED CLAY UNPAREN IT SEEMS TO ME THAT THIS IS AN**

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**COORDINATED WITH:.ascii**

**AUTHENTICATING SIGNATURE**

**APPROVAL INITIALS**
EXTREMELY UNREALISTIC POSITION IN VIEW OF THE FACT THAT WE ARE BOUND BY THE MOSCOW SLIDING SCALE AND THE EASY CHARLIE ABLE ON THE ALLOTMENT OF COAL AND THAT WE SHOULD TAKE A FIRM POSITION THAT THERE IS NO ROOM WHILE WE ARE BOUND BY THESE COMMITMENTS FOR ANY RE-ESTABLISHMENT OF CHANNELS OF DISTRIBUTION WHICH MAY HAVE EXISTED PRIOR TO THE WAR PD PARA THERE IS A RECOMMENDATION THAT FOREIGN DASH OWNED PATENTS IN GERMANY SHOULD BE EXTENDED FOR A PERIOD EQUAL TO THE PERIOD DURING WHICH IT WAS IMPOSSIBLE TO EXERCISE SUCH PATENT RIGHTS DURING THE WAR PD ALTHOUGH I AM NOT OPPOSED TO THIS MEASURE IN PRINCIPLE WHAT I FEEL THAT IT WOULD BE UNFORTUNATE TO AGREE TO ANY MEASURES EXTENDING GERMAN PATENT RIGHTS OUTSIDE OF AN OVERALL AGREEMENT WITH THE COUNTRIES CONCERNED FOR EXTENSION TO GERMANS OF PATENT RIGHTS SUCH AS INCLUSION IN THE INTERNATIONAL CONVENTION WHICH WE ARE ANXIOUS TO OBTAIN FROM THESE COUNTRIES PD PIECENEAL CONCESSIONS OF THIS TYPE OBVIOUSLY IMPAIR OUR BARGAINING POSITION IN NEGOTIATING FOR OVERALL PATENT AGREEMENTS PD PARA I UNDERSTAND THAT THE UNCLE SUGAR DELEGATE IS PREPARED TO AGREE TO A RECOMMENDATION THAT GOODS SHOULD BE ALLOWED TO BE EXPORTED FROM GERMANY WITHOUT FURTHER PAYMENT IN RESPECT OF ANY ADVANCES ALREADY PAID UNDER PRE DASH CAPITULATION CONTRACTS PD SUCH A POLICY WOULD BE ENTIRELY CONTRARY TO OUR ENTIRE EXPORT PROGRAM AND WOULD RESULT IN THE LOSS OF FOREIGN EXCHANGE PD IT WOULD ALSO EMBARRASS US WHERE THE ARTICLE REQUESTED WAS ONE WHICH HAD BEEN CONSUMED OR UTILIZED SINCE THE TIME IN WHICH IT WAS CONTRACTED FOR PD THIS HAS BEEN OUR POLICY FOR THREE AND ONE HALF YEARS AND TO MY KNOWLEDGE PD IT HAS BEEN KNOWN TO THE STATE DEPARTMENT WHICH HAS NEVER ORDERED US TO CHANGE PD IT IS LATE TO DO SO NOW CMA PARTICULARLY AS THE MAJOR QUANTITIES OF SUCH GOODS HAVE UNDOUBTEDLY ALREADY BEEN USED IN THE GERMAN ECONOMY PD IT SEEMS TO ME THIS SHOULD BE DECIDED ON A CLAIMS BASIS WHEN AND IF THERE IS A PEACE TREATY PD PARA GERMAN ORDINANCE NUMBER TWENTY ONE PROVIDES FOR REALLOCATION BY THE GERMAN GOVERNMENT OF EQUIPMENT WHICH IS NOT BEING FULLY UTILIZED IN ORDER TO REALIZE THE MAXIMUM RETURNS TO
THE GERMAN ECONOMY FROM THE FULL UTILIZATION OF SUCH EQUIPMENT PD WHEN THE ORDINANCE WAS PASSED CMA IT WAS SPECIFICALLY PROVIDED THAT IT SHOULD APPLY EQUALLY TO FOREIGNERS AND GERMANS PD I SEE NO REASON FOR ANY EXCEPTION FOR FOREIGNERS TO THIS LAW CMA IT BEING ENTIRELY A MATTER CONCERNING THE OPERATION OF THE INTERNAL ECONOMY OF GERMANY PD AS I HAVE ALREADY INDICATED CMA THE BRITISH MILITARY GOVERNOR DISAGREED WITH MY POSITION IN THIS MATTER AND THE DISAGREEMENT WAS REFERRED TO OUR RESPECTIVE GOVERNMENTS TO BE RESOLVED PD HOWEVER CMA ANY CHANGE IN OUR POSITION WOULD DEVIATE FROM OUR POLICY THAT FOREIGN INTERESTS SHOULD BE PROTECTED AGAINST DISCRIMINATION BUT NOT GIVEN SPECIAL PRIVILEGES PD END
SECRET

IT HAS BECOME INCREASINGLY EVIDENT TO US THAT LITTLE OBSERVANCE IS BEING GIVEN TO THE POLICY DIRECTIVES WHICH LEAVES DETAILS OF EXECUTION IN OUR HANDS HERE. AND IT IS INCREASINGLY US ARE RECEIVING DETAILED INSTRUCTIONS AS TO THE FIELD OF RESTITUTION WHICH CONFLICTS WITH THIS POLICY PD PARA PARED PARA AND OTHER SIGNED CLAY UNPARED. NORMALLY THESE DETAILS DO NOT REACH US IN A WAY TO ENABLE US TO UNDERSTAND THAT THEY HAVE RECEIVED TOP RANK SING SING APPROVAL PD PARA IF THER IS A CHANGE IN POLICY THEN OUR DIRECTIVE SHOULD BE CHANGED PD IF NOT THE THEN IT SHOULD BE CLEARLY UNDERSTOOD THAT IMPLEMENTATION OF POLICY IS OUR RESPONSIBILITY HERF PD OTHERWISE FULL RESPONSIBILITY MUST BE TAKEN THERE PD END

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FROM: CINCUS PERSONAL FROM CINCLAY ACTION TO: DEPT OF ARMY PERSONAL FOR CINCLAY INFO TO: NONE

CLASSIFICATION: SECRET REF: NO. 67126

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E. C. ALLER, CAPT. W.D.

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CALL CIRCUIT NO PRIORITY GR DATE-TIME OF ORIGIN
SPACES WITHIN HEAVY LINES FOR SIGNAL ONLY 20 Dec 1948

FROM: CINCEUR PERSONAL FROM CLAY CLASSIFICATION SECRET
ACTION TO: ( ) DEPT OF ARMY PERSONAL
( ) FOR DIAPER
INFO TO: ( ) SOME

IT HAS BECOME INCREASINGLY EVIDENT TO ME THAT LITTLE OBSERVANCE IS BEING GIVEN TO THE POLICY DIRECTIVE WHICH LEAVES DETAILS OF EXECUTION IN OUR HANDS HERE AND INCREASINGLY WE ARE RECEIVING DETAILED INSTRUCTIONS AS IN THE FIELD OF INSTITUTION WHICH CONFLICT WITH THIS POLICY PD PARA PARIS FROM CINCEUR SIGNED CLAY UNPAREN NORMALLY THESE DETAILS DO NOT REACH US IN A WAY TO PERMIT US TO DETERMINE THAT THEY HAVE RECEIVED TOP DASH SIDE APPROVAL PD PARA IN THERE IS A CHANGE IN POLICY THEN OUR DIRECTIVE SHOULD BE CHANGED PD IF THEY USE THIS POLICY CLEARLY UNDERSTOOD THAT IMPLEMENTATION OF POLICY IS OUR RESPONSIBILITY HERE PD OTHERWISE CINCEUR FULL RESPONSIBILITY MUST BE TAKEN THERE PD END

COORDINATED WITH: CINCEUR ORIGINATING DIV.
TYPED, NAME, RANK, TELE NO R. C. ALLIES CAPT RAG
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REQUESTED UNCLASSIFIED ORDER SEC ARMY BY TAG PER 120485

SECRET

TT-1700 - 141455 Dec re Legal Entity under German Law

306264
SECRET

OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)
AG CABLES

INCOMING MESSAGE

TO:        2261172
SECRET      2266-22 Dec 48
RE:        CN-15 22/4d
PRIOR:      SECRET

FROM:       DEPT. OF THE ARMY FROM SAOBS
TO:         CINC E.U. PERSONAL FOR CLAY
REF NO:     WX-81596

Will you please indicate to us recent communications containing detailed instructions on restitution rewar

CC 7423
CC 7423 20 Dec 48 CINC E.U.

ACTION:  CINC E.U. (Draft)
INFO:     POL ADV CINC E.U.
          ECON ADV
          ONLY

406 IN 21266 22 Dec 48 EP/AG  REF NO WX-81596

SECRET

Exempt from paraphrase. Handle in compliance with AR 380-5

306265
REFERENCE YOUR LETTER ONE FEBRUARY CLAIMS OF GERMAN SCIENTISTS PD FAREN
FROM CINCEUR SIGNED CLAY UNFAREN OUR INITIAL REQUEST FOR DOLLARS WAS MADE DURING
PERIOD WE WERE RETIRING EXCESS MARKS IN ENDORV TO OBTAIN CREDIT TO THIS ACCOUNT
PD THIS ACCOUNT NOW LIQUIDATED PD MOREOVER CMA CLAIMS OF GERMAN SCIENTISTS HAVE
BEEN SETTLED EXCEPT FOR RELATIVELY MINOR ACCOUNTS FOR WHICH I BELIEVE WE CAN RAISE
FUNDS HERE PD HENCE CMA THERE IS NO PRESENT NEED FOR SEVEN MILLION DOLLARS CR
ANYTHING APPROACHING THAT AMOUNT PD WHILE WE HAVE TO REPEAT NO OBJECTION TO
PROPOSED METHOD IN YOUR LETTER CMA THE RELATIVELY INSIGNIFICANT AMOUNTS NOW LEFT
WOULD INDICATE THAT THERE IS NO PROBLEM REMAINING PD

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PRECEDENCE: PRIORITY
ORIGINATING DIV.: CINCEUR
LUCIUS D. CLAY, Gen., USA
TYPED, NAME, RANK, TELE NO.
42461

APPROVAL
INITIALS

AUTHENTICATION SIGNATURE

Elia E. Sheaffer
Your letter of 6 March 1951 deals on one hand with the development of the balance of payments between Germany and the EPU and on the other hand, with the prerequisites for granting further dollar aid.

As far as the balance of payments is concerned I may be permitted to refer to the memorandum which the Federal Government on 27 March submitted to the Board of the EPU, copies of which have already been sent to your office. The Federal Government trusts that the decisions it has taken in this matter will attract to its firm determination to master the difficult situation, while fully meeting the international obligations which the Federal Government has assumed. The Federal Government is also readily open to any suggestions for further practical and efficient measures which the negotiations in Paris on this memorandum may produce.

In answering your letter I would like to deal chiefly with those points which have been mentioned as prerequisites for the further granting of dollar aid. I am happy to state by way of fundamental premise to the detailed discussion below, that the Federal Government is in agreement with the contents of your letter of 6 March.

The Federal Government by its declaration of 6 March has assured the Allied High Commission that it will cooperate in the equitable distribution of materials, products, and services which are, or may be, in short supply, or which are or are likely to be required for the common defense. The Federal Government has already taken, or has prepared a series of legislative and organizational measures necessary here. In all other respects, the Federal Government assures with the promise in your letter of 6 March, that any measure of credit or fiscal policy, of which the present status will be given in detail below, should be combined with appropriate administrative measures in order to ensure their effectiveness.

As a corollary to the practical measures already introduced or inaugurated it would seem to me to further the desired purpose if permanent bodies composed of representatives of your staff and of the appropriate German agencies were formed which through regular exchange of experiences and continued cooperation would guarantee the effectiveness and adequacy of the measures taken and their quick and rational adaptation to the ever-changing needs.

With reference to the individual items of your letter may I point out the following:

1) The German Government has fully recognized the urgency of the problem of regulating allocations and priorities for domestic commodities in short supply and of channeling imported strategic materials to the industries which are clearly contributing to defense. In this respect the Federal Government in view of the difficult situation of foreign exchange cannot, even limit itself to have the export industries which are clearly useful for defense supplied with the necessary raw materials, but beyond this will allocate priorities as to raw materials also to other export industries as far as is required.

The Federal Government is perfectly aware of the fact that it will need adequate legislation as well as an efficient administrative machinery in order to meet the tasks required from it. As far as the legislative basis is concerned, the Federal Government, as shown in detail in Annex I, possesses in the form of the Law Concerning Safeguards in Trade and Industry, effective on March 9, 1951, a legal instrument authorizing the Federal Republic to
INTRODUCE ANY REQUIRED FORM OF CONTROL FOR A NUMBER OF MATERIALS (SOLID FUEL, PETROLEUM, NON-FERROUS METALS, PRECIOUS METALS). FURTHER DETAILS ARE GIVEN IN ANNEX I. AS TO THE OTHER MATERIALS, THIS LETTER OFFERS THE POSSIBILITY OF INTRODUCING GENERAL RESTRICTIONS REGARDING THEIR UTILIZATION AND STOCKHOLDING.

THE LEGISLATION REGARDING NON-FERROUS METALS IS OF SPECIAL IMPORTANCE, IN PARTICULAR FOR NON-FERROUS METALS AND COAL.

A SUPPLEMENT TO THE LAW FOR THE SAFEGUARDING OF ECONOMY HAS BEEN SUBMITTED TO THE BUNDESTAG ON MARCH 10, 1951. IT WILL ENABLE THE FEDERAL GOVERNMENT TO ESTABLISH AN ABSOLUTELY SURE PRIORITY SYSTEM FOR IMPORTS, ESPECIALLY IN THE CASE OF RAW MATERIALS SUPPLY. A FURTHER SUPPLEMENT TO THE ABOVE LAW WILL ENABLE THE FEDERAL GOVERNMENT TO SUPPLY AT ANY TIME WITH THE MATERIALS WHICH ARE IMPORTANT AND WHICH IMPORTED MATERIALS ARE SUBJECT TO THE GERMAN EXPORT LICENSING SYSTEM.


AS REGARDS THE LEGISLATION REQUIRED FOR IMPLEMENTING THE CONTROLS, THE FEDERAL GOVERNMENT WISHES TO POINT OUT THAT THE BUNDESTAG HAS ALREADY DEVOTED SIGNIFICANT EFFORTS TO THE AREA. THE FEDERAL TRADING AGENCY (FEDERAL TRADE AGENCY) APPOINTED AT PRESENT 300 PERSONS TO ENSURE THE OPERATION OF THE SYSTEM. AS THIS AREA WILL BE EXPANDED AT ANY TIME, IN FACT, AN EXPANSION OF THE BUREAUX DEDICATED TO NON-FERROUS METALS AND PETROLEUM IS ALREADY BEING PREPARED.


IN THE DECISIONS OF THE GERMAN ECONOMIC BOARD, THE FEDERAL GOVERNMENT HAS CONSIDERED THE NEED FOR ESSENTIAL MATERIALS AND IS ENSURING THE EXPORT OF ESSENTIAL FOODSTUFFS AND RAW MATERIALS, E.G., BREAD PRODUCE, EDIBLE OILS AND fats (including fish oils), COCOA, PETROLEUM, AND SULFATE PULP.

IN THE CASE OF IMPORTS UNDER BILATERAL TRADE AGREEMENTS, THE FEDERAL GOVERNMENT GIVES PRIORITY TO ESSENTIAL MATERIALS AND URGES THESE AGREEMENTS TO HONOR THIS PRIORITY. IT WILL NOW ATTACK THE PROBLEMS OF THE TRADE AGREEMENTS WHERE THERE IS A NEED TO EXCHANGE ESSENTIAL COMMODITIES WITH STRONGER THAN BEFORE.

3) IN ADDITION TO PROMOTING EXPORTS IN GENERAL BY ASSISTING IN PROVIDING CREDIT AND FACILITIES FOR ESSENTIAL MATERIALS, THE FEDERAL GOVERNMENT INTENDS TO ACCORD PRIORITY TREATMENT TO EXPORT ORDERS CONTRIBUTING TO THE DEFENSE OF THE ECONOMY OR IDENTIFYING SUCH DEFENSE ORDERS. IT IS PROPOSED THAT, ON THE REQUEST OF THE MINISTRY OF ECONOMY, ORDERS THAT SATISFY THESE CRITERIA WILL BE CERTIFIED BY THE MINISTRY OF ECONOMY. AT A SUITABLE TIME, ORDINANCES WILL BE INTRODUCED INTO THE PARLIAMENT PERMITTING THE ISSUANCE OF DIRECTIVES TO ENSURE THAT ORDERS SO CERTIFIED WILL HAVE PRIORITY OVER ORDINARY EXPORT AND DOMESTIC ORDERS. IN THE MEANTIME, THE FEDERAL GOVERNMENT WILL USAGE TO OVERCOME ANY DIFFICULTIES WHICH MIGHT ARISE IN THE SURFACE MENZIONED GENERAL Export PRIORITIES WHEN PLACING AND
properly assessing current needs, serving the interests of the National economy and the essential needs of the armed forces. The Government has taken appropriate measures to ensure that the necessary supplies are provided at a reasonable cost.

2. Regarding the mandatory orders placed by the Economic Ministry, the following information is provided:

a) Regarding mandatory orders placed by the Economic Ministry, the Government, in accordance with Article 1 of the Law for the Restriction of Credit, has issued a directive mandating that all mandatory orders shall have priority over other demands.

b) A priority for the supply of products and services necessary for the economy shall be established, based on the criteria outlined in the directive. The details of this directive will be provided shortly.

c) The establishment of mandatory orders serves to ensure the economic stability and prosperity of the country. The Government will provide further details in the coming weeks.

3. The Federal Government appreciates the efforts made by the Soviet authorities in this regard. The cooperation between the two countries is vital for the economic development of the region. The Government will continue to support initiatives that promote mutual benefits and economic growth.

4. In conclusion, the Government reiterates its commitment to maintaining a strong relationship with the Soviet Union and looks forward to further discussions on how to address future economic challenges. The Government will keep you updated on all developments in this regard.
I am hopeful that it will be possible to step up considerably Germany's contribution to defense, perhaps even beyond the prospects opened up by the aid, by resorting to suitable financing of additional orders from the United States for the execution of which German industry is preparing itself.

I appreciate your suggestion that further discussions be held between Mr. Bechtler and his staff on the one hand, and representatives of the German Government on the other, and should like to propose that the contents of this letter be made a subject of such discussions, with special reference to the establishment of the above-mentioned permanent committee for a common examination of the problems involved.
PRINCIPLES OF THE REGULATIONS AND MEASURES

In a letter dated March 6, 1951, Mr. Kecskosy has requested the
President of the Government to take measures ensuring the supply of scarce
materials for essential items of production, especially for those contrib-
uting to the development of the Hungarian economy. There are a number of
scarce materials only available for export production in suffi-
cient quantities and only on priority basis. In addition, it is necessary in
the case of some scarce commodities also to exert an influence on domestic
use mainly when the supply of raw materials cannot cover demand, either for
the inadequacy of imports or because of insufficient production facilities
in the country, and especially, when the supply of scarce raw materials
is reduced in such manner or on the grounds of a certain outcome in the
import and export trade. It is therefore necessary to introduce compulsory
quantitative or raw materials to export directly

Normally, an adition of a document or law will, as in the us, be
sufficient to ensure the proper use of scarce raw materials. In case such
measures are not sufficient, for certain scarce materials, control machinery
can be reconfigured if necessary, can be quickly set into action.

In the problem with which the Federal Government is confronted in
view of the necessities, existing control measures are considered to be
sufficient for the proper production and to set up an organisation necessary to
carry out and supervise these measures. This has been completed to a large extent
in the next year, respectively.

IV. Legal basis

1. The legal base for the said measures are most provided by the
Law for Safeguarding of the Economy (Law on Security) Measures in certain
Fields of Trade and Industry, etc., March 6, 1951, and State Instruction No. 29.

2. The Law for Safeguarding of the Economy makes it possible to set up
additional control within the regulation of allocations and priorities,
for ferrous and non-ferrous metals, mineral oil, precious metals and non-ferrous metals, as well
as for metal products. The latter leaves the possibility to issue ordinances for
the special regulation of stocks for
the ferrous and non-ferrous metal, precious metals, and primary products.

3. An allocation system exists for precious metals and ore. Ferrous
metals are subject to the obligation to offer for sale to the trade (Anlehnungs-
pflicht). This, for a complete allocation system for mineral oil, too. In
the framework of non-ferrous metals a draft ordinance has been completed making
the provisions of the basic statute to a certain percentage of a reference price
and allocation of one third of the original volume, if required, as part of control up to the immediate allocations.

4. In the non-ferrous metal field the same ordinance prescribes a definite
limitation of stockpiling on the model of the corresponding American regulations. Furthermore,
excessive maintaining of stocks of non-ferrous metals outside the
non-ferrous metal industry is prohibited. A draft has been completed of a list
containing of which non-ferrous metals are subject to be limited in the future,
and restrictions on exports and competitive imports with the same restric-
tions planned by the COMECON countries. It is intended to issue restrictions
on use and regulations for a limited maintenance of stocks for a series of
other scarce raw materials.
CONFIDENTIAL

7. AIA Instruction No. 29 to diminish the possibility of utilizing any conditions deemed necessary for the supply and use of imported commodities, this policy needs to be maintained and its implementation monitored. It is intended to take the USA as a basis in order to establish priorities to ensure that the demand for raw materials needed for export orders in these branches of industry which chiefly depend on imported raw materials (textile, rubber, and leather industries).

8. In order to make it possible that export industries can be given a preference in the supply of domestic materials, it is planned to award the USA as a basis in order to establish priorities to be inserted shall make it possible to order producers to divert part of their production - to be determined individually - to high-priority export and to give priority to executing export orders over other production. It is planned to furnish manufacturers producing for export with preferential supply certificates, giving them priority with regard to the basic commodities and services needed by them. The producers of these commodities shall be required to allot a definite part of their production for export or for particular export orders, first for rolled steel products and non-ferrous metal products which constitute the primary materials for the most important segment of German export production. If necessary, it will be extended to other fields.

9. Further, it is contemplated to insert in the Law for the Safeguarding of the Economy, provisions to restrict, where required, supply and sale of these strategic materials for which Germany is dependent on imports. At the same time the situation of the supplying country, with the view to ensuring in the USA Germany's supply of raw materials. AIA Instruction No. 29 affords this possibility only for inserted raw materials. It is the purpose of the current amendment of the Law for Safeguarding of the Economy to afford such a possibility also with regard to the domestic part of production of these materials which are partly produced in the country and partly must be imported.

10. The Law for Safeguarding of the Economy, together with the legal bases, largely defines the administrative framework for domestic raw materials necessary for the current economic recovery of this kind shall either be passed by the Bundestag or are now in preparation.

III. ESTABLISHMENT OF CONTROLLING AGENCY

11. A law to be enacted provides for the establishment of a Federal Agency for Trade and Industry (Bundesministerium für Wirtschaft), which has been charged with the implementation of all measures under the Safeguarding Law. This Agency will be able to draw on the technical experience gained by the former functional agencies at the time of full rationing in force in Western Germany. It is planned to take over into the Federal Agency for Trade and Industry the personnel of these functional agencies numbering about 320.

12. This organisation may be expected to form the nucleus for any further expansion of the administrative machinery which may be necessary. The Inspector Office, a Federal Agency for Trade and Industry ensures that on one hand this agency can accomplish its executive functions promptly and without bureaucratic obstacles, and on the other hand, remains subject to the directives of the Federal Ministry of Economics in the field of economic policy. In addition, there is a further reserve of technical personnel in the economic administrations of the Länder who are qualified to execute control functions.

13. In order to render the existing machinery as efficient as possible and, in particular, to secure smooth cooperation between the various technical departments, an "Inter-Ministerial Economic Committee" was formed on January 4, 1951 by Cabinet decision. This committee meets regularly every week and even more frequently.
more frequently. The essential thing is that the Government companies in ensuring the services of important factories must be thoroughly equipped with the necessary means to meet the demands of the Federal and the State. In this connection the departments concerned must be given the necessary assistance in the fullest measure, and it is evident that this matter will be the subject of careful and intensive study under the joint action of Government and industry with regard to the allocation of raw materials, so as to ensure the control of the materials.

11. As auxiliary agencies in assigning export priorities will be applicable the export section of which is present are already engaged in reviewing and registering export orders. It is intended to have these sections make a preliminary examination of the cases and submit proposals for preferential allocation of raw materials pending the decision from the Ministry of Economics and despite the difficulty of materials required under such order.

15. In order to establish an efficient check on the enforcement of the various ordinances and special orders, it becomes necessary to set up an appropriate investigating staff in the various Lehnende. The Federal Ministry of Economics has already informed the economic administrations in the Lehnede that they may take preparations as soon as possible for providing the personnel required in the establishment of a machinery of this kind.
At the meeting of the General Assembly of the United Nations last Fall, Dr. G. J. van Heuven Goedhart was elected to the post of UN High Commissioner for Refugees. This position was set up by the United Nations at an earlier meeting and was the answer to a rather universal desire on the part of member nations to create an agency which would look after the legal and political protection of refugees, many of whom have had this kind of protection through the International Refugee Organization. It was undoubtedly the original purpose to have the Office of the UN High Commissioner come into being about the time the IRO terminated its activities. However, since the DP problem in Germany and elsewhere was still rather far from solution, the life of the IRO has been extended several times. Most recently in Geneva earlier this month at a meeting of the General Council, which I attended, the Organization was authorized to continue as long as its available funds permitted. It is thought that this will be about the end of this year with another 90 days for final liquidation.

In a letter dated April 5, Dr. Goedhart asked for an interview with you and listed the more important matters which he expected to bring up. Your schedule calls for the interview to take place at 10 AM, April 24. The following is a list of the items, with a brief discussion on each.

a. Future status in Germany of refugees within his Mandate. Those who fall under this can be separated into three distinct categories:

(1) Non-German Refugees. The Federal Republic recently passed a law granting a status far in excess of that contemplated under the draft convention prepared by the Ad Hoc Committee on Refugees and Stateless Persons of the UN Economic and Social Council. The provisions of this law will apply to persons remaining in Germany and who were under the Mandate of IRO. These persons will clearly fall within the UN High Commissioner's Mandate. For other non-German refugees not qualifying under the law, but who may fall within the UN High Commissioner's Mandate, the Federal Government has already declared its willingness in principle to become a party to an international Convention on refugees and stateless persons.

(2) German Expellees. Those falling under this classification, whether Volksdeutsche or Reichsdeutsche, enjoy full German citizenship. They are under the complete protection of the German Federal Republic and it is not likely that anyone would claim that they need any protection from an inter-
(3) German Refugees. Under this designation are those people of German ethnic origin, whether Volksdeutsche or Reichsdeutsche, who have come into the territory of the Bundes Republic voluntarily. They also, without any exceptions of which I am aware, are considered German citizens by the authorities. However, a large proportion, approximately 75 or 80%, are not given formal residence permits when they apply as refugees at the reception centers located at Gelsen and Uelsen. Technically the German authorities tell them that they are not formally admitted to Western Germany and the assumption is made that they are likely to return from whence they came though no one believes the assumption to be correct. Subsequently nearly all of them remain in Western Germany and in time are given residence permits by authorities of the locality in which they settle and are to all intents and purposes placed on the same level as all other Germans within the territory of the Federal Republic. From talks which Dr. Goedhart had in the Department at Washington, and with me at Geneva, it is likely that he may claim that the people in this category, not enjoying full and complete advantages as citizens, should be the object of his attention. On the basis of cables received from the Department and my conversations with Mr. George Warren, the Department's Delegate to the IRO meetings, it is the present purpose to resist Dr. Goedhart's attempt to bring these people under his Mandate. If he succeeded in establishing his responsibility, it could possibly lead to a very serious situation from our point of view.

b. The Accreditation of a Representative to the Federal Government. The Constitution of the IRO requires the IRO to undertake four major activities, repatriation, resettlement, maintenance of those in need of maintenance, and legal and political protection. The IRO will continue its activities until the end of this year. The Mandate of the UN High Commissioner for Refugees requires the UN High Commissioner to assume the function of providing protection to refugees who fall within his Mandate and to seek permanent solutions for the problem of refugees by assisting governments and private organizations to facilitate the voluntary repatriation of refugees or their assimilation within new national communities. The principal difference in the two organizations is that IRO is operational whereas the tasks of the UN High Commissioner will be of a promotional character. In view of the above, it is felt that there is no necessity for the UN High Commissioner to appoint a representative in Germany until later in the year. This should actually coincide with the view of the UN High Commissioner, since on April 9, 1951 at the 7th Session of the IRO General Council, Dr. Goedhart expressed the hope that, due to his financial inability to provide representation in all the necessary countries, IRO would maintain field missions in all countries where large numbers of refugees resided until the UN General Assembly could give further consideration to the budget of his office. In the exercise of his work in promoting the effective protection of refugees, there should be no objection to contacts between his office in Geneva and the Federal Government.

Whenever the UN High Commissioner proceeds to the appointment of a representative in Germany, he will face a serious problem as to whether he should appoint a German or a non-German. It would therefore seem to be desirable to postpone this as long as possible. If he appointed a non-German it might create resentment in Bonn. If he appointed a German there is very little doubt that such appointee would consider it incumbent upon himself to advocate constantly on behalf of the inclusion of the German refugee problem.
as such, under the High Commissioner's Mandate.

c. The status of the UN High Commissioner's representative to the Federal Government. Since we feel he should not have a representative for the present, this question would not need to be answered.

d. Possible participation of the Federal Government in an Advisory Committee which may be established by the Economic and Social Council to assist the UN High Commissioner for Refugees. The United States has been encouraging the Federal Republic's participation in International and Intergovernmental agencies. Further, the resolution adopted by the UN General Assembly specifically states that the Economic and Social Council may establish such an advisory council consisting of representatives of States members and States non-members of the United Nations. It is recommended therefore your position be one favoring the participation of the Federal Republic in the Advisory Council in the event that it is established.
MEMORANDUM

U.S. treatment of refugees from Eastern Europe has passed through several phases since the end of the war in 1945.

Under the repatriation agreement concluded at the Yalta Conference, the United States and the Soviet Union mutually undertook to return citizens of the one country who were in the custody of the other. In concluding this agreement, the U.S. representatives were motivated by the desire to expedite the repatriation of U.S. prisoners of war who had been captured by the Germans and who were in territory which had been subsequently occupied by Soviet armed forces. It soon became apparent that large numbers of Soviet citizens who had been brought to Germany either as prisoners of war or as forced laborers did not wish to return to the Soviet Union, and indeed many former Soviet citizens in U.S. occupied territory forcibly resisted repatriation or went into hiding to avoid it. The U.S. endeavored loyally to fulfill the agreement made at Yalta with respect to repatriation and actually returned to the Soviet jurisdiction over 2,000,000 Soviet citizens. But when it became clear that forcing
people to return to the Soviet Union against their will was a cruel and inhuman procedure. U.S. implementation of the Yalta Agreement began to exclude involuntary repatriation except in special cases such as war criminals.

During the early years of the occupation, there were frequent instances when Soviet personnel attached to the occupation forces became dissatisfied with conditions in Eastern Europe and sought refuge in the West. As a result, General Clay made clear that genuine political refugees would be granted asylum in the U.S. Zone. (To insure that occupation personnel who had entered another zone and who committed minor crimes should be tried by their own authorities, an informal agreement was concluded between General Clay and Marshal Sokolovski, providing for the return of such individuals.)

Since 1948, it has been U.S. policy to extend the right of asylum to all political refugees entering the U.S. Zone from Eastern Europe. The statement released on 24 April 1951 is a reaffirmation of this policy.

There are numerous factors in Soviet-controlled areas which tend to create disaffection and, in extreme cases, to lead individuals to seek refuge in the West. In the early post-war stage, such factors included disillusionment (i.e., the failure of the Soviet Government to improve the
standards of living in the USSR after the end of the war),
the attraction of life in the West which contrasts so
strikingly with its drabness in the Soviet Union, curiosity
regarding the world beyond the Iron Curtain, the harsh
treatment after repatriation of prisoners of war and others
who had had contact with the West, and strong resentments
growing out of pre-war experiences such as collectivization;
the purges, and persecution of close relatives and friends.

The defections of this period resulted in increasingly
stringent Soviet measures directed against their personnel
in an effort to discourage and prevent defection. Barracks
and troop installations were fenced off, and troops were
confined to them; the German police were authorized to
check the identification documents of Soviet citizens;
leave and travel within Germany were drastically restricted;
commanding officers were made responsible for the defection
of their subordinates (frequently resulting in court-martial
proceedings); rotation of officers and troops was begun in
order to replace those who had been attracted to Western
ways by fresh, newly-indoctrinated personnel. When personnel
was apprehended in attempts to defect, public trials were
held and the severe sentences widely advertised. As a last
resort, association with the German population was forbidden;
violations resulted in immediate transfer to the Soviet Union.
Although these measures resulted in some reduction in the rate of defection, members of the armed forces of the Soviet Union and the satellites continue to evade surveillance and to find their way to the West. These defectors are of great potential value, and efforts are being made to take advantage of their presence to fill in gaps in our knowledge of conditions behind the Iron Curtain and to utilize their talents in research and information activities. Under present conditions, when travel behind the Iron Curtain is restricted and contact with the local populations entails much risk, new defectors are of great practical value in throwing fresh light on conditions in the Soviet world.

The potential value of such people has not always been fully appreciated, and, in the past, conditions have existed in the West which may well have constituted deterrents to defection. New arrivals from Eastern Europe were not always treated as potential friends and allies, although in truth they were and are. The matter of arranging for their resettlement in the country of their choice and of assuring their personal security presented very considerable difficulties, especially in view of the necessity for simultaneously providing homes for the huge refugee population of Western Europe. A refugee from Eastern Europe quite naturally hopes to
achieve a professional and economic status at least equivalent to that which he enjoyed in his homeland, but language qualifications and competition within professional groups provide serious obstacles.

All these considerations were recognized as challenges which must be faced and met if the flow of defectors to the West is to continue. Steps have been taken to face this problem and deal with it. New personnel, thoroughly familiar with all the factors in the situation, have been entrusted with the reception and care of new defectors. Every effort is being made to enable them to play useful and constructive roles in Western life consistent with their talents, experience, and abilities.
Mr. McCloy

Col. Gerhardt

April 30, 1951

Item 4 - Third Party Claims Arising from STEG Freeze.

The freeze put upon STEG property by the German Government at HICOG's request and in accordance with instructions received from Washington has caused considerable difficulty in cases where former STEG property had been purchased, title to the property transferred, but delivery not completed. An example of this case is set forth in the attached cable. I have been informed by our Fiscal people that the screening of STEG property has been completed by the Department of the Army team and that roughly 50% will be taken back by EUCOM. Of this 50% approximately $11,000,000 worth of equipment falls into the category of goods paid for but not delivered. The purchasers who were caught short by the freeze are demanding that we set forth the legal basis upon which they are being deprived of their property. They are also demanding from the German Government the legal basis upon which STEG refuses to deliver the goods which they have purchased. So far neither our people nor the Germans have been able to furnish the legal explanation. In the meantime in each case claims are accumulating involving the return of the money expended, expenses, and compensation for loss of expected profits. Mr. Kane, who is the claimant mentioned in the attached cable is demanding a personal interview with you, but has been put off temporarily on the grounds that these will be presented to General Handy and to you today.

Our people feel that we are in an impossible position and that we have also placed the Bonn Government in an indefensible position. They also feel that unless a solution is arrived at promptly the freeze action will result in extraordinary claims, whose satisfaction will require terrific expenditures by the U.S. Government.

The legal counsel for the purchasers who have been deprived of their goods are demanding a written legal basis from EUCOM and HICOG. Until a reply is received to their request they do not know how to proceed. The fact that we cannot answer their requests clearly indicates that some action must be taken to clear up this situation. I suggest the following:

(a) That the letters be acknowledged, stating that the request has been received and will be answered after appropriate consultation with the U.S. Government in Washington.

(b) That you and General Handy jointly send cables to the State Department and Department of the Army demanding that they clarify this situation or immediately release equipment which has been purchased and is legally the property of the purchaser. If they will not agree to the release, they must advise us of the legal basis...
which we can defend holding this property and unless this advice has been received by 5 May we will be forced to advise the German Government that they should release property in this category on request made by the claimant.

Attach.
Honorable John J. McCloy
United States High Commissioner for Germany
APO 757
New York, New York

Dear Mr. McCloy:

It struck me very forcibly in the course of General Eisenhower's report here that he was outlining a fundamental policy which could be made applicable not alone to German military contingents in the NATO forces but to the whole occupation mission of HICOG. He emphasized, as I read his words, that the Germans had to earn their way, that they would not be permitted to make us a high bidder in order to be forced into a common European defense scheme.

I urge strongly upon you the most profound consideration of utilizing General Eisenhower's analysis as a starting point for an announcement of a new policy in Germany to extend to the economic, political and social activities of HICOG as well. It may well prove to be the solution to the urgent concern, expressed by the substantial number of members of the House and Senate who sought by resolutions in the 81st Congress to bring about an inquiry into our German policy by a Presidential commission. I have recently reintroduced this legislation and am sending you a copy of it.

In a House speech on the same day I have also emphasized this comparison between the policy of HICOG and of General Eisenhower. I quote General Eisenhower's words to the joint Congressional meeting on February 1, 1951, at the Library of Congress, as follows:

"I am not even going to mention my several conversations in Germany, and for a very specific reason. I personally think that there has to be a political platform achieved, an understanding that will contemplate an eventual and an earned equality on the part of that nation before we should start to talk about including units of Germans in any kind of army. Certainly I, for one commander, want no unwilling contingents, no soldier serving in the pattern of the Hessians, serving in our Revolutionary War, in any army of my command. It would only be a source of weakness. Therefore, until the political leaders, the diplomats and the statesmen find proper answer to that one, it is not for a soldier to delve in too deeply."
You know, I am sure, my personal respect and regard for you and I hope very much that what has just occurred with respect to NATO may represent a new and fresh point of departure in HICOG policy.

With best wishes,

Sincerely,

[Signature]

J.H. Lovitt, M.C.
IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 1951

Mr. Javits submitted the following resolution; which was referred to the Committee on Foreign Affairs:

RESOLUTION

Whereas, in common with the other free nations, the United States has a vital interest in the maintenance of democratic institutions in Germany; and

Whereas the United States has a vital interest in the development of such economic, social, and cultural conditions in Germany as will further the growth of democratic institutions and enable a Germany fully committed to free institutions to take its place again in the family of free peoples; and

Whereas the United States has a vital interest in preventing any alliance between Nazi, militarist, or other antidemocratic elements in Western Germany, and the totalitarian communism of the east: Therefore be it

Resolved, That the President of the United States is requested to appoint at his earliest convenience a bipartisan
A commission composed of six (or eight) members and to direct such commission to conduct a study of all matters relating to the conduct and status of American policy in Germany and its coordination with American foreign policy, and to determine—

(a) whether political parties or groups based on antidemocratic ideologies exist and are obstructing American objectives as stated above;

(b) whether German cartels and trusts have re-emerged contrary to Allied policy and constitute a threat to German political democracy and world peace;

(c) whether the present German educational system has successfully developed means to further the dissemination of democratic ideas and information about democratic institutions and practices;

(d) whether there is significant evidence of militaristic, ultranationalist, anti-Semitic or other antidemocratic propaganda in the present German press, periodicals, and cinema and over the German radio, and whether German military or paramilitary organizations or a German war potential endangering free institutions have appeared;

(e) The disposition or willingness of the German people to undertake under needed safeguards a proper
part in the integrated defense of the free peoples of Europe against the threats of communism;

(f) whether and to what extent persons with prior Nazi affiliation or antidemocratic convictions have penetrated into the political, judicial, economic, educational and cultural life, and the civil service of Germany;

(g) whether pro-democratic elements have been deterred or discouraged from active participation in building postwar Germany;

(h) whether the German people are being encouraged to look beyond purely nationalist aims toward participation in a broader association of free nations and the defense out of their own convictions of free institutions in Europe;

(i) whether economic power in Germany has shifted into new hands or is again gravitating to or has been regained by the same individuals, families, or groups who held that power before the outbreak of war;

(j) whether Economic Cooperation Administration activities have strengthened pro-democratic elements and tendencies in Western Germany;

and be it further

Resolved, That the President is requested to direct the commission to make a preliminary report to him, for trans-
4

1. Transmit to Congress, within ninety days of its appointment, and to report to him, for transmittal to Congress, on or before December 31, 1951, the final results of its study, together with specific recommendations for the future conduct of American policy in Germany.
On February 14, 1951, a delegation representing several Jewish organizations including Jewish Restitution Successor Organization called upon the High Commissioner to discuss disposition of EM funds acquired by JRSO. Since that date, various conferences have been held with JRSO in an attempt to arrive at a solution to this problem.

When the restitution program was originated in 1947, Military Government was faced with the problem of disposition of those confiscated properties for which no known claimants survived. To prevent enrichment as result of extermination program, it was decided that such claims should be filed by a successor organization which truly represented Jewish people as a group. JRSO was formed by leading Jewish organizations after consultation with State Department and OMGUS for exclusive purpose of serving as instrument for carrying out established U.S. policy concerning heirless Jewish assets in Germany. By the terms of its New York certificate of incorporation and its appointment in
Regulation 3 under Law 59, JRSCO was obligated to use its proceeds for relief, rehabilitation and resettlement of Jewish victims of Nazi persecution or such other charitable purposes as approved by Military Government.

Since the appointment of JRSCO in 1948, it has been possible to recover only a few million Marks which have been applied through two IRO voluntary agencies operating in Germany for relief of Jewish persecutees still in Germany. As previously reported, a settlement was concluded on February 13, 1951, according to which Land Hesse will pay JRSCO about 20 million DM’s during the next two years, as consideration for the assignment of JRSCO claims in Hesse.

JRSCO is presently endeavoring to conclude similar agreements with the other Länder in U.S. Zone and it appears that JRSCO may in the reasonable future be able to recover a total of around 50 million DM’s. As most displaced persons were removed from Germany before any substantial restitution proceeds were realized and amounts now needed in Germany are limited, JRSCO now raising question how these funds may be used to fulfill philanthropical objectives for which it
created.

JRSO states charitable organizations which have formed JRSO and borne U.S. dollar expenses connected with its activities are to large extent supporting or assisting survivors of Nazi persecution now living outside Germany. JRSO further states these organizations would, of course, welcome free convertibility of JRSO DM receipts into U.S. dollars, so they may receive some amelioration of their past and present financial burdens and that even without convertibility, would be great assistance if these funds could be used for purchase and shipment from Germany of medical equipment, prefabricated houses, other goods essential for relief and rehabilitation of Jewish persecutees now in Israel. It is stated such permission would also facilitate emigration of considerable number of tubercular DP's still confined in Germany because Israel does not have facilities essential for their care.

We have explained to representatives of JRSO we do not consider conversion of JRSO DM's into U.S. dollars.
feasible in foreseeable future and have further explained difficulties faced by us in consideration of their proposals for financing exports with blocked DM's because approval would be contrary to position previously taken by us in discouraging Federal Republic from authorizing unrequited exports from Germany. We drew their attention to fact that foreign owned DM balances to finance exports specifically excluded from all licenses heretofore instituted over such accounts and that present plans for further relaxation of controls did not contemplate any change of this policy. On other hand, we feel that would hardly be justifiable to require small amount of heirless Jewish funds recovered to remain blocked, while many Jewish survivors of Nazi persecution remain desperately in need abroad, particularly as JRSO feels it cannot afford loss that sale of these blocked marks would entail. Considerable merit to the argument that successor organization cannot fairly be placed in same category as any commercial enterprise or other agency operating in Germany.
In view of considerations above and political significance of satisfactorily solving this problem, we are prepared, subject to your approval, to propose to the British and French authorities in Germany that JRSG be permitted to utilize its funds in Germany for purchase of goods and their shipment abroad, under such controls as deemed necessary, such goods to be used for relief, rehabilitation, resettlement of Jewish Persecutess. Provided HICOM approval is obtained, Federal Republic will be informed that in this particular instance there would be no Allied objection to approval such export applications for JRSG.

MG Cloy

AUTH: S.F.N.: H.G. Leonard

   Name of originating Office, Persons Name, and Telephonic No.
JEWS' CLAIMS CUT TO AID RESTITUTION

FRAKFPOT, Germany, Feb. 12 - Fearful that increasing German political sovereignty may nullify claims on behalf of Jewish victims of nazism, the Jewish Restitution Successor Organization is negotiating modest settlements with the individual West German states.

The group represents the American Joint Distribution Committee and the Jewish Agency for Palestine, which are the operating agents for a committee of the leading Jewish organizations in the world. Their claims involve the valuables of German Jews, whose families were liquidated by the Nazis, or of whom, for other reasons, no trace can be found.

The monetary value of these properties is so great that the J.R.S.O. hesitates to estimate it, but in the United States zone alone claims have been instituted for 150,000,000 Deutsche marks (about $6,500,000). A restitution committee has just started work in the British zone, but not yet in the French zone.

Modest Settlement

The modesty of the settlements, according to J.R.S.O. officials, is indicated in the scheduled signing of an agreement with the State of Hesse tomorrow. In this state, the Jewish group is accepting 25,000,000 Deutsche marks, largely in utility bonds, in settlement of 54,000,000 Deutsche marks in claims.

Under the agreement, the J.R.S.O. is signing away its claims for heirless Jewish property to the state government, which in turn, will deal with the present holders of the property, or the Federal Government, depending upon individual legal titles.

"We are selling under duress because we are afraid of what will happen when the Germans take over," Benjamin B. Ferencz, director general of the J.R.S.O., declared. "At best, we can only wind up with a poor amelioration of the desperate plight in which the Jews find themselves in tents in Israel, while the Germans will retain the Jews' former homes and properties."
When the money can be turned into cash, it will be used for German Jews whose financial and physical needs brought on by Nazi persecution require the aid of charity. Mr. Ferencz stressed that the J.R.S.O. had been organized and set quietly into operation a year ago because it was feared that increasing German resistance to Jewish restitutitional claims would prevent even a small settlement.

The body was organized to accelerate restitutitional claims. Mr. Ferencz said that John J. McCloy, United States High Commissioner, had helped to carry out the group's program.

Until now the J.R.S.O. had managed to obtain 10,000,000 Deutsche marks worth of various types of assets in piecemeal fashion, of which only 3,000,000 Deutsche marks is in cash. However, Mr. Ferencz said that because of Allied financial regulations the money was blocked and could be used only for a small number of surviving Jewish victims still in Germany.

On Wednesday Dr. Nahum Goldman, chairman of the American section of the Jewish Agency, will head a delegation meeting with Mr. McCloy to discuss the possibilities of unblocking the money obtained as restitution.

By a decision of the United States High Commission Court of Restitution Appeals, which overruled a series of German courts, the claims have included the vast amount of precious metals and jewelry that the Jews were forced to turn in to city-run Nazi pawn-shops during the Hitler era.

Mr. Ferencz praised the "gesture" by the Hessian State Government and indicated that he expected the Bremen State Government to sign an agreement soon, although the sum involved there—about 1,500,000 Deutsche marks—relatively was small.

Resistance has been strong to Jewish claims in Bavaria, he said, but he hoped that this would change under the new government coalition. The claims there amount to 53,000,000 Deutsche marks.

NY Times, Feb. 13, 1951
MEMORANDUM

TO: Mr. McCoy
FROM: Mr. Bowis
SUBJECT: Law 27

1. The Situation

According to reports from Carl Bode and Leroy-Beaulieu the situation is as follows:

a) The cabinet decided on Friday to reject the proposed compromise on the statutes worked out between Westrick and Willner. The story is that they object to the interlocking and the voting provision particularly on the grounds that they discriminate against Germany. Westrick was asked by the Chancellor on Saturday to prepare a letter for the Cabinet to this effect.

b) The attitude of the government on our letter regarding Regulations 6 and 7 is not known. Westrick reported indirectly to Willner that the proposed letter from the Federal Government which was considered by the Cabinet on Friday was to be redrafted in the light of your letter to the Chancellor. There was no indication that the tenor of the reply would be materially different.

c) On Friday or Saturday the FDP passed a resolution that the Schuman Plan should not be ratified until the Allies cease to interfere with German Industry, abolish the Control Groups, and return the companies to private control. This indicates most clearly the position that the FDP will urge in the cabinet.

d) Westrick has told Bode that he does not understand the great need for speed at this point in view of the long time which has elapsed in carrying out the deconcentration. He also asserts (1) that failure to get German agreement will make the whole program an Allied dictate, and (2) that German agreement may be interpreted as approval by the Federal Government and a shifting to that of responsibility for Law 27. He does not attempt to resolve the conflict between these two positions.
Available Courses

(a) The information which we have received indicates to me that this is a fundamental attack on the carrying out of the deconcentration program. Putting the parts together, it seems pretty clear that an effort is being made:

(1) to enable the old management to control the formation of the new companies and the naming of the new boards, the distribution of securities, and the decisions, but any further action;

(2) to remove any limitations on interlocking among the various companies. If this effort succeeds, it is evident that, if this succeeds, we will be able to perpetuate concentration of control through the appointment of boards dominated by them and through interlocking directors and similar means. That this is the objective is the judgment of Nodar, McRae, and LeRoy-Beaulieu as well as Sid Miller and me.

(b) The position will, of course, be supported on the basis of the Schuman Plan. The claim will be that the restrictions on interlocking directors in the Schuman Plan can be violated and, therefore, violate the principle of equality of treatment. The effort to date in the administration of the Law will doubtless be based on the assertion that the Allies should no longer interfere in these industries in view of the influence of the Schuman Plan and the Chancellor's letter of March 19.

(c) There is general agreement, I believe, that to accede to the German requests would make it almost certain that effective deconcentration would not be achieved. Our experience so far in the planning and holding of these various industries and the effects of the deconcentration on the Federal Government could not depict and carry through an effective and consistent program.

d) Furthermore, many of these demands in the hope of obtaining the relaxation of the Schuman Plan in Germany would defeat its own ends. The French have made it entirely clear that they could not hope to sustain approval of the Schuman Plan in France unless certain industries re-concentrated. There has been very much concern about the delays in carrying on the program and the deconcentration process particularly because of its effect on French opinion generally and in the Parliament. If there were any grounds for believing that the coal and steel industries might not be deconcentrated, it seems evident that the forces in France which oppose relaxing restrictions on Germany would become dominant and reverse the approach embodied in the Schuman Plan.

(e) At the moment, the Steel Trustees Association, which includes union representatives, has suspended action while the question is under investigation. There are no grounds for believing that they will decide to go ahead over the objections of the Federal Government of without
It is not without a further point is not known. The unions seem to desire an attractive deconcentration and a genuine change in the situation which formerly existed in the Ruhr. If that is true and they understand the significance of German proposals now under discussion, my judgment would be that they would oppose them. Of course it would be too much to expect the unions publicly to oppose the Government in support of the occupation authorities on this issue. On the other hand, if the Steel Trusts were ordered to carry out the Chancellor's letter in accordance with the directives under Section 13, it is conceivable that they might be along in carrying it out if their claims were met.

3. Recommendations

In view of the seriousness of this situation and the very important issues at stake, it is recommended that the following actions be followed:

a. A meeting should be held with the union representatives. In view of the fact that the Steel Trusts Association and acting as chairmen, in the absence of Brinklach. This meeting should attempt to make the union see the significance of this contest in terms of their own objectives in the Ruhr and should try to split any "United Front".

b. You should hold a meeting with the Chancellor before the Cabinet meeting on Tuesday in order to make clear to him all any demand to break over the administration of 13. If this would be rejected by the President, that the raising of such a demand and its rejection would have very serious repercussions not only here but in France and might jeopardize the Schuman Plan completely, this would destroy all of the advances made in the earlier struggle with the same groups when he signed his letter. Moreover, the damage would go far beyond the immediate effects and might seriously endanger the whole position of Germany both in Europe and at home.
May 29, 1951

H.R. Mr. John J.McCloy

L—H.W. Brown

Schuman Plan

At a meeting held in Gelsenkirchen (Ruhr) on May 25, 1951, to which the SPD’s Social Committee had invited all Social Democratic trade unionists, the Schuman Plan was discussed in a speech made by Mr. Kurt Schumacher. The meeting started at 10 a.m. and was opened by Mr. Henelor.

Approximately 1,100 top officials from the DGB and the SPD attended the meeting. Among those present were the following:

SPD representatives: Professor Carlo Schmid, Paul Loeb, Fritz Heine, Siggi Haumann, Friedemann, Zinn, Weidmann, Franz Neumann, Schmitte, Bade.


Mr. Schumacher was the first speaker and spoke for one hour and forty-five minutes, bitterly attacking the Schuman Plan. He gave the following highlights:

1. The German population was not informed as to the contents of the Schuman Plan.

2. Adenauer accepted the Plan without having given any consideration to the German public.

3. The Schuman Plan is an agreement accomplished by the U.S. and French High Commission.

4. Four out of six countries have a demand for coal.

5. Germany has to sell its coal at a rate of DM 50 per ton to France, while Germany has to import coal from the U.S. at a rate of DM 120 per ton.

6. The policy of the Allies in regard to economic policies is destructive to Germany.

7. Allied experts should revise their opinions, especially in the de-cartelisation policies.
8. France, Belgium, Italy, Luxembourg have received tremendous aid through Marshall Plan funds to rebuild their basic industries, while Germany has had no investments.

9. U. S. steel production comes from twenty-eight plants which are organized in seventeen companies. These companies are organized in four cartels. These cartels again control 65 percent of the total U. S. steel production. Bethlehem Steel produces 60 million tons per year. U. S. Steel produces 30 million tons per year. Schumacher asked, "What about decentralization?"

10. The new sample statute for "unity companies" proves the real attitude of the Allied experts.

11. Ordinance No. 7 also is against German proposals. It places the steel trustees under the direct orders of the Allies. Again under these circumstances the Schuman Plan should be rejected.

12. Under the Schuman Plan, there is no possibility for socialization of basic industries.

13. German steel production has declined approximately 60 percent since 1938. It also was limited by Allied legislation while production was raised in other countries; for example, production in Luxembourg was raised approximately 74 percent through U. S. funds. Therefore, there is no basis of comparison for total production for the future.

14. Germany has to invest high amounts in basic industries for the next eight to ten years to level off its production with the other Schuman Plan countries.

15. Modern technical equipment, such as rolling mills have been placed under reparations; in other countries, new mills have been built.

16. Germany should be placed under French-Allied control.

17. Adenauer's memorandum to the High Commissioners, dated March 13, 1951, does not give a true picture from the economic viewpoint.

18. The coal marketing agency should continue. DEHL is to be considered as a tool of the Allies.

19. No one in the U. S. could make any de-cartelization experiments in the U. S. such as the U. S. is doing today in Germany. The discontinuation of the coal marketing agency is even impossible under U. S. de-cartelization legislation.

20. The Ruhr area has been taken away from the Communists but the Schuman Plan would mean destruction of social achievements and, therefore, be the beginning of a new Communist movement.
21. The High Authority means the end of democracy.

22. Basis for any international relations must come from the parliaments and not from a demagogic authority.

23. Labor representation of eight to one (unionist) is too weak.

24. The Schuman Plan works on the supranational level with planned economic principles, while on the national level with free economic principles.

25. England would have participated if the fanaticism of free economy were not behind the Schuman Plan.

26. The Schuman Plan is contrary to international and German legislation.

27. The French elections on June 17, 1951, also will play a role (in case de Gaulle gets the majority).

28. Under the Schuman Plan are five countries which are demanding and one country which has to give.

29. There are no trade unionists in the Advisory Committee.

30. Fifty years is far too much and two to five years would be a sufficient probationary period.

31. The DGB resolution (May 7, 1951) is not a "yes." DGB has not said anything since the Federal Government made a false interpretation of the resolution.

32. The seven-point program of the SPD is identical with union demands.

33. The unions must not be pushed into a third party role.

34. After the Schuman Plan, the Pleven Plan would come. The Pleven Plan would mean giving our youth into the hands of the Allied powers.

35. If the Allies consider unity as important, they would ask for new negotiations even if the Schuman Plan were rejected.

36. The Plan should be rejected from the standpoint of international socialism. Schumacher finished by asking the meeting to oppose the Plan.

The meeting was then open for discussion and the following participated:

a. Ruh, who has been in the Western Zones for a few weeks only, was the only delegate in the Schuman Plan.
b. Otto Stolz, from the "Welt der Arbeit," was for the Plan.

c. Scharnowski, from Berlin, was in favor of the Plan.

d. Walter Freitag gave vigorous opposition to the Schuman Plan. During his remarks, he attacked Otto Stolz because of Stolz' article favorable to the Schuman Plan in "Der Welt der Arbeit."

e. Heinrich Imig (Vice President, Miners' Union) mentioned that the Plan is good for German coal but there is solidarity among the unions and that he was sticking to this principle.

f. August Enderle strayed from the subject of the Plan and protested from the audience compelled him to sit down.

g. Professor Fritz Baade, Director of the Kiel World Economic Research Institute, spoke against the Plan.

Following the discussion, Schumacher replied to the remarks made by Huch, Stolz, and Scharnowski. Haslauer, Chairman of the meeting, then read a resolution (copy attached) to the meeting which was accepted with but one dissenting vote (Scharnowski).

The Chairman, contrary to German custom, called for only the affirmative and negative votes. He did not afford an opportunity for those who wished to abstain from voting to be recorded. Thereupon, the trade union executives, other than Freitag, demanded he give those who wished to abstain from voting the opportunity to be recorded. The Chairman acquiesced and approximately 25 persons indicated their desire to be recorded as not voting.

Even though the meeting was a well-planned Schumacher meeting, it is disappointing to know that the top leaders in the labor movement who wished to abstain from voting did not make statements to support Scharnowski, whose position in the Western Sector of Berlin is comparable to the President of a Land Federation of Labor.

Enclosure:

Resolution on Schuman Plan

L:HMBrown;jpg
Tel. 7966

306303
Resolution on Schuman Plan

Out of their responsibility toward the German people and cognizant of the need for a strong, vigorous Europe, the 'Social Working Parties' (Soziale Arbeitgemeinschaften) of the SPD, at their meeting on May 24, 1951, declared:

The Schuman Plan, which must be considered together with the economic and general occupation policy of the Allies in Germany, is not a practicable way to achieve European cooperation.

The conference deplores that the Federal Government has not fulfilled its obligation to inform the German people and to debate objectively the economic and political arguments of the Social Democratic Party.

The conference opposes vigorously the authoritarian methods employed to influence public opinion as was shown also in the falsifying interpretation of the decision of the DGB Executive Council of May 7, 1951, for the purpose of creating propaganda for the foreign policy of the Federal Government.
CONFIDENTIAL

OFFICE OF THE U.S. HIGH COMMISSIONER FOR GERMANY

INCOMING MESSAGE

CIRC 733

24 MAY 51/6 PM
25 MAY 51/2251
FROM: DEPARTMENT
SENT: FRANKFURT CIRC 733

Following is information policy guidance on mutual security program.

President's message stating program to Congress released Monday May 24, being covered by Press bulletins. Congressdommental hearings underway. Congressional presentation book being air pushed 2200GT mission's background use with detailed information guidance up coming through highlighting desired regionalized treatment.

Mutual security program covers economic and military assistance planned for FY 1952, including MDAP, ECA, P.O.T., and multilateral programs. General information treatment lines: this is proposed action plan based on realistic appraisal existing threat and relative capacities free nations face threat. Predicated on concept of free world security indivisible aid is designed help supply "mission components" to self-help with each nation within capacity making best contribution to collective security. Program would integrate, realization present US efforts directly strengthen free world. Basic US and free nations objectives is creating strength from which may come peaceful, just, and lasting settlement existing tensions. Because of Soviet aggression, free nations must now concentrate on defense. US aid designed for appropriate countries determine make contribution free world security. US continues dedicated concept economic progress and, in consideration essential role economic vitality to overall defense plans continue extend cooperation on self-help principle. Rapid increase total production materials and finished goods must sustain civilian economies while providing for defense. On issue raw materials US policy is (1) prevent flow to Soviet orbit of critical materials and those which would aid Soviet war potential; (2) distribute effectively fairly free world resources for purposes both defense and essential civilian requirements.

 confidential

INCOMING CONFIDENTIAL MESSAGE

RG 44
Entry HICOG
File 5/61-29/57
Box 27
CONFIDENTIAL

ROUTINE

PRECEDENCE

CAUTION: Nothing in proposed program represents commitment for general or specifically. Avoid speculation on possible consequences. Stick to general and proposed program, avoiding detailed aspects and where applicable utilizing illustrations projects or country programs in terms of purpose rather than form. Give minimum attention to debatable question of 'single agency' administration. Avoid any implication war inevitable or US preparing for war, using 'peace-security-defense' content rather than 'military-rearmament' content. Avoid easy east-west complex, stressing global basis of program. Avoid any implication Marshall Plan and other economic aid were for any purpose other than promotion economic recovery and progress.

FRANKFURT pass HELSINKI, CAIRO LONDON MANILA SYDNEY, PARIS, FRANKFURT pass to previously arranged posts. Bern repeat to Geneva for Mrs Roosevelt.

RELAYED TO EUCOM 25 MAY 51.
To Mr. Bowie,

Please prepare a reply.

J.J. McC.

June 5th
The Honorable John J. McCloy  
United States High Commissioner, Frankfurt  
A.P.O. 757-A, c/o Postmaster  
New York, N. Y.

Dear Jack:

I understand that as a result of our talk on May 26, at which Mr. Bowie was present, we agreed to the following:

1. I will recommend to my clients Mannesmann, Klöckner and Good  
    Hope acceptance of the model charter as modified by Mr. Bowie (specifically requiring the vote of two-thirds of the outstanding stock to amend the charter and providing for registered shares) and also the constitution of the new steel and coal units as appears to be agreeable to your office. These are the strictly steel production units. Coal seems to be settled except I think there still remains some additional evidence presented by Mannesmann in regard to the capacities of certain coal companies which your office is to examine to determine if some modification should be made.

2. You are to make some formal statement, preferably in the form of a regulation, that it is your purpose to see that certificates of stock for the new units, coal and steel, are distributed to the stockholders of the old companies as promptly as practicable.

3. Your office is to prepare for you information regarding the businesses of the old steel companies outside of strictly steel product-
ion. (As examples, the bridge fabricating plant of Good Hope and the truck and motor plant of Klöckner.) As soon as your office has determined the facts I am to meet with you in Frankfurt to discuss the disposition of these facilities. It is, of course, my understanding that in this discussion I will not be faced with fixed plans prepared by your office for the disposition of these assets which have passed the stage for a reasonable give and take between us; in other words, that you and I would have a free opportunity to agree on plans.

4. You will try to finish the complete reorganization under Law 27 within three months and, so far as it is within my power, I will work for the same end.

There was one subject which we failed to discuss and on which neither you nor I have, up to the present, sufficient information. This is the existence or non-existence of stockholder groups which might represent control of companies which it is desirable should compete.

I was very glad to have had this frank discussion with you on Saturday, because our interests are really the same, that is, to get into effect in Germany promptly competing steel units and to set up essential fringe businesses, with a reasonable business appreciation of what these new companies should be. I understand that I am not to be presented with plans to break up or liquidate these fringe activities or stockholder controls without there being sound business reasons within the purposes of Law 27.

Yours sincerely,

[Signature]

GW:GBC
Dear Garrard:

I have your letter of May 28 about Law 27. While your letter interprets our conversation somewhat more formally than I had understood it, my comments on the substance of your points are as follows:

1) I am glad to know that you are recommending to your clients acceptance of the standard charter and cooperation in constituting new steel and coal unit companies.

2) On May 24 the High Commission notified the Federal Government by letter of its intention to distribute shares of the new companies among the claimants as promptly as practicable after the new companies were formed. There is no present plan for issuing any formal regulation to this effect although this may later be desirable.

3) As Mr. Bowie wrote you several days ago, we will be in a position by about the middle of July to discuss the problems relating to the assets, other than coal and steel, of your clients. Since Mr. Bowie's office will prepare the studies and recommendations for me, I would like you to talk with them preparatory to any discussions we may have. Both with them and with me you will be given full opportunity to present your clients' point of view and I would hope we could reach agreement. If we can't agree after such an approach I shall have to come to my own decision. You will understand of course that any final decisions will have to be tripartite so that our discussion can only be informal.

4) On the question of timing your letter indicates some misunderstanding. We intend to try to complete reorganizations under Law 27 as rapidly as possible. We may be able to finish some of the simpler cases in three or four months but it is clear that the whole job will take much longer. Certainly it will take an unduly length of time if we have as many delays and attempts to reopen questions that we have had in the past. We are anxious, however, to devote all the necessary energies on our part to the completion of the task just as soon as it can possibly be done.

Mr. Garrard Winston
Shearman & Sterling & Wright
20 Exchange Place
New York 5, New York

June 9, 1951
With respect to your last paragraph, I can only say that in breaking up the residual assets, and the handling of the distribution of the shares of the new unit companies, our aims will be limited to the achievement of the purposes of Law 27.

Sincerely,

JOHN J. McCLOY
United States High Commissioner for Germany
SECRET
OFFICE OF THE U.S. HIGH COMMISSIONER FOR GERMANY
INCOMING MESSAGE

ROUTINE

ORIG/TO: 13 May 51/9 FM
ECC: 14 May 51/0330
FROM: LONDON
SENT: SECSTATE SIO40-698
H/ICOG FRANKFURT 1260
PARTS 30608
DUSSeldorf 8

DISTRIBUTION ACTION
GC 6
INFO.
B/HAYS 1
CES 2222
E/C 3
E/FM 3
IND/E 3
ETT 3
E/PY 3
PA 36
FILE 1
MSB/K 1
MSF/P 1
PUB 66
I 1
I B/N 1
A 1
MB 1
ANC-O 1
ANC-P 1
USAFE 1
POL/G/H 1
BONN 8
BERLIN 3
CB 1
RECORDS 2

FROM EMBASSY AND US DELEGATE I5G.

REFERENCE DEPARTMENT TELEGRAM 5880 TO PARIS REPEATED LONDON 5057 FRANKFURT 7444 DUSSELDORF 43 REGARDING RELATIONSHIP BETWEEN SCHUMAN PLAN AND COAL AND STEEL CONTROLS.

1. EMBASSY AND I5G DELEGATE IN GENERAL AGREEMENT US POSITION OUTLINED DEPARTMENT TELEGRAM 5057 EXCEPT AS INDICATED BELOW IN NATURE OF AGREEMENT WHICH SHOULD RESULT FROM PARIS MEETING. IT SEEMS CLEAR TO US THAT, PRIOR TO RATIFICATION OF SCHUMAN PLAN TREATY REPRESENTATIVES OF GOVERNMENTS CONCERNED WILL BE IN POSITION ONLY TO AGREE ON A COURSE OF ACTION TO RECOMMEND TO GOVERNMENTS FOLLOWING RATIFICATION. WE DOUBT THAT REPRESENTATIVES OF CERTAIN GOVERNMENTS WILL BE WILLING, OR HAVE NECESSARY AUTHORITY, TO SIGN AGREEMENT ON RUHR AUTHORITY PRIOR TO RATIFICATION. WE SHOULD ASK THAT INTENTIONS WITH RESPECT TO RUHR AGREEMENT, AND IN CASE OF FRANCE REGARDING PLI AND CONTROL GROUPS, WOULD BE PART OF EXPLANATORY MATERIAL SUBMITTED TO PARLIAMENTS AT TIME TREATY RATIFICATION IF SOUGHT BY POWERS SIGNATORY TO SCHUMAN PLAN. WE THEREFORE BELIEVE THAT PARIS MEETING SHOULD RESULT IN 6-POWER AGREED RECOMMENDATIONS AS TO RUHR AGREEMENT AND 3-POWER AGREED RECOMMENDATIONS ON STEEL LIMITATIONS AND CONTROL GROUPS. THERE SHOULD ALSO BE PREPARED DRAFT OF AGREEMENT ON TAR. FOLLOWING RATIFICATION PURELY FORMAL MEETING COULD BE HELD TO SIGN DOCUMENT TERMINATING RUHR AGREEMENT. ACTION TO BE TAKEN ON AIC AND CONTROL GROUPS WOULD PRESUMABLY BE INCORPORATED IN OTHER 3-POWER AGREEMENTS DIRECTING HICOM TO TAKE NECESSARY ACTION.
MEMORANDUM

June 6, 1951

Subject: PEPCO Agreement of June 5 Concerning East-West Trade

At its meeting on June 5, PEPCO discussed a paper prepared by Mr. Ramsey on the subject of the maintenance of free access to Berlin. In the course of the discussion, agreement was reached on the following points, which were to be communicated to Mr. McCloy in connection with his forthcoming trip to Washington.

1. The formulation of farseeing and precise policy in regard to German trade with the Soviet Zone in particular and the Soviet orbit in general is significantly handicapped by the present inadequacy of economic intelligence relating to the areas in question. The highest priority should therefore be accorded to expanding this economic intelligence work, including the provision of such additional funds and staff as might be required.

2. In future discussions of trade exchanges between Western and Eastern Germany, the West (HICOM and the West German negotiators) should be guided by the general principle that goods which are necessary to the economy of Western Germany would be traded for goods which do not themselves contribute to the Soviet Zone program for the early attainment of economic self-sufficiency, and that in this connection careful consideration should be given to the effect of proposed exports from Western Germany on the economy of Eastern Germany.

3. In Mr. McCloy's presentation to Congress, it would be desirable to bear in mind that the necessity of maintaining our position in Berlin might affect our position on certain further overall restrictions which might be agreed upon for East-West trade generally.

COORD: PA - Mr. Ramsey

E - Mr. Miller
ENTRY 114COG
FILE May 31 - June 51
BOX 27

CLASSIFIED TELEGRAM
OFFICE OF THE HIGH COMMISSIONER FOR GERMANY

CONFIDENTIAL

ROUTINE

JUNE 51

POUGHKEEPSIE, SECSTATE, PARIS, LONDON, STRASBOURG, BERLIN, UNN.

FROM LIAISON OFFICER

IN CURRENT SAAR CONTROVERSY, BASE RECONSTRUCTION AND
CRITERION IS THAT PRESENT
SAAR CONSTITUTION IS NOT APPROPRIATE FOR RECONSTRUCTION.

This view was challenged in a letter to the FRENCH GOVERNMENT, BUT IT WAS NOT
HIGHLY DEVELOPED. NO MAJORITY POPULATION (FRENCH) "RECOMMEND" TO FRANKFURT, "FRENCH DEPT, MAY 19") IT WAS RENERATED BY THE
GOVERNMENT ON JUNE 51.

ALTHOUGH FACTS AND BREACH OF 1947 SAAR ELECTION AND ADOPTION OF
FRENCH LAW WAS DeSIRABLE AT THIS TIME TO RECONSTRUCTION, THE LATER DEVELOPTMENTS SUGGEST STRONG AND CONTINUOUS
REACTION OF FRENCH EUROPEAN POLICIES, INCLUDING THE SCHUMAN PLAN AND
STEPS TOWARD UNITED EUROPE IN WHICH FRENCH REGARDS AS HAVING
BEEN STRENGTHENED BY MEMORIES OF FRENCH SPONSORSHIP OF THE
SEPARATION FOLLOWING WORLD WAR I, AND CONVICTION FRENCH IN RECENT
YEARS HAS EXPRESSED TO PRESERVE UNIFICATION AT ACTION AT THE
FROM ACCORDANCE WHERE IMMEDIATE FRENCH INTERESTS ARE CONCERNED.

FRENCH POSITION FORMALLY CORRECT IN THAT LANZER ELECTION, Oct.
1947, RESULTED IN 95 PER CENT PARTICIPATION; OVER 90 PER CENT VALID
VOTES CAST FOR PARTIES OPENLY COMMITTED TO POLITICAL SEPARATION SAAR FROM
GER AND ECONOMIC INTEGRATION WITH FRANCE; FRENCH CONTROL DEFENSE
AND FOREIGN INTERESTS OF OTHER JUDICIAL UNIFICATION WITH FRANCE;
FRENCH GOVERNMENT DECREES RECOGNIZING THE ECONOMIC AND
SUPERVISION OF CHARTERED SUBSEQUENT STEPS (ECONOMIC AND JUDICIAL CONVENTIONS, VARIOUS DECREES AND LAWS, FRANCO-SAAR ECON,
AGREEMENTS OF MARCH 3, 1950) HELD BY FRENCH MALLY FULLY ENSURED THE
RECOGNITION OF SAAR POPULATION WHICH BOTH SAAR AND FRENCH GOVTS
OBLIGED TO RESPECT. HENCE THE RECOGNITION OF FRENCH CONSTITUTIONAL AND LEGAL VALIDITY OF SEPARATION OF SAAR FROM
GER AND ECONOMIC UNION WITH FRANCE, CONSIDERED BY SCHUMAN AND HOFFMANN AS
ANOTHER FACT, HOWEVER, CAST DOUT ON VALIDITY OF 1947
ELECTION AS GENUINE DEMOCRATIC PROCEDURE. AFTER FAILURE MOSCOW
G74 - 514574

CONFIDENTIAL

CLASSIFIED

306314
MARCH-APRIL 1947, TO REACH SETTLEMENT ON SAAR, FRENCH TOOK UNILATERAL STEPS TOWARD ECON INTEGRATION (IN PROGRESS: CUSTOMS, TRANSPORT, ETC.)....

POPULATION AT THAT TIME RELATIVELY QUIET was politically and socially passive acceptance of French influence on Saar, which promised end of disaffection and division... Gou Brion, leader of one of the parties, French-trained by Saarish, opposed to Saarish-French POLICY. (1500 were expelled by June 1947). Restrictions imposed on free expression, through censorship, press and, exclusion of publications from other parts of France.

DRAFT CONSTITUTION FOR SAAR PREPARED BY COMMITTEE OF 20 UNDER FRANCISH APPOINTMENT. MOSTLY MEMBERS OF PS: GOVERNMENT CONFIDENTIAL SOURCES MAINTAINS WALL OF OPPORTUNITY IN INFLUENCE, KEEPING MEMBERS OF COMMITTEE SEPARATE FROM GOVERNMENT DECISIONS. FUTURE REFERENDUM ON CONSTITUTION ALTHOUGH VOTERS INCL. PS, PS, SP, SPS, REQUESTED ONE. GOVERNMENT DECREASED TO PARTIES EXCEPT ON JUNE 9, 1947. HE OPPOSED REFERENDUM ON GROUND OF PROBABLE INFLUENCE OF ALIEN OVER SAAR CATHOLICS. SLIGHT PUBLICITY GIVEN TO CONSTITUTION BECAUSE PUBLICATIONS GLEASON'S DRAFT AND VOLKSTIMME (SOCIALLY EXCLUSIVE) FORBIDDEN TO PUBLISH TEXT. COPIES PUBLISHED AT ASYNCHRONOUS SHORTLY BEFORE ELECTION. EXPULSIONS OF PERSONS HOSTILE TO OFFICIAL POLICY CONTINUED ON ELECTIONS: SUBSTANTIAL LEADERS OF ALL PARTIES DEFECTED, EMBARRASSED OPPOSITION.

ACCORDING GOVERNMENT MEMORANDUM ON SAAR PROBLEM OF MARCH 9, 1950, GRANDVAL WARNED SPS LEADERS ON DAY BEFORE ELECTION, THAT ALL PROMISES RELATIVE TO IMPROVEMENT OF FOOD RATIONS, VALUING OF DISAFFECTION, TRANSFER MINES TO OWNERSHIP SAAR PEOPLES, FAVORABLE EXCHANGE RATE IN CONVERSION OF CURRENCY WOULD BE WITHDRAWN IF THEY VOTED AGAINST PREERSIST OF CONSTITUTION. NOTE: THIS WARNING ALLEGEDLY DETAINED HONORABLE CHARMAN.
CLASSIFIED TELEGRAM

OFFICE OF THE U.S. HIGH COMMISSIONER FOR GERMANY

CONFIDENTIAL

REGISTER CLEAR VOTE AGAINST CONST WOULD HAVE BEEN TO VOTE COMMUNIST AS ONLY PARTY OFFICIALLY OPPOSING CONSTITUTIONAL ACTION UNTHINKABLE FOR GREAT MAJORITY ELECTORATE IN STRONGLY CATHOLIC AREA SUCH AS SAAR.

THUS IT WOULD SEE SAAR POPULATION RATHER EFFECTIVELY PREVENTED FROM EXPRESSING GENUINE OPINION IN 1947 ON CRUCIAL ISSUE POL AND ECON STATUS OF SAAR. OF COURSE IT CANNOT BE ASSUMED THAT EVEN IN DIRECT ELECTION CONSTITUENT UNDER CIRCUMSTANCES FREE OF INTIMIDATION OR OFFICIAL PRESSURE ELECTORATE WOULD IN THEN EXISTING MOOD HAVE REJECTED CONSTITUTIONAL ACTION.

GERMANY'S ARGUMENT RESTS ESSENTIALLY ON THREE POINTS: (1) 1947 ELECTION CANNOT BE VIEWED AS FREE AND CLEAR DECISION SAAR POPULATION ON POL AND ECON STATUS OF SAAR; (2) DECISIONS MADE TO DATE BY SAAR AND FRENCH GOVTS CANNOT BE CONSIDERED DEFINITIVE IN VIEW EVEN FRENCH GOVT AGREED IN CONNECTION SIGNATURE OF SCHUMAN PLAN, ULTIMATE DETERMINATION STATUS OF SAAR MUST BE MADE A PEACE SETTLING, AND (3) IF DEE'S ON BELL WOOD MUST CONFORM WITH FREELY EXPRESSED WILL OF SAAR POPULATION.

SCHUMAN-HOFFMAN ACTION IN BANNING DPS THEN SEEN BY GER AS ANOTHER IN LONG SEQUENCE FRENCH INSPIRED ACTS WHICH TEND TO ENSURE SERIES OF ACCOMPLISHED FACTS MAKING SAAR QUESTION A CLOSED ISSUE AND NOT SUSCEPTIBLE TO REVERSAL AT LATER DATE EVEN IF PEOPLE OF SAAR SHOULD SO DESIRE.

W.C. CLOY
AUTH: PA-L&PRI-BRMORRIS
PA-L&PRI-LW-FULLER-20751

1/25 20 MAY 51 CN-58174 PA

D. SLATER 1
TEL 4702
USAFA 276
E&PR 1
FILE CN-54574

306316
DEPARTMENT WOULD APPRECIATE REPORT ON PRESENT PLANS REGARDING FINANCIAL AND CREDITOR ASPECTS OF LAW 27 REORGANIZATION AND ON TIMING FOR EXECUTION OF SUCH PLANS. AS DEPARTMENT HAS RECEIVED NO INFORMATION UP TO NOW REGARDING SUCH PLANS IT IS REQUESTED THAT REPORT BE MADE EVEN THOUGH PLANS STILL TENTATIVE ON INFORMATIVE STAGE.

APPEARS HERE THAT AT SOME POINT PROVISIONS FOR TREATMENT OF FOREIGN CREDITOR INTERESTS UNDER LAW 27 WILL HAVE TO BE HARMONIZED WITH GENERAL DEBT SETTLEMENT ARRANGEMENTS. DEPARTMENT WILL REQUIRE INFORMATION AS BASIS FOR POSITION FOR PRESENTATION TO OTHER GOVERNMENT AGENCIES ON INTER-DEPARTMENTAL COMMITTEE ON GERMAN DEBTS AS TO WHEN AND HOW SUCH HARMONIZATION SHOULD BE EFFECTED. YOUR VIEWS ON THIS POINT, IN LIGHT OF FINAL ISG PAPERS ON PRINCIPLES AND PROCEDURES FOR DEBT SETTLEMENT ARE REQUESTED IN CONJUNCTION WITH ABOVE REPORT.

ACHESON
CONFIDENTIAL
OFFICE OF THE U.S. HIGH COMMISSIONER FOR GERMANY.

INCOMING MESSAGE
CONFIDENTIAL

FROM LIAISON BONN.

REGARDING GERMAN SCHUMAN PLAN RATIFICATION.

CABINET ON JUNE 5 APPROVED RATIFYING LAW AND ACCOMPANYING ARGUMENT (GEGRUNDB) FOR SCHUMAN PLAN. SECRETARIAT FOR SCHUMAN PLAN CONFIRMS THAT GOVERNMENTS STILL PRESSING FOR RATIFICATION BY BOTH HOUSES BEFORE BEGINNING OF SUMMER RECESS JULY 15. SUCH EARLY RATIFICATION HOWEVER APPEARS INCREASINGLY UNLIKELY DUE BOTH TO PROCEEDURAL AND POLITICAL-ECONOMIC CONSIDERATIONS. REPEAT OUR TELEGRAM 102 FRANKFURT, REPEATED 88 DEPARTMENT, MAY 24. OF THESE SAAR CONTROVERSY IS NOW EVIDENTLY LEADING ONE, AND CERTAIN TO BE AGGRAVATED BY GRANDVOL STATEMENT JUNE 9 (SUBJECT OF DEPARTMENT TELEGRAM). CURRENT PROSPECTS FOR GERMAN RATIFICATION AND RELATED TIMETABLE AS FOLLOWING, ON ASSUMPTION THAT PARLIAMENT RECESS ACTUALLY COMMENCES JULY 15 (UNDERSTAND FOR EXAMPLE, THAT HAUSSLER TOOK WITH IDEA OF SPECIAL RECESS DURING RECESS):

ACCORDING SCHUMAN PLAN SECRETARIAT AND SECRETARY OF BUNDESRAT FOREIGN AFFAIRS COMMITTEE, POSITIVE BUNDESRAT ACTION ON PLAN CAN BE EXPECTED TO BE COMPLETED BY JUNE 21. BARRING UNPREDICTABLE DEVELOPMENTS REGARDING SAA, CHIEF POINTS OF BUNDESRAT DEBATE TO INCLUDE QUESTION OF ENFORCEMEN OF ALLEGED LAENDER RIGHTS UNDER ARTICLE 32 (4) OF BASIC LAW BY EXCLUSIVE SEC ACTION ON PLAN. NORTH RUHR-WESTPHALIA MAIN CONTENDER IN THIS CONNECTION THOUGH NO REAL TROUBLE EXPECTED. TIME BETWEEN JUNE 21 AND JULY 15 WOULD THEN BE USED UP BY BUNDESRAT FIRST READING OF RATIFYING LAW AND COMMITTEE CONSIDERATION; SECOND AND THIRD READING PROBABLY PERFORMED BEING HELD OVER UNTIL AFTER TERMINATION OF SUMMER RECESS SCHEDULED FOR SEPTEMBER 1.

306318
CONFIDENTIAL
OFFICE OF THE U.S. HIGH COMMISSIONER FOR GERMANY

INCOMING MESSAGE

CONSIDERATION:

RE: REQUEST TO DECREASE EVEN MORE POWERFUL THROUGH SLEEP PLANT, UP

ENTRY COG

FREEDOM APPARENTLY INCREASED GERMAN RAPIDITY TO RATIFICATION
AS TO OUTCOME OF FRENCH ELECTIONS

INTERVIEWS ON JUNE 5 BERTH EON FOR COALITION PARTY

COALITION PARTY PROSPECTS FOR EVENTUAL GERMAN RAPIDITY TO DECREASE

CONSIDERATION, BUT THAT TUNN (S)r: DEVELOPMENT IN COALITION PARTY

CONSIDERATION, WHICH HAS APPARENTLY PROCEEDED

COALITION PARTY LEADERS INCREASED RAPIDITY TO SLEEP PLANT TO PUSH نحو 26R SLEEP PLANT, RAPIDLY POSSIBLE FOR DFD LEADERS TO

EORTIEREN TO THEIR RAPIDITY IN PROSPECTIVE IMPLEMENTATION OF LAW 27, SOME EXPECTS OF WHICH NOT SATISFACTORY TO FRENCH. DP LEADER WELLENSFEHLER STATED HIS PARTY WOULD REFUSE TO RATIFY

UNTIL CLEAR CIRCUMSTANCES FORFORTHCOMING LAW 27, FRENCH WOULD TAKE NO FURTHER

ACTION REGARDING DEPARTURE OF SLEEP FROM GERMANY UNTIL FINAL TREATY

TOOK PLACE. HOWEVER, VON BREUNING EXPRESSED BELIEF THAT DP AND FPD WOULD

ABANDON COALTION ON RATIFICATION DEEDS TO RESERVATIONS MENTIONED

BONN. BONN EXPRESSED THAT VON BREUNING CONSISTENTLY HAD BEEN IN

COALITION PARTY OPINION REGARDING RAPIDITY. INDICATIONS ACTUALLY

ACTUAL FEASIBILITY OF DECREASE IN DEPENDENCE OF SLEEP FROM GERMANY MAY JUSTIFIED BEAR MUCH DEPENDENCE OF DEVELOPMENT OF SLEEP AND COMPLETION OF SUCCESS WITH SCHUMACHER HAY

CONSIDERATION. SHOULD SCHUMACHER WISH TO STAND FOR DEPUTY IN DPD, IT WOULD BE UNLIKELY TO UNFOLD CIRCUMSTANCES OF SLEEP AND HAY "AND, IN FIELD" OF COALITION PARTY CHANGE ONE NOTION.

DP. COALITION WILL HAVE TO MAKE CONCILIATION TO THE LIMIT. SUCH DEVELOPMENT MIGHT OF COURSE AFFECT EXTENSIVE DEPENDING ON RAPIDITY, AND EVEN IN QUALITY REAPPRAISABLE IF ENCOURAGED

OF FURTHER MACRO-RAPIDITY REGARDING SLEEP.

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THE SCHUMAN PLAN

The Schuman Plan, whose ratification-proposal was unanimously decreed by the Federal Cabinet on Tuesday, June 5th, now goes to the Bundesrat and Bundestag for debate and the decision whether the legislative branch accepts or rejects it. The Bundesrat is expected to take up the Plan before the end of June, and the Bundestag thereafter. The time element is somewhat sharpened by the imminence of the parliamentary summer recess which commences in mid-July.

Since the Plan will be carefully examined and explored in debate, it is worth while to review some of the major pros and cons which underlie the Plan itself.

The significance of the Schuman Plan is political as much as economic. The Plan is an important step towards Franco-German rapprochement and the realistic, practical integration of industrial resources within Europe. It is in this light that the American and European publics will judge adoption or rejection of the Plan.

The Schuman Plan now awaits ratification by the Parliaments of the six countries whose delegates initialled it in Paris on March 19th and whose foreign ministers signed it in Paris on 18 April. A rejection of the Plan by the German Parliament, or an acceptance so qualified and by a majority so slender as to suggest that German participation may be incomplete or nullified, may well be interpreted as a serious setback to the prospects of reliable and practical German cooperation in joint European efforts. If this took place the American people as well as much of the European public, particularly the French, might well take the position that it is not possible to "do business" with the Germans, that the Germans are not willing to subordinate some of their national interests to wider European interests, that they are dominated by suspicions and antagonisms towards other European nations, and that there is less possibility of building a stable European family of nations than Europeans have hoped and the United States Government has believed. In other words rejection of the Plan by the Bundestag, or bare acceptance, may have a tendency to isolate Germany in its exposed position vis a vis the East and to chill American public support of Germany in European affairs.

It is apparent that the principal public as well as official impact of the Plan is political, symbolizing an important step towards a European unity long desired by Europeans themselves. Nevertheless the economic advantage which will arise from the substantive content of the Plan are significant.

The major economic aim underlying the Plan has been to create a common market for coal and steel, and at the same time to prevent any single national group from dominating the coal and steel resources of Western Europe. Both conditions are safeguarded. The French sponsors of the Plan sought provisions assuring non-dominance by any national group; the United States would not put forward its moral support and endorsement of the Plan.
unless it believed that the principle of fair and cooperative administration were guaranteed and assured.

Other economic advantages include the following:

1. The Plan offers the German coal and steel industries an opportunity for unobstructed access to the national markets of the other five countries for the first time in more than 30 years.

2. The Plan will enable the Allied occupation powers to lift the present limitations on German steel capacity.

3. The Plan will substantially increase the possibilities for German industry to find a means of financing modernization and expansion.

4. The Plan offers labor protection against wage cuts as a device of competition between the different countries. It provides guarantees whereby labor will be able to work across national boundaries without fear of job discrimination.

Plan does not block nationalization

German Socialists have sincerely questioned whether the Plan would prevent future nationalization of the German coal and steel industries. The Plan states specifically that it does not affect the ownership of any part of the coal or steel industry in the participating countries. It is well known that the French coal industry is nationalized and that the Government has a relatively large stake in the French steel industry.

The DKV, German Coal Marketing Organization

Some have maintained that dissolving the DKV, which the Schuman Plan calls for, would deprive Germans of necessary control over production and distribution of coal. Some also argue this would lead to the closing of lower degree mines and to unemployment in Germany if the demand for coal were to drop, i.e. in a coal surplus period.

These arguments overlook, perhaps purposely, that the High Authority is given special powers for allocation of coal in times of coal shortage on the one hand, and for meeting the problems of maintaining operation of essential mines and stabilizing employment in times when there is a surplus of coal.

In the framework of these powers the High Authority will "consider the problems resulting from the liquidation of the DKV to take steps or create organizations for the solution in accordance with the Schuman Plan of the particular German problems of coal qualities, maintenance of capacity and stable work conditions with the aim of avoiding social tensions." This is the language contained in Chancellor Adenauer's letter to the Allied High Commission stating an understanding reached in connection with the German Federal Government's signature of the Schuman Plan.

It used to be that in coal-surplus periods other countries were able to shut off fair coal in favor of their own local mines and force the major impact on to the Ruhr mines. This will no longer be possible. For coal-surplus periods the High Authority is given special powers enabling it to fix minimum prices and provide subsidies to less efficient mines. The High Authority, in conjunction with these powers, is specifically to work "to avoid an inequitable distribution among the workers of such reductions in employment as might result from reduced demand." (Section 12, Transitional Provisions). Thus the High Authority will institute on a European basis some of the positive "insurance" functions of the present DKV.
The mono-national (and monopolistic) character of the EEC is, however, inconsistent with the purposes of Schuman Plan negotiators which were namely to create a larger and more dynamic market than has ever existed up to now in Europe. Interests of the Ruhr as a geographic area are fully safeguarded and, in fact, the Plan will cause the closing down of a number of European mines, particularly in Belgium and will greatly expand the market available for Ruhr coal and steel.

The principle of equal pricing of products for national and for export consumption does away with differential pricing, immeasurably increases the marketability of European products consumed within the large Plan-area, and symbolizes an eradication of barriers which could not have been otherwise achieved without creation of the representative High Authority.

A further source of good material on the Plan is the English-language pamphlet entitled "The Schuman Plan -- the European Coal and Steel Community" recently distributed by HICOG to recipients of this backgrounder.
Dear Hank:

This is in reply to your two letters of May 15 and 21, dealing with the Declaration of Intention and Interim Agreement. Subsequent consideration has led us to the conclusion that any debate now over a choice between the two is fruitless because a defense contribution will not be obtained until definite understanding has been reached on the terms of such a contribution and of most of the contractual agreements. Let me analyze the situation step by step.

1. It seems perfectly evident that the Germans are not going to make a defense contribution until they know what it is to be and what limitations will be imposed on them by NATO. They will have to be satisfied that the forces which they contribute are so organized and supported that they will be militarily effective and they will have to be satisfied of German "equality". In this second aspect I do not think that they will insist that every limitation upon them be imposed equally upon every other NATO country but they will insist upon similarity of treatment in respect to some major items. The Council is today forwarding the report of the military talks with the Germans. They have agreed its terms with the Germans so that an identical report will be made to the Occupation governments and to the Chancellor. The Germans have stated their position very specifically and bluntly. I do not believe that their position is as rigid as their proposed language would suggest and expect that they will subsequently be willing to make compromises but it is quite evident that the NATO position taken last December will not produce a German defense contribution through NATO. The answer to these difficulties may lie in the European Army concept which may provide a better means to reconcile French and German views than revision of the NATO directive.

When I say that we must have an understanding with the German leaders I do not mean that we must have progressed to the point of a final detailed agreement in legal form, but the principles and the major details must be settled. No general representations to them will produce a defense contribution.

2. This defense contribution still will not be forthcoming until we have a definite understanding with the Germans on the scope of the new

Col. Henry A. Byroade,
Bureau of German Affairs,
Department of State,
relationship based on the contractual agreements. The Germans have insisted on "equality", which seems to mean to them the exercise of the attributes of sovereignty. Any German action on defense must have a big majority to support it. This means that the SPD has to be brought into camp. To accomplish this our proposals must be sufficiently definite so that the Germans will know what they are being offered. If they are not definite Schumacher will simply raise so many questions about the terms of each proposed agreement that he will confuse the issue and divert attention from the main subject, and there will be no hope of getting the SPD fraction to reverse his course. We will have brought the debate over the terms of the agreement into the Bundestag through the back door before those terms are ready for discussion and will risk the premature establishment of a Bundestag position on the final terms less favorable than we could have reached through orderly negotiation.

3. Although in view of these facts neither an Interim Agreement nor a Declaration of Intention will obtain a German defense contribution, this does not mean that an interim document would not be useful to hasten the process of reaching contractual arrangements. Indeed we have felt all along that the initial purpose of a Declaration of Intention would be to serve as a vehicle, first, to work out more quickly an agreed statement of our own policy including the views of the Defense Department and EUCOM; secondly, as a catalyst to get Tripartite agreement; and third, to get the thinking of the Chancellor. If it attained these ends it would have been useful even if it never became public. One of the difficulties now is that there is no clear framework within which the thirty-nine points fit into their proper places. As a result the perspective for making decisions has been lacking.

We are one of the difficulties is that the Thirty-nine points fit together so that we could get along for awhile without any formal agreed statement but it is clear that EUCOM and the Defense Department have an equal interest in the subject. Basically what is needed therefore is a common concept of the future status of the present occupation forces and if you could reach an agreement on this with the Defense Department and they would issue such new directives to EUCOM as are necessary, it would prove most helpful.

5. If we agree on U.S. policy we then come to the problem of French and British delay. The British have definitely not been anxious to proceed expeditiously, perhaps due to the attitude of the Labor Party's left wing. The French are in no position to proceed until after the elections and the establishment of a stable government, if that proves possible. If not they will face another election. We face the possibility of weeks and even months of delay before we can expect French or even British agreement to effective action.

We will try in the meantime to get them to discuss the subjects and reach decisions for future use but even this is not certain. Apparently they are ready for discussions with the Germans on subjects which have no great political significance. On the others it appears that at best they are willing to listen to German statements but not to reply. Under any such procedure, of course, we will not have reached definite understandings
with the Germans which are necessary and indeed we will have confirmed the suspicion held by many of the Germans that we are simply stalling and do not intend in good faith to make them substantial equals in the European partnership.

Finally, there is evidence that there may be Tripartite differences which must be settled at governmental level. The French here seem to want to go along with our concept to a substantial degree but it is becoming clearer that influential elements in the Quai D'Orsay place a different interpretation on Brussels than we do and are working more toward another revision of our existing powers than toward a basic change in the occupation status. I call your attention also to Paris' 7902 of 20 May to the Department (992 to Frankfurt) indication the inherent opposition of the Quai D'Orsay to our ideas for progress.

6. We cannot afford months of delay. On the one hand the defense contribution itself is urgent; on the other the situation here in Germany is deteriorating. In addition to the cable reports which you have had, I am disturbed over the report of our public opinion survey which shows a marked decrease in the readiness of the West German people to participate in an Atlantic Pact Army. Last October 63% of those polled favored participation with 30% opposed. Today 43% are in favor and 33% opposed. Bonn has recently reported MDP skepticism of our good faith in substituting contractual arrangements for the Occupation Statute. Other straws in the wind point in the same direction.

7. In the light of these factors the question is now, how best to proceed. The first and immediate problem is to get an agreed paper stating U.S. policy and then on the basis of that to seek French and British agreement to that statement of policy. For this purpose I think our Declaration of Intention offers the best starting point, since it is a little more specific than your paper. It must, however, have material revision which we are undertaking in the light of the foregoing and of your comments.

We do not need at this stage to decide whether eventually the paper will take the form of a Declaration of Intention or an Interim Agreement or something entirely different. That can be decided when we raise the matter with the Chancellor and in the light of circumstances then existing.

I may perhaps already be in the States by the time you receive this but comments which you can send to Frankfurt will be extremely helpful.

Sincerely yours,

John J. McCloy
It is universally acknowledged that the presence of 8 to 10 million refugees of various kinds in Western Germany constitutes one of the greatest post-war problems which has not yet been resolved. German attitudes have changed a great deal since the close of the war. Formerly the principal reaction in the German mind was one of deep resentment, with militant assertions that ultimately the refugees would have to be given the opportunity to return to their former homes, as a matter of right. However, during the period in which I have been connected with the DP Division, since October 1949, there has developed a far more constructive and realistic attitude from the German leadership. During Whitsun tide season there were many refugee gatherings throughout Western Germany. A perusal of the speeches made at many of these gatherings, some very large and others small, shows that almost invariably integration of the refugees into the economic and social life of the country was the solution offered. It is, of course, a standard procedure for every orator to remind a refugee audience that their right to return to the home area is fundamental. However, excepting a few of the most rabid leaders, these speakers always insist that only by peaceful means should the refugees expect to return home. Because of the difficult problems involved in developing a reasonable theory for "going home", it is noticed that more and more of the refugee leaders are advancing the idea of a European union, with substantial evidence that a large portion of the refugee group responds favorably. The Federal Refugee Minister, Dr. Lukaschek, frequently repeats a favorite expression that under no circumstances do the refugees want to return home past the graves of fallen soldiers. In noting these favorable developments, it would be a mistake, however, to assume that the refugee problem is not fraught with grave danger for the future unless it is reasonably resolved.

The community of interest which they feel in connection with political developments in Western Germany is apparent in the strength of the refugee political parties shown in recent Land elections. By decrees of the several military governments in the Western zones of Germany refugee political parties were not licensed. In the long term view the wisdom of this policy is even now open to great question. With the passing of military government and the appearance of the High Commission, this ban was removed. I am happy to say that the U.S. Zone stood at the forefront in this creditable action. The
The strength of the BHE (Refugee Party) in several Länder elections is shown in the following table:

<table>
<thead>
<tr>
<th>Land</th>
<th>Date of Election</th>
<th>% of Vote to BHE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schleswig-Holstein</td>
<td>July 1950</td>
<td>23.0%</td>
</tr>
<tr>
<td>Bavaria</td>
<td>November 1950</td>
<td>12.3%</td>
</tr>
<tr>
<td>Hesse</td>
<td>November 1950</td>
<td>*</td>
</tr>
<tr>
<td>Lower Saxony</td>
<td>May 1951</td>
<td>11.9%</td>
</tr>
</tbody>
</table>

*In the Hessian election the BHE and the FDP offered a combined list of candidates and caught 31.8% of the votes. In the formation of the government these two parties immediately separated and divided the seats between them as follows: BHE 8, FDP 13. On this ratio it might arbitrarily be determined that the BHE vote was 25.2%.

In the formation of the new governments in Schleswig-Holstein and Bavaria, the BHE became a member of the majority coalition and in each case filled the Refugee Ministry post. This, of course, places them in a strategic position in both of these Länder. The new government has not yet been formed in Lower Saxony although the most likely combination is a SPD-BHE coalition unless the latter's very high demands can not be met by the former. In a special election held on May 27, 1951, to fill a vacancy in one of the Bundestag districts of Bavaria, the BHE candidate received 25% of the votes. This might indicate a considerable increase in the strength of the refugee party in Bavaria although it must be kept in mind that the candidate is the chairman of the BHE party and is also the Refugee Secretary in the Bavarian cabinet. In looking at the returns from Lower Saxony, one must also remember that the Neo-Nazi SRP gathered 11% of the total vote. Many analyses have been made of this vote and its possible sources. Some analysts think that but few refugees were among the SRP voters while others believe the opposite. The fact is, however, that the SRP vote and the BHE vote combined total almost 26% of the votes cast. Both of these might be considered as unconventional parties and the possibility of a future combination of these elements certainly can not be ruled out since there are many leaders in the BHE who formerly had high connection with the Nazi Party.

During the lifetime of CHKUS a small refugee operation was carried on as part of the headquarters staff with some representation in the Länder military government staffs. It was the expressed position of the military governor and thus apparently of the United States that the refugee problem was purely of German concern. The U.S. High Commissioner's organization also carries on a refugee operation, and there has been no expressed change in the U.S. position. The High Commissioner and others on his staff have
in public pronouncements frequently referred to the refugee question in terms of its importance to the German nation and have invariably expressed a great interest on the part of the U.S. in its solution. There have been many citations of the various forms of assistance which have been given under the U.S. aid program either directly on behalf of refugee activities or indirectly by real benefits through grants made to the general economic rehabilitation of Germany. The policy of maintaining that it is basically a German problem has apparently brought about some very favorable results, especially with the great changes in German attitudes as already referred to herein. However, the German leadership, notwithstanding its more constructive and realistic attitudes, has consistently continued its efforts to gain international recognition of this great problem. On August 25, 1950, the Consultative Assembly of the Council of Europe adopted a recommendation in which it brought to the notice of the Committee of Ministers the urgent necessity for helping the refugees. Furthermore, it requested the immediate establishment, within the framework of the Secretariat General of the Council of Europe, of a temporary service to study the problem raised by the legal position of the refugees and to provide for their most pressing needs, particularly in the case of those refugees who are not at present receiving assistance from any international organization. Certain activities under this action have been carried on by the Secretariat General, consisting principally of sending inquiries to Western European countries concerning the refugee problem which may exist within each country or the possibilities of accepting refugees by that country. It also got in touch with other organizations interested in such problems, including the ILO and the NDI, and a working party studied and reported on emigration and immigration possibilities throughout the world, considering also the possible sources of funds which would be needed in carrying on a large migration program. Recently the German Chancellor, Dr. Adenauer, in his capacity of Foreign Minister, in taking his seat as a member of the Committee of Ministers of the Council of Europe, made a warm plea for a continuance of the Council’s interest in the refugee problem and for practical measures to be undertaken by the Council. As a result of this plea a Committee of Experts was constituted and is presently sitting in Strasbourg this week in connection with this assignment.

Before my connection with the DP Division steps had been taken to have the ECA sponsor the costs of a technical mission to study the problem. This mission, consisting of a group of American experts together with a similar group of Germans, commenced its task in September 1950 under the Chairmanship of Hans Christian Sonne. The group continued its studies until the latter part of December 1950 and prepared a comprehensive series of recommendations in a report which was transmitted to the German Chancellor under the date March 21, 1951. Attached are studies made of that report with pertinent comments which were prepared by members of the DP Division. In the first column of attachment I are shown specific recommendations which the report makes in connection with practical actions which can be undertaken in integrating the
refugee population of Western Germany. One can say that there is very little
new shown in these recommendations and that many of them have been made
previously. However, this is probably the first time that an attempt has
been made to bring them together into one comprehensive document and to
estimate the actual money costs that might be required in implementing them.
In the second column are shown some of the actions which have already been
taken under the various headings carried in the Sonne report, and the third
column carries some comments similarly arranged. Also attached is a table
showing a summary of the costs and another one setting forth the recommenda-
tions made by the Sonne group concerning the sources from which the money is
to come. The developments in connection with this report are well-known
to those who at HICOG have been closely connected with the subject. From
these I have the following impressions. There are two recommendations or
implications in the report which are quite unacceptable to the U.S.: first,
one which would implicitly require the U.S. to furnish approximately
$500,000,000 as a loan or gift to Germany to offset a theoretical increase
of imports which would result from the additional stimulation of the German
economy brought about by implementation of the program; second, the report's
insistence that the solution of the refugee problem is of equal importance
with a defense program and that therefore the two must go hand in hand and
are "inseparable." This makes it easier for the German Government leadership
to press for recognition of the reduction of any agreed German defense contri-
bution by the amount of money that may be spent on refugee integration; that,
because of these two very undesirable features in the report, the U.S. will
not take any official notice of it. If my impressions are, in fact, correct
and especially the conclusion, I feel it incumbent upon me to point out that
I consider this as likely to bring eventual criticism and blame upon the
U.S. High Commissioner and the Department of State. The report is a fact.
Mr. Sonne is an energetic, ambitious, and determined personality. It must
be considered a foregone conclusion that he will make a determined fight
against any "suppression" of his report. I have it from Mr. Middelmann
of the German Refugees Ministry and from Mr. Hillenbrand of the Department,
just arrived in Germany for a 30-day visit, that Sonne has undertaken the
formation of a committee of nationally-known Americans for the purpose of
bringing the German refugee question before the people and the Congress of
the United States. I understand that prominent persons have been pressing
Gen. Eisenhower for some expression on the report. There is also waiting, for
reply, a telegram from the Department asking for a detailed analysis and
evaluation of the report as finally released.

As is shown by the attachments the recommendations for positive action
toward refugee integration made by the Sonne report are generally standard
and orthodox (this does not refer to the financing recommendations). To
some degree nearly all of them have already been receiving some implementa-
tion. Also, with respect to nearly all of these recommendations, HICOG
has at some time or other favored them. Thus it appears that the difficulties
lie in the recommendations for financing the program. In that field I
claim no competence and could therefore make no definite recommendations. I point out, however, that most of financing pointed out in the report is laid upon the shoulders of the German Government. In truth the implementation of the program is laid solely upon the Germans.

To date the Federal Republic has not come forward with a program or official request for approval or support by the U.S. along the lines of the Sonne recommendations. However, there is evidence from refugee and other press sources of a growing impatience with the Government in its inaction. In the light of the refugee political strength mentioned above, it is reasonable to assume that the Government will be forced to act. As perhaps foreshadowing the line that this action may take, note should be made of the letter from Dr. Lukaschek to Mr. McCloy under date of May 25, 1951. In his letter Dr. Lukaschek outlines proposals which he states have been discussed by the cabinet. Essentially, this is a "Blitz" program which may be traced to a Sonne supplement to his original report. It envisages a one billion DM outlay for a short term effort, principally directed toward expansion of housing, small industrial and other basic program areas.

The line of action I recommend is to: (1) reply to the Department's telegram by transmitting the substance of this memorandum and attachments; (2) assign the task of analyzing the financing recommendations of the report to experts here for subsequent submission to the Department; and (3) be prepared to have the Department and the High Commissioner make favorable comments on the many sound features of the report in response to inquiries which have already come in and which can be expected to continue. With respect to the implementation of the recommendations, the U.S. position should be that the report was made to the German Government and that the responsibility for action rests with it. It could be pointed out that no comprehensive proposals from the German Government have come to the attention of the High Commissioner or the Department. It is strongly feared that "ignoring" the report will almost certainly lead to embarrassment to the High Commissioner and the Department.

PS: Europe

Tel 8960
Have been discussing with Jewish Institution Successor Organization question of their status under Immediate Aid Ordinance and equalization of burdens law. JRSO now subject to devise of Immediate Aid Ordinance. Schaefer still considering our informal request for provisional exemption. Latest exemption formula agreed by Allied-German experts but not confirmed by Schaefer. Recognize charitable character JRSO and thereby provide full exemption from property levies for entire period of law. Curtel 9044, May 10, and 9741, Ms June 2, 1951, color present status of negotiations concerning this exemption formula.

JRSO aware that Germans at working level already agreed to exempt its property from equalization levies but nevertheless has requested U.S. legislation be issued at once to assure its immediate and continued exemption from all war burdens taxes. JRSO argues that basis of its claim is different from that of other UN nationals and should therefore be considered separately. States that it is unique organization created for special purpose, i.e. to collect all Jewish property in Germany and to utilize it for benefit of Jewish people. It would be
INCIDENTALITY with purpose for which organization was established if its property vested and utilized for equalization of war burdens among Germans. As usual, there is great need for this treatment, but it is not an instrument to property levy and property tax envisaged by equalization of burdens. Law not necessarily to proposed taxes on currency reform dummy debt or profits.

Submits present status results in various financial issues. Settlements with Germans can be concluded only after making concessions toward possible future equalization through payments by restitution. Our present negotiations with Germans not helpful this connection even if successful because any agreement reached could not come into effect for several months and could not affect the great number of settlements negotiated by USG in meantime. In view of foregoing we intend to explore with British, French and Germans possibility their agreement to immediate suspension of USG - renders in which we would be prepared to issue unilateral legislation to achieve this end if necessary. Airmail copy our letter to USG, cautioning support this question.

HATS
AUTH: F. F. STCastelman
MEMORANDUM FOR THE CHIEF OF INFORMATION:

SUBJECT: I&E Program for New Units Moving to Germany

1. In a recent conference with Mr. John J. McCloy, U.S. High Commissioner for Germany, the question of proper orientation of our new units moving to Germany was discussed. Mr. McCloy pointed out that these units will occupy a different status from the initial units which occupied our zone in Germany following the war. The new units are moving into Germany in accordance with arrangements made under NATO for the defense of Western Europe. In a sense they are not occupation troops.

2. It is most important that our troops understand this new status. Ultimately a peace treaty will be negotiated which will affect the status of our forces in Germany. In preparation for such a treaty, negotiations are now being had with the West German Government to give it greater authority. Under such conditions, then, our forces would remain in Germany not under the terms of the original occupation agreements, but under some new arrangement with the West German Government.

3. Needless to say, it is most important that the German people contribute to their own defense. On the other hand they are not capable of defending themselves alone. Since this is the case, the relationships between the German people, such defense forces as the Germans may be permitted to develop, and the forces of NATO stationed east of the Rhine, should be on a sound and mutually-cooperative basis. This relationship can be either stimulated or impeded by the general attitude and conduct of the NATO troops, including our own forces. It is important, therefore, that our troops in Germany, particularly the new units, be carefully oriented as to their status and responsibilities.

4. I would like you to take the necessary steps to develop a sound I&E Program to this end as soon as practicable. This program should be susceptible of use, perhaps with some modifications, for our troops now in Europe.

(Sgd) J. LAWTON COLLINS
A STATEMENT OF THE U.S. HIGH COMMISSIONER 
ON THE PROBLEM OF EAST-WEST TRADE 
IN THE GERMAN FEDERAL REPUBLIC

June, 1951

I

Volume and Composition of East-West Trade

Exports from the Federal Republic of Germany to the Soviet orbit, including the Soviet Zone of Germany, totalled 161 million dollars in 1950, as disclosed by official federal trade statistics. This figure represented 8.2% of all West German exports. Sixty-five percent of the commodities exported were made up of iron and steel, machinery and chemicals.

By the first quarter of 1951, the percentage of West German exports to the Soviet orbit had been reduced to 4.4% (31 million dollars).

Imports from the Soviet orbit in 1950 amounted to 180 million dollars, of which 43% constituted food and agricultural goods, 28% textiles, coal, petroleum, machinery and chemicals. Imports during the first quarter of 1951 had a value of 34 million dollars.

Germany's prewar trade with the countries presently comprising the Soviet orbit (excluding the Soviet Zone of Germany) constituted approximately 16% of Germany's total foreign trade, as against 2.7% for the first quarter of 1951. During the first quarter of 1951, trade between the Federal Republic and the Soviet Zone of Germany represented 1.4% of total West German foreign trade.

As noted, the foregoing figures apply to trade recorded in official statistics of the Federal Republic. They do not include trade which may have been unrecorded, or illegal trade. As to the volume and character of trade in these categories, estimates vary greatly. The actual volume of illegal trade is not susceptible to reliable measurement, since it must, by its nature, be carried on outside the framework of records or other controls. In April 1951 a member of the Socialist Party in Germany (Wehner) estimated that illegal trade between East and West Germany was being conducted on a magnitude equal to four times the legal trade. (This estimate is understood to include all trade which, for any reason, may fall outside the framework of the Interzonal Trade Agreement, and is not necessarily related to trade involving strategic or security considerations.) So far as is known, the Socialist Party figure reflects the highest estimate made of illegal East-West Zonal trade.

At the lower limit, among known estimates, certain German Federal interzonal trade and customs officials have taken the position that illegal trade cannot exceed 20% of the trade with the Soviet area, on the basis of recorded customs statistics.

The Office of the U.S. High Commissioner for Germany has studied various sources of information, including those above referred to and numerous other reports, and has not seen any sound figure, estimate, or method of estimating or ascertaining the extent of illegal trade, which will support an accurate determination of its volume. On the basis of actual discoveries, through the experience of U.S. Military Police checks, and investigations of reports received by the Office of the U.S. High Commissioner, however, there does not appear to be reasonable evidence to support the extreme estimates frequently made.

The licensing of the export to the Soviet orbit on materials considered strategic by the U.S., declined in February 1951 to 1/50 of the volume in the summer and fall of 1950.
II German Export Control Procedure

Present regulations require the German exporter to obtain a license from a foreign trade bank or, in the case of interzonal trade, from a state economic office. If the item to be exported appears on the German restricted list, or in the case of almost all shipments in interzonal trade, a further license is required from the Federal Government’s central licensing agency. The latter will not permit any export of certain types of strategic materials to the Soviet orbit nor is it authorized to permit excessive amounts of other strategic materials to the Communist countries or the Soviet Zone of Germany either directly or through third countries. Certain strategic exports require the approval of an agency of the Allied High Commission.

The German restricted list contains items subject to control both for strategic and short supply reasons. On the basis of this restricted list and Allied High Commission laws No. 22 and 24 the Soviet orbit is prohibited from receiving actual munitions, atomic energy items or items which will contribute significantly to their war-making potential.

On May 18, 1951 the Federal Economics Minister announced that all exports to Communist China would thereafter require a centrally issued license. Further all permits for export with Red-China issued prior to June 1 became invalid and require a new license.

On June 5, the Federal Chancellor officially informed the U.S. High Commissioner that a centrally issued license would be required in the future for all exports to the Soviet orbit countries. In the case of exports to the Soviet Zone of Germany a centrally issued license is required for almost all items and steps will be taken to extend this requirement.

III Special Problems in East-West Trade in Germany

The United States and the other Western occupation authorities have pursued a policy in Germany aimed at maximizing normal legitimate trade in order to contribute to the overall objective of developing a strong and self-supporting German economy within the framework of a democratic political order. The principle of developing German trade to the maximum safe limit was adopted early in the occupation and has been restated at government level many times since 1945.

Prior to the war, Germany devoted over 15% of its total foreign trade to trade with the countries now comprising the Soviet orbit. Western Germany depended upon this area as well as the Soviet Zone of Germany for a substantial proportion of its imports of food and agricultural products and certain raw materials. Trade between Germany and this area has now decreased to the point where, short of a complete embargo, it is unlikely that extensive further reductions would be feasible.

The reduction in East-West trade for Germany also involves an artificial distinction whereby residents of the federal territory are expected to consider the eastern third of their country as "foreign and enemy." This is very difficult in view of the large number of enterprises which have had and continue to maintain affiliates in both areas. Further the eventual unity of Germany is supported by the Germans and Western allies and the Soviets and their satellites profess to support such unity. Consequently Western Germans are loath to permanently sever economic relations between the two parts of the country.
Western Germany has already been the recipient of three billion dollars in economic aid from the U.S. since the end of the war and will probably continue to be a burden on the U.S. although on a lesser scale for a further period. Even if an embargo on German trade with the Soviet orbit were politically desirable, consideration would have to be given to the further economic aid which would then be required from the U.S.

IV Legislative Background

The legislative basis for the export control program in Germany includes:

(a) Military Government Law No. 53 Revised (Foreign Exchange Control). Penalties are provided up to $25,000 fine and/or five years imprisonment for exporting from the Federal Territory without proper approval of the Occupation Authorities or the Federal Government.

(b) Allied High Commission Law No. 22, "Control of materials, facilities, and equipment relating to atomic energy."

(c) Allied High Commission Law No. 24, "Control of certain articles, products, installations, and equipment."

(d) Allied High Commission Law No. 30. Pursuant to this legislation German courts and customs personnel are given authority to implement Military Government Law No. 53.

(e) Federal Ordinance on interzonal trade controls (enactment is pending). This legislation when passed, will place interzonal and international customs regulations on an equal plane. The ordinance has been coordinated with Allied customs experts, and enactment by the Federal Republic is expected in the immediate future. Pursuant to the ordinance the following provisions will apply to interzonal trade control:

1. Control will be exercised over goods transported by land, sea, and air, similar to controls already in effect in international traffic.

2. Traffic moving out of free port areas will be subject to more stringent controls.

3. Adequate sealing and bonding procedures for interzonal traffic will be established.

4. Customs control will be maintained over frontier traffic.

5. Customs control will be exercised with respect to goods carried by persons when crossing the interzonal border.

6. Transit shipments will be subjected to new controls.

(f) In Berlin, the ordinance for the control of foreign exchange and the movement of property was promulgated in July 1950. This legislation is comparable to Military Government Law No. 53 as revised.

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V Border Controls

Nearly 8,000 German federal customs personnel are employed along the Eastern border of the Federal Republic. Many of the customs personnel are assigned to actual patrol of the borders. The average number of officials per kilometer along this border is 3.9 persons. During the past year the number of personnel has nearly doubled and the customs work is scheduled for an increase of nearly 1,000 persons during the fiscal year 1951/52.

Approximately 8,000 additional customs personnel are stationed in the interior and on the Western borders. In Berlin approximately 500 personnel are employed in roving patrols to check exports from West Berlin.

U.S. Military Police have been stationed on Germany’s Eastern international borders for two years in connection with customs duties. Recently, similar units were placed on the U.S./Soviet Zone border and in Berlin. Approximately 180 personnel are assigned to these patrols.

German customs performance in the field of export controls has not yet become sufficiently effective. Control of shipments to the Soviet Zone of Germany was only initiated in 1949. The task of building an effective customs organization has presented many difficulties to the Germans as well as to the Occupying authorities. The quality of the customs force has been found to be in general poor. Training has not been thorough, although the performance of the German customs organization has gradually improved.

The difficulties in establishing and maintaining a satisfactory German customs organization are due to various factors, including the lack of attractiveness in terms of pay of the customs people. This difficulty increases as the general industrial and economic situation in Western Germany improves, since private enterprise is nearly always more promising than the public service at this level.

Another element of difficulty has already been expressed. That is the disinclination of the German people in general to rigidly regard Eastern Germany as foreign territory, subject to the same customs standards as are enforced on international borders.

In the summer of 1950 the Allied High Commission created the Tripartite Customs Inspectorate, whose responsibility is to represent Allied interests in the observance of customs regulations. The respective members of this body devote their full time to this function and make frequent spot checks of the borders and other customs units. The Inspectorate has made two formal tours of the borders and of the free ports, and has reported to the High Commission on conditions observed. The second tour was made in March 1951, and noted appreciable improvement in the German performance.

VI Enforcement

Enforcement by the Germans has not been considered adequate by the High Commission. Representatives of the High Commission are in daily contact with the German authorities and have given recommendations and instructions to the Federal Republic, designed to effect improvements in the field of enforcement.
Until recently, the German authorities have given insufficient emphasis to enforcement and punishment of export control violators by means of court proceedings. They have, however, exhibited a lively interest in enforcement of import violations, and assigned over 30,000 cases of such violators to German courts during 1950.

In explanation of the disproportionate emphasis given to import violations, it should be noted that whereas the country generally has had an inadequate appreciation of the seriousness of East-West export violations, it has for a long time been aware of the large smuggling operations pursuant to which substantial quantities of goods have been illegally imported, to the injury of Western Germany. This device has been utilized by the Communists and others who cooperate with them in smuggling tremendous quantities of such goods as coffee, cigarettes, stockings, etc., into the West, selling them there, and using the proceeds both for the purchase of goods to be shipped back to the East and for the financing of Communist propaganda in Western Germany. These two motives furnish a basis of concern to the Occupying Authorities as well as the Germans, and apart from the effect on the economy, do furnish an indication of the implications involved in such trade.

A recent case in Berlin, involving illegal exports resulted in the imposition of a 50,000 DM fine and jail sentence of 18 months. Other cases are currently underway in Berlin, involving an international ring with a large number of business organizations engaged in alleged illegal traffic with several western countries bordering Germany.

The Chancellor of the Federal Republic has recently given personal assurances to the U.S. High Commissioner that he will apply the full severity of the law to violators of East-West trade controls, and has so stated in a recent public address.

VII Deficiencies in German Export Control System

Since the authorization in November 1950 to the Federal Republic of the authority to issue licenses for exports, numerous deficiencies have appeared. These faults in the German system have been brought to public attention largely as a result of the constant examination of the German system by representatives of the Allied High Commission. It is probable that more is known of the nature of export controls in Germany than in any other European country, due to the continuous examination of the German system by the Occupation Authorities, and the exposure of its shortcomings.

It has been ascertained that banks and state economic offices have licensed exports of embargoes or restricted items in numerous instances without reference to the Central Licensing Agency. The Central Licensing Agency has been found to have authorized excessive exports of items under quantitative restrictions. It has been determined that illegal and improperly licensed shipments have clandestinely crossed German Eastern borders, that documents have been falsified to misrepresent items shipped, and that controls have not been sufficiently effective to run down such evasions. Shipments which might have been subject to quantitative restrictions have on numerous occasions been made by splitting shipments into numerous small orders. Surveys of the percentage of exports physically inspected have shown that an insufficient number are properly inspected to ensure against illegal exports of strategic items. It has been possible in some cases to avoid export control procedures by shipping through free port areas. Evasion of proper export controls has in
other cases been possible by means of diversion of shipments in transit from third countries to the Soviet orbit.

VIII Remedial Actions which Have Been Taken

The Council of the Allied High Commission has informed the Chancellor formally on various occasions of its dissatisfaction over the export control licensing system and has pressed for the establishment of an effective system.

The Committees of the High Commission have likewise on various occasions raised the same matter in various aspects with Federal Republic authorities and given numerous instructions for improvement. The HICOM Committee on Foreign Trade and Exchange in July of 1950 instructed the Federal Minister of Economics to intensify measures to apply Military Government Law Number 53 to imports and exports from the Federal Republic, and to apply it particularly to free ports and interzonal trade. In September of 1950 the Allied High Commission withdrew from the Federal authorities final authority to license the export of certain critical commodities to the Soviet orbit, directly and indirectly.

On July 26, 1950, the Allied High Commission created the Tripartite Customs Inspectorate.

The U.S. High Commissioner wrote the German Chancellor in August 1950 calling attention to concern over the export control licensing system. In his letter the High Commissioner referred to measures which the U.S. had adopted in its own trade with the East, and asked for more effective control by the Federal Republic.

As heretofore noted, U.S. Military Police Units have been placed on the interzonal and international borders as well as in Berlin.

The U.S. High Commissioner has discussed the East-West trade problem with the respective Ministers President in the U.S. Zone, and has urged them to use all measures to tighten controls.

The U.S. Element in Germany has cooperated with the German manufacturers association and urged publication by them of a resolution for all German industry, condemning illegal East-West trade.

Months ago the ECA Mission in Germany informed Germany publicly that no aid will be given to violators of trade regulations. Various meetings have been held with the ECA Mission Chief and the Federal Republic Ministers at which detailed American proposals were laid down.

HICOG has secured a study by a Department of Commerce expert in connection with the German licensing system, based upon the expert's visit to Germany and steps are now being taken to implement his recommendations.

The Federal Republic has been urged among other steps to be taken to:

(a) Punish licensing authorities involved in violation and exclude violators (including carriers) from trade.
(b) Audit certain critical shipments to Berlin to check end-use of critical goods and avoid diversion.

(c) Improve controls over shipments to neutrals and over free ports.

(d) to expedite enactment of the interzonal trade ordinance, which has been under consideration with HICOM since July 1950.

The U.S. High Commissioner has notified the Federal Chancellor in writing that he has recommended to the U.S. Government that exports of critical materials be prohibited to German violators of East-West trade regulations.

The Federal Republic, on its side, has reduced drastically the issuance of licenses for export to the Soviet orbit of quantitatively restricted goods. The Federal Republic has likewise subjected all shipments to China to individual licenses, and a monthly review by HICOM. Licensing of all goods going to the East, and quantitatively restricted goods to the West will be centralized in one office, under a recent agreement with the Federal Republic. Interzonal trade will likewise be centralized under the Department of Foreign Trade.

The federal Government has warned that no government contracts will be given to firms supporting Communist organizations. Finally it has designated one man of cabinet rank to assume responsibility in the East-West trade problem.
PART I
ACTION OF INTEREST AND IMPORTANCE TO HICOM

A. The Saar Issue

This is not the first time that the Bundestag has held a special discussion on the Saar question. In March 1950, five agreements were concluded between France and the Saar Government which caused considerable concern in Germany and gave rise to a debate on the entire problem in Parliament (46th Meeting).

In the discussion at that time, the Bundestag was unanimous in condemning France's policies with respect to the Saar. Speaker after speaker argued the case for Germany on the grounds of past Allied pronouncements that a final determination of Germany's frontiers could only be effected by a peace treaty. France's action was considered as a breach of international faith, and the other Western Allies, in condemning this action, were accused of disregarding the very democratic principles which they preached. France was reminded that under the Potsdam Agreement she was but a trustee of the Saar territory and had no right to encourage "a creeping annexation". The House also criticized the invitation extended to the Saar by the Committee of Ministers of the Council of Europe to join the Council as an associate member.

*) These Agreements were:
   a. General Agreement between France and the Saar
   b. Convention on the Economic Union between France and the Saar
   c. Convention concerning ownership and operation of the Saar Mines
   d. Convention on the operation of the Saar Railways
   e. Agreement concerning Freedom of Movement for Citizens of France and the Saar Region and the Practicing of Trades and Professions.

After the proclamation of these Conventions, the Federal Government issued a White Book in which it protested what it considered to be the political separation of the Saar from Germany by unilateral action. The Government protested the 50-year lease of Saar coal mines to French interests as well as the separation of the Saar Railways from the German railways system. The Federal Government proposed instead an international authority for the Saar similar to the Ruhr Authority, and likewise requested a plebiscite as a better basis on which to establish the political future of the Saar. The White Book further pointed out that the action taken by the French and Saar Governments would only strengthen nationalistic tendencies in Germany.
Subject is Schuman Plan.

Monnet has called meeting of heads of delegations for this evening. His intention is for conference to initial this weekend. Summary of proposed agenda is given in following cable.

French are using Schuman's visit to US as pressure for ministers to sign next week. Most of them are in Paris for Council of Europe and Francois-Poncet is making arrangements with Adenauer for latter's visit. Schuman intends to leave Tues. All other but would be willing to take later plane if a few more days are necessary. Advisors in Foreign Office are concerned about calling ministers together and then failing to reach agreement before Schuman's departure. Schuman will not call minister's meeting until initialising is certain. I fully agree with cable 7411 to Department from McCloy that we should be prepared to press for final action if Schuman calls meeting.

I also agree with McCloy that Vanzeeland's comments (see Brussels' telegram number 1481 March 12th to Department) are disturbing. First risk that Belgians might try to initial draft treaty with reservations. I believe that French and the Germans would refuse to accept this. Second risk is that Vanzeeland may try to open new questions at ministerial level on grounds that conference delegates could not commit governments. Either of these developments would be most unfortunate. In my opinion such action might be difficult to justify in view of financial burden assumed by other countries in order to
SRL NO: 652

BRING BELGIAN COAL INTO COMMUNITY. I DO NOT UNDERSTAND ALL IMPLICATIONS OF VANEZELAND'S REMARKS ON DRAFT TREATY BUT HE SHOULD REALIZE THAT THE MOST "DIRIGISTE" ASPECTS OF TREATY STRUCTURE ARE THOSE REQUIRED TO GIVE SPECIAL POSITION TO BELGIAN COAL FOR AT LEAST A FIVE YEAR PERIOD.

BRUCE
Declaration of Mr. Walter Hallstein
March 19, 1951

Mr. President:

Allow me to add an echo to your declaration.

This day is one of great importance for all of us. We are glad that it affords us the opportunity to express some thoughts and sentiments that we have long held. Above all, they are sentiments of gratitude which I should like to convey to the French Government as well as to you, Mr. President, and to your collaborators, not only in the name of the German Delegation but in the name of our colleagues of the other Delegations as well.

First of all, we should like to emphasize that we shall not forget that it was the French Government that took the initiative for our work. It is to the French Government that special credit is due for having grasped and launched the idea of European integration in so decisive a field. It is fitting that this idea should forever bear the name of the
Schuman Plan. It required a strong and fertile imagination. It was at the same time a decision of great political courage, for not only is there no technical model for the Plan, but even the basis of its political conception was foreign, if not contrary, to the traditions of our countries.

Then again, we should like to tell you how touched we are by the welcome we have been given by the authorities and the citizens of this beautiful country. It is thanks to that welcome that our stay has been so pleasant, despite the amount of work that had to be accomplished.

Lastly, we want to thank you sincerely for the way in which our task has been facilitated. It is only because of the complete devotion, not only of the French Delegation, but also of the French Ministry of Foreign Affairs and especially of the staff of the General Planning Commission that the accomplishment of this great task has been made possible. What could we, the Conference, have done without the untiring help of all the collaborators of our
dear President? And above all, what could we have done without him? The spirit of a conference is to a large extent the spirit of its president. We have been very fortunate in finding in M. Monnet a leader in whose person was incarnated the spirit of European solidarity, which is the creating element of the Community whose bases we have worked out. If it is true -- and it is true -- that our able and witty colleague, Ambassador Suetens, once said, "We have dwelt in the house of the High Authority", the credit is yours, M. Monnet. The memory of your pure will, of your objectivity, of your perseverance, will always remain graven in our hearts.

As for the task itself that we have this day concluded, allow me to add a few words in my own behalf. It is not for us to judge it, since it is a part of ourselves. The criticism of our contemporaries, and in the final analysis history, will pass judgment upon it. We do not claim to have built anything perfect. We have exerted sincere efforts to fulfill the mission that our peoples entrusted to us, which is also the expression of the general
European will. No one knows better than we ourselves that the letter of the Treaty drafted at this conference cannot live by itself from now on. This Treaty is itself an appeal, and this appeal will not take life unless those to whom it is addressed and who hear it, accept it and carry it out in the spirit in which it was launched. We know that the greater part of the road to European Federation still lies before us.

We also know our most dangerous adversary: national selfishness which divides peoples and which still has allies in all of our countries. We are realistic enough to know that our project has not destroyed that adversary. But if, in the future, this accomplishment takes on life in the acts of men who are animated by a really European spirit, we shall have mortally wounded the adversary. What we seek is a unified Europe in which all free peoples will be able to live and work in a peaceful community. It must never again be possible for war to separate us.
Declaration of Mr. Jean Monnet
President of the Schuman Plan Conference

The Delegations entrusted by the German, Belgian, French, Italian, Luxembourg and Netherlands Governments with the task of placing in effect the French proposals of May 9, 1950, have finished their work. In the presence of Mr. Robert Schuman, Minister of Foreign Affairs, they initialed this morning the documents which they have prepared -- a draft Treaty constituting a European Coal and Steel Community, and a draft Convention for the transition period.

These documents will be forwarded to the governments of the six countries. A meeting of Ministers will then be held, at a date to be fixed, to take certain final decisions. Lastly, the texts will be submitted to the different Parliaments for ratification.

First of all, it is important that you should know that the delegations have accomplished their work by initialing an agreement without reservation.

My colleagues and I wish to draw your attention to three essential points which characterize the basic transformation which the Schuman Plan must bring to Western Europe: First, the supranational character of the proposed Community. Next, the creation of a single market of 150 million consumers and the pooling of coal and steel resources. Finally, the elimination of restrictive cartel practices and of excessive concentration of economic power.

Of primary importance is the supranational character of the proposed Community. For the first time, six countries have come together not to seek a provisional compromise among national interests, but to take a concerted view of their common interest. This single view is expressed in a limited delegation of
sovereignty to common institutions to be charged by the six countries with the fulfillment of functions which have until now been reserved to national sovereignties. This represents a fundamental change in the nature of the relations among the countries of Europe, from the national form which opposed and divided them to the supranational form which reconciles and unites them.

The next point is the pooling of the production of coal and steel through the creation of a single market covering the territory of the six countries, in which all producers will have free and equal access to markets and all consumers a free and equal access to supplies. No longer will customs duties or quantitative restrictions hamper the movement of coal and steel within the territory formed by the six countries.

In this market, discrimination will be abolished; in particular, during periods of shortage, the total resources of these basic raw materials - regardless of origin - will be allocated among all of the countries according to their needs.

Thus, to the advantage of all, there will be opened to each producer in these countries a market of 150 million inhabitants - as large as that of the United States; thus will be traced the path to an increase in production and productivity on a level with modern technology.

Finally, it should be emphasized that freedom and initiative are at the very basis of the projected organization. The enterprises will have complete responsibility for their own management. Initiative will be restored by the elimination of restrictive cartel practices, the consumer will be protected against excessive concentrations of economic power. Thus will be stimulated technical progress,
the increase of productivity and the improvement of the standard of living.

The Institutions and rules worked out by the Conference are democratic—both in inspiration and in expression. The High Authority, executive organ of the Community, will be held responsible to a common Assembly, representing collectively the Parliaments and thus the peoples of the member States; the rule of law will be guaranteed by a Court of Justice. Domination of any sort will be excluded, and the necessary coordination between the action of the supranational authority and the general policy of the national governments will be insured by a Council of Ministers.

This Treaty for the Schuman Plan should open a breach in national sovereignty, by substituting for the barriers of the past, which have until now divided and impoverished us, common rules accepted by all and applicable to all for the common good of our six countries.
March 19, 1951

Dear Tom:

Herewith is a memorandum which I take great pleasure in handing on to you. I am really delighted that there seems to be such a good relationship developing between our people and the Army. We shall try to patch up the few remaining uneasy spots.

Sincerely,

General Thomas T. Handy
Commander-in-Chief
European Command
APO 403, U. S. Army
HC - Mr. McCloy

FD - E.J. Cassidy

Relationships between HICOG and EUCOM.

Since the inception of HICOG in October 1949, you have been informed of the numerous difficulties arising in some sections of the U.S. Zone out of a complete lack of understanding between military and HICOG authorities at high and low levels in those areas. I have told you from time to time of certain specific instances which have occurred and of certain personalities involved. This condition had not changed to any substantial degree even as late as October 1950 when we held the Resident Officers Conference. However, on my field trips since the first of this year and especially those since Mr. Parker has been here, I have found almost without exception the Resident Officers now give us frankly enthusiastic reactions to the cordial EUCOM-HICOG relationships which they are experiencing.

Specifically Wetzlar Military Post, which one year ago was one of our most troublesome places, has now through the efforts of Dr. Newman, Colonel Slocum, the new Post Commander, his staff, his sub-post commanders, the District Resident Officers and the Resident Officers themselves, become an outstanding example of what can be accomplished through military and State Department cooperation. The many small problems which occur, as they always will, are expeditiously and satisfactorily ironed out with a frankness and understanding between the parties which can mean only good relations in the future.

Berchtesgaden sub-post, which was a very acave spot in the Munich Military Post, is now, according to the Resident Officer who has been there during the entire time, another outstanding example of the ease with which matters can be handled when there is understanding and cooperation.

Nuernberg Military Post, which a year ago had its share of difficulties and misunderstandings is now reported to be very much on the cooperative side. Augsburg Military Post, Nuernberg Military Post, and Stuttgart Military Post always had good relations and even with a change of commanders in each case good relations have continued or even improved. Heidelberg Military Post still continues to be cooperative and, of course, you are well acquainted with the fine cooperation we have received from the Frankfurt Military Post.

I have not had an opportunity to see a representative group of Resident Officers within the Munich Military Post. I have heard rumblings that there is still room for improvement; this is based upon the opinion of only one or two who may still be influenced by the lack of cordial relationships.
Which existed previously. Therefore, before stating anything definite with respect to the conditions in Munich Military Post generally, I would like to get the opinions of a more representative cross section of Resident Officers.

I do not have any special information with respect to Garmisch Military Post, Eissbaden Military Post or Bremerhaven Port of Embarkation none of which in the past nor at present indicated an extreme attitude one way or the other.

I feel that you should know of this very welcome change of conditions in the field. In my opinion, this has been due in a large part to your and General Handy's efforts. The greatest change seemed to appear just after the Resident Officers Conference in October; it may be that the participation of Post Commanders therein was likewise a big factor and it is hoped that at the next conference we will have as much interest on their part as we had the last time.

FD: NCassoday/in
Tel: 8700
16 Frankfurt a/Main

March 19, 1957

Dr. G. N. Shuster,
Land Commissioner, Bavaria,
Munich, Germany.

Dear Dr. Shuster:

Early last month the Office Directors were requested to adjust Headquarters program commitments and staff requirements to permit an overall twenty-five percent reduction in strength by September 1, 1951.

I believe we should also now regroup the remaining programs and reduce the size of the Land organizations. This interim organization adjustment should simplify current operating problems and make the final transition to a radically different status less difficult.

My present evaluation of the Land program shapes up as follows:

a. In the near future, our Land Public Affairs programs must again be evaluated, and new goals and priorities established, based on four significant factors: (1) the urgent necessity for concentrating on the attitudes of German youth, which I have already discussed with you personally; (2) limitations on our Deutsche Mark resources; (3) the need to expand outside of the U.S. Zone; and (4) policy and program decisions from Washington which will shape our Public Affairs activities more in the pattern of the world-wide USIE program.

Mr. Stone and his staff will shortly be discussing with you Public Affairs program and organizational developments.

b. The security functions, within which I include Public Safety and the Military Security Board, should continue at the Land level, although the need for central direction of these activities will limit the amount of supervision and direction by the Land Commissioner. I would, however, appreciate such evaluation as you would like to give of their local importance.

c. While more and more encouragement should be given to
German groups to approach their own government for information and assistance, this should not result in any lessening of our influence and example designed to develop the concept of a democratic government whose structure and personnel are the servants of the people.

d. For the immediate future, Army liaison responsibility should continue in approximately the present form.

e. In anticipation of the transfer of total reporting responsibility (i.e., reporting other than of an administrative or program nature) to the Consulates, you should, in collaboration with the Consul General and the Headquarters representative for this purpose, plan to effect this consolidation as soon as possible.

f. The labor, legal, and political activities originally designed to implement locally particular reserved powers, no longer constitute a major element of the Laender program. Instead, a smaller staff should be retained in these fields, with few operating responsibilities in addition to the reorientation and displaced persons activities. It should also serve to provide you with a helpful general advisory staff.

g. The administrative staff should, of course, be contracted as the operating staff is reduced.

The above program guides are not extended to Berlin because of the unique mission of that organization. I am asking the Office of Administration to make a separate study of this problem.

To implement the above program outline, an organization pattern is attached as "Tab A." In addition, included as "Tab B," is a table containing personnel ceiling figures for your office as of August 1, 1951, which includes a suggested divisional breakdown of the office total and a two-part phase-down schedule. The staffing schedule is based upon authorized position figures. Many of your initial reductions, therefore, can be accomplished through the elimination of vacant positions. In some instances, this will necessitate your notifying the Office of Administration to cancel unfilled Statewide requisitions.

The ceiling figure for your Land should be considered firm. It has been developed with care by the Office of Administration in coordination with the functional offices after review of the reports to and minutes of the Program Review Committee and in consideration of recent HICOG policy and program developments. Within the ceiling figures you may make readjustments which you feel are essential; however, you should weigh carefully the recommended divisional breakdown in terms of the program outline which I have included above.

/In planning
In planning staff reduction, an adequate ratio of clerical and stenographic positions to professional positions should be maintained for security reasons.

The phase-down schedule by organizational unit is also advisory. However, in order that this year's appropriation may be used for the payment of travel and terminal leave for as many of the surplus employees as possible, the totals to be released as of given dates are mandatory.

You will notice that the phase-down schedule provides that maximum notice be given to released employees. Within this period, every effort will be made to place as many as possible in essential but unfilled positions here in Germany and to recommend others to the Department for placement. To implement the phase-down schedule, the following target dates must be met:

- March 27, 1951: Submission of a list of all positions to be eliminated and the effective date of each action; the list of persons to be given informal notice as of April 1, 1951; for separation by June 1, 1951, with the required documentation; the names of those to be released at a later period, insofar as is possible.

- May 1, 1951: The names of persons to be given notice as of June 1, 1951, for separation on August 1, 1951 with the required documentation.

As I have indicated earlier in this rather long letter, this plan for consolidation and staff reduction is designed to bring our operation in line with program contractions which have been accomplished to date, or which have been planned as the result of policy changes. The new personnel figures, therefore, should not be interpreted as a firm commitment for any time in the future, as additional changes may be required as further policy and program clarification is available. I am asking Mr. Wolfe to arrange for members of our staff to visit you to assist in making such local adaptations to the attached plan as are essential. I am sure you will give them the necessary support to accomplish this program in an expeditious manner.

Should you have unresolved questions about this program, I suggest you discuss them with Mr. Parker in the first instance.

Sincerely yours,

John J. McCloy
U.S. High Commissioner
for Germany

A:MB:DJPorter/GSBushnell/BB
Tel: 8995
March 8, 1951
The text on the page is a secret classified document. It contains a secret telegram from Frankfurt to the U.S. High Commissioner for Germany. The telegram discusses the German debt settlement problem, particularly with respect to postwar aid. It mentions that the debt settlement plan may be undertaken, and that Germany's ability to finance the plan within its tax measures is estimated between DM 8 - 10 billion. The telegram also notes that additional DM's should be requested for meeting deficiencies in Allied defense requirements. Additionally, it states that the German capacity to pay already includes deficit financing to what is considered safety limits. The text is a copy of the original document as it was classified and transmitted.
concur, above fact convinces us that it would be highly dangerous to attempt to secure payment postwar claims as means financing defense expenditures or occupation costs in Germany. In other words, burden of debt settlement plan must be taken into account in measuring Germany’s defense contribution.

It is realized that British will probably insist on some inclusion postwar aid. In order reduce this figure to bearable amount, which has some relationship to treatment being afforded Japan, and this we think important, seems to us sound that claim for Marshall Plan aid should be waived. If British and U.S. CARIDA contributions can then be scaled down to percentage given until, with possibility Governments applying accelerated payment clause to permit Governments to accept DM’s for their needs within specified limitations, conflict between debt settlement and defense contribution would be largely avoided.

Timing and other tactic negotiation on postwar economic assistance is problem for those handling debt settlement. Nevertheless, since recent debt assurance gives this category
priority, it appears to us that strong pressure will be put to U.S. to dispose postwar claim first. If we are to use effectively special priority afforded these claims as possible veto over settlement plan, obviously we must resist these pressures and only agree to formula for settling postwar claim after we have obtained necessary concessions from prewar debtors and creditors. Seems to us, however, that we will be forced early to inform Germans as well as creditors of total claim held against Germany for postwar assistance. Undoubtedly Germans will respond with counter claims of various kinds resulting from postwar assistance. If we are already prepared to write down total postwar claim by say 85 percent, believe prolonged discussion our claim and German counterclaim would be waste time all concerned and might result unnecessary animosity between Germans and ourselves. Department may wish consider our going to FedRep informally, after informing them total postwar assistance claim, to indicate that if settlement plan worked out to satisfaction U.S. Government, we would be prepared reduce claim by say 80 percent. Although such action would give away our hand to Germans, it should preclude prolonged fruitless discussion postwar claim with Germans.
Our figures here substantially higher than those you have been using in ISW. German OK concerning discussed differences. In above, connection, seems most important that a new firm figure as possible. My German sources cannot give us new front-line figures, but they indicated a slight increase. We will check again. In this connection, seems most important that a new figure should be obtained from German sources. In above, connection, seems most important that a new firm figure as possible. My German sources cannot give us new front-line figures, but they indicated a slight increase. We will check again. In this connection, seems most important that a new
By dear Mr. Peachey:

Your letter of March 12, 1951, in which you criticize Allied policy with respect to a German contribution to Western defense, has been received and I have given it most careful consideration. I am deeply impressed with the sincerity of your appeal and the honesty of your convictions. Nor need I tell you that I fully appreciate the admirable work which is being done here by the Mennonite Central Committee for the relief of a war-stricken continent, in which you are participating.

Although I recognized a certain degree of validity in the arguments you present, I believe that they are based in considerable measure on an erroneous conception of our present policy, a conception which I suspect is shared by a good many Germans. It seems to me of fundamental importance, first, to clarify your assumption that the Germans are intended to become participants in "a diabolical struggle for world supremacy" which does not directly concern them. This is the crux of the whole argument.

If this assumption were correct, there would, indeed, be no justification for enlisting the Germans. I believe it to be basically incorrect. It is true only in the sense that a situation has arisen in which the issue of "world supremacy" has been clearly posed by the aggressive designs of a single totalitarian power. The issue is whether such a power is to be permitted through force and intimidation to impose its system upon the free peoples of the world or whether the free peoples shall unite in an effective organization to muster their spiritual and material resources in defense of their liberties. It is the supremacy of world law and order as opposed to imperialist domination that is at stake.

Viewed in this light, resistance is as much a matter of concern to the Germans as to any other people which aspires to freedom and independence. It is a matter of vital concern to them because they are situated where

Mr. Paul Peachey,
Mennonite Central Committee,
OLCH Resident Officer, Frankfurt,

PLEASE REPLY TO MR.
MADE..C.E..Oll..XCE

306361
where a successful attack upon the free nations of Western Europe would almost certainly claim them as its first victim.

Underlying your reasoning there seems to be another assumption which I wish to question. You assume that the present preparations for defense are essentially preparations for war. On the contrary, as has been repeatedly emphasized by Secretary of State Auchen, Secretary of Defense Marshall and General Eisenhower, these vast efforts are directed primarily toward one objective, the prevention of war. It is my own conviction that the North Atlantic Treaty Organization represents today possibly the greatest single assurance of peace. There can be little hope of averting an aggressive war which would be disastrous to all peoples unless the organized force of the free nations is developed to a situation of strength capable of serving as a deterrent to aggressors. The pooled forces of the free nations may not, it is true, prevent war, but they constitute the surest bulwark of peace that is available to us. All evidence points to the fact that weakness invites aggression, and failure to prepare to meet it would only make war the more likely.

It is unfortunate that a situation not of our choosing has forced the Western nations to channel so much of their resources and energies into the defense effort. But, as you point out, arguments for peace "will not stop Russian tanks at the Rhine". And I should like to stress this point, that what we are asking of the Germans is in no sense a reversal of our de-Nazification program. That policy was designed to insure that Germany should not again be in a position to threaten its neighbors or the peace of the world. That policy stands. Allied policy, as reaffirmed by the Foreign Ministers of the Western occupying powers at New York on September 17, 1950, holds "that the creation of a German national army would not serve the best interests of Germany or Europe".

The real question at present under consideration is whether the Federal Republic should be enabled to join in a system of collective security for the common defense. There would be no independent German force under control of a German Government. In fact specific proposals now under consideration envisage the ultimate absorption of the various national forces, German forces included, in a regional defense organization subject only to international control. And, as you know, the Germans will under no circumstances be forced to contribute to a common defense organization. Any participation will be purely voluntary on their part.

I have dwelt at some length on our present plans and objectives because I believe that in so doing I could best meet your other arguments. It is true that German opinion is suspicious, confused and divided on the issue of defense. Yet I have found that most of the Germans with
with whom I have discussed the matter display a sympathetic understanding of our policy and a readiness to accept the new responsibilities which their enlarged freedoms as a nation have imposed, including the responsibility to share in the common defense.

You make one point, which I realize deeply concerns all Germans, when you say that the defense issue brings into sharper focus the fact that Germany has been divided. You are aware that the division of Germany has been the inevitable consequence of the Soviet intent to reduce Germany to a satellite status. We would gladly include all of Germany within the area of Western defense, if that were possible. But I do not believe that our efforts to create a defensive structure assuring security to some fifty million Germans are opposed to the interests of the twenty million under Soviet control. War, if it comes, would be equally tragic for all Germans, East and West, and the over-riding objective of our policy, as I have indicated, is to prevent war.

I entirely agree with you when you stress the importance of spiritual strength. I would only point out that in the situation which confronts us today it is imperative that our spiritual strength be buttressed with material force. The two are not incompatible. We are not neglecting the essential moral and economic aid to Germany which alone can enable her people to resist the internal forces of disruption and achieve a social and political rebirth. Our nation has contributed with a generosity unparalleled in history to the economic and cultural rehabilitation of the German people. But it is clear that all our efforts in this direction must go for naught if Europe, including Germany, is not to be given some assurance of security and the prospect of a peaceful future.

In concluding I should like to express my sincere appreciation for your letter which has given me the opportunity to know the views of one whose labors have made him widely conversant with German conditions and German thinking.

Sincerely yours,

John J. McCloy
United States High Commissioner for Germany
Ref INTEL 177 of 12 July 50 and INTEL 294, 12 July 50 concerning assistance to JRSO. In spite of agreement quoted in our telegram 294, JRSO has requested in a letter of March 15 to the High Commissioner additional support out of Occupation Costs for a six-month period after April 1, 1951, a total of DM 500,000 additional.

Letter quoted below sent to Frenaux, JRSO. Have taken the position that continuing support JRSO from Occupation Costs not possible during next fiscal year.

"I have studied carefully your letter of March 15 in which you request continuing support for the Jewish Institution Successor Organization out of Occupation Costs, and the files of previous correspondence between your organization and Military Government and HICOG. I have reluctantly come to the decision that HICOG can not continue the funding arrangement for JRSO that has been in force in the past. I believe that this position is adequately documented and understood by your organization in the agreement which you accepted on July 11, 1950.

"HICOG continues to have a strong interest in the functions of JRSO and, as has been indicated to you by the High Commissioner, will continue to do everything possible to assist your organization in completing its work,

Sent SECSTATE 7888

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"HICOG continues to have a strong interest in the functions of JRSO and, as has been indicated to you by the High Commissioner, will continue to do everything possible to assist your organization in completing its work,
However, with respect to the support given your organization in the past from Occupation Costs, the situation has changed radically in the past year and is no longer the sole decision of the U.S. High Commissioner. Occupation Cost budgets are now submitted to the High Commission and reviewed by it before presentation to the Federal Republic. The High Commission has agreed as a policy that Occupation Cost expenditures will be held to an absolute minimum and that each such cost must be completely justified.

"I can understand and sympathize with your immediate problem resulting from your settlement agreement with Land Hesse, and HICOG is perfectly willing to defer negotiations concerning the settlement of past obligations of JRSO until such time as your organization is in a position to repay these funds. However, I am sure that you will be able to realize enough immediate cash out of the agreement with Land Hesse to defray your essential Deutschemark costs for the next few months." Signed PARKER.

MUller
ENTRY NO. 400G

FILE 401-472-5/6/51

Box 26

SECRET
OFFICE OF THE U.S. HIGH COMMISSIONER FOR GERMANY

INCOMING MESSAGE
SECRET
ROUTINE

ORIG DTG: 31 MAR 51/2 PM
INFO: HAYS/BONN

BECD: 01 APR 51/00102

FROM: PARIS

SENT: NIAC/I DEPT 5835

RPTD INFO: LONDON 1435 MOSCOW 305 FRANKFURT 725

FROM JESSTP:

INTRODUCTION YESTERDAY BY SOVIET DELEGATE TO AGENDA ITEM ON ATLANTIC TREATY (OUR TELEGRAM 5024) HAS GIVEN US OPPORTUNITY TO DEMONSTRATE AGAIN THAT IT WANTS TO GET ON WITH DRAFTING AGENDA RATHER THAN ENGAGE IN PROPAGANDA EXERCISES OR SUBSTANTIVE DISCUSSIONS WITH SOVIETS HERE.

AT Traparte Meeting This Morning, Davies, Paradie, and I Agreed to Recommend to Our Soviet Counterpart Following Proposal of Tabled at Quadrilateral Session Monday:

EXAMINATION OF CAUSES AND EFFECTS OF PRESENT INTERNATIONAL TENSIONS IN EUROPE AND OF MEANS TO SECURE REAL AND LASTING IMPROVEMENT IN RELATIONS BETWEEN USSR, US, UK, AND FRANCE, INCLUDING FOLLOWING QUESTIONS:

(A) EXISTING LEVEL OF ARMAMENTS AND ARMED FORCES, AND MEASURES FOR INTERNATIONAL CONTROL AND REDUCTION OF ARMAMENTS AND ARMED FORCES, INCLUDING THOSE OF USSR, US, UK AND FRANCE (SUBJECT TO MINOR DRAFTING CHANGES).

(B) DEMILITARIZATION OF GERMANY.

(C) FULFILLMENT OF PRESENT TREATY OBLIGATIONS AND AGREEMENTS.

(D) MEASURES FOR ELIMINATION OF THREAT OF WAR AND FEAR OF AGGRESSION.

306906
Completion of Treaty for Re-establishment of An Independent and Democratic Austria.

The completion of this Treaty is a major step towards the reunification of Germany.

The approach of the Soviet Union towards this Treaty is crucial. It is important to consider their reaction.

Propaganda efforts should be aligned with the Treaty's objectives. It is important to maintain a consistent message.

The telegram from London has been received and indicates the possibility of further discussions.

An initial meeting is set for Monday. It is important to prepare for this meeting carefully.

The recommendation is to proceed with the Treaty's implementation, taking into account all perspectives.

This recommendation reflects the situation as it exists, and any further action may be subject to private discussion.
SECRET
OFFICE OF THE U.S. HIGH COMMISSIONER FOR GERMANY
INCOMING MESSAGE

SRL NO: 725

IF SITUATION REMAINS TACTICALLY UNCHANGED THIS AFTERNOON,
I STRONGLY URGENT DEPARTMENT APPROVE RECOMMENDED COURSE AS CALCULATED
PROJECT OUR SUSTAINABLE INTERESTS AS WELL AS OUR TACTICAL AND PROPAGANDA
POSITION.

BOHLEN

5024 REID FAX 722 30 MAR 51 CN=49123 INFO
5155 NOT REID FAX
1758 NOT REID FAX

RELAYED BONN, 31 MARCH 51

CN=49832 01 APR 51 EC/VDB SRL NO: 725

SECRET
OFFICE OF THE U.S. HIGH COMMISSIONER FOR GERMANY

OFFICE MEMORANDUM

To: HC--Mr. John J. McGloy
From: L--H. W. Brown

Date: April 2, 1951

Subject: Mine Workers Resolution on the Schuman-Plan

Attached is a resolution recently adopted by the Mine Workers Union.

You will note that the Union is very careful not to close the door to further consideration. In this connection, you will be interested to know that August Schmidt, President of the Union, has stated to a member of my staff that he would be greatly disappointed if a deadlock developed which would compel the Mine Workers Union to oppose the Schuman-Plan. He is convinced, he says, that the Schuman-Plan is a necessity.

Enclosure:

Resolution on the Schuman-Plan
Text of Resolution on the Schuman Plan

In its discussions concerning HICOM Law No. 27 and concerning the Schuman Plan which was welcomed as a significant leverage point for the realization of Franco-German understanding, the Mining Union has consistently pointed out publicly that it considered absolutely necessary the maintenance of a central marketing organization for the Ruhr coal mining industry not only in the interest of the German mining industry in the over-all German economy and for the establishment of a European economic community.

The memorandum which the Federal Government submitted to the High Commission on March 14, 1951 establishes a close connection between Law No. 27 and Schuman Plan. The Federal Government proposes the dissolution of the German Coal Marketing Organization (DKV) which was not at all contemplated in Law No. 27, and advocates a very inadequate regulation of the related economic interest among the coal, iron, and steel industries (Verbundwirtschaft). In the opinion of the Mining Union, the fulfillment of these proposals represents a very serious threat to the German coal mining industry and to its employees. The reorganization plan for the Ruhr coal mining industry, which the German Coal Mining Management (DKBL) prepared, with the full cooperation of Mining Union representatives, in connection with the implementation of Law No. 27 can hardly still be carried out on the basis of these proposals of the Federal Government. In view of the circumstance, however, that the solution thus proposed is also incorporated in the Schuman Plan, Allied Occupation law, which imposes the most damaging conditions upon the German economy, will be the foundation for an agreement to be concluded voluntarily on the basis of full equality.

The Mining Union raises the strongest objection to this action by the Federal Government. The union will reserve its final position on the Schuman Plan until it has carefully examined the text of the agreement. The executive committee of the Mining Union may already state, however, that it will have to recommend the rejection of the Plan unless this examination shows that the provisions of the Plan offer complete compensation for the damages arising from the dissolution of the Central Coal Marketing Organization so that the idea, as it is expressed in the proclamation of Foreign Minister Schuman of May 9, 1950 as the basis of the European economic community, is not contradicted.
Resolution on the Schuman-Plan

The Mine Workers Union in the consultations over the Allied Law 27 and over the Schuman-Plan, which it greeted as an important beginning for bringing about a German-French understanding, has publicly repeatedly pointed out that to its the retention of a central sales organization for the Ruhr coal industry is not only in the interest of the German coal industry and of the German economy but appears as conditionally necessary for the reconstruction of a common European economy.

The memorandum, which the Federal Government on March 11, 1950, sent to the High Commission, establishes a connection between Law 27 and the Schuman-Plan. The Federal Government proposes the dissolution of the Deutsche Kohlenverkauf, which was not at all foreseen in Law 27, and supports a very inadequate settlement of vertical combination.

The carrying out of these proposals, in the judgment of the Mine Workers Union, seriously endangers the German coal industry and the workers employed therein. The new ordering plan for the Ruhr coal industry, which the IGIL, with full cooperation of representatives of the Mine Workers Union, has worked out within this scope of the carrying out of Law 27, is as a result of these proposals of the Federal Government, scarcely in a position to be carried out.

As a result, however, that the solution herein proposed will also be carried over in the Schuman-Plan, Allied Occupation Powers which places the most damaging condition upon the German economy, will become the foundation for the contract concluded on the basis of full equality. The Mine Workers Union strongly protests against the actions of the Federal Government. It withholds a definite position with respect to the Schuman-Plan until an exact examination be kept of the agreement. The Executive Board of the Mine Workers Union, however, can now already assert that it will have to recommend rejection of the plan in case this examination does not prove that the condition of the plans do offer an equal substitute for the damages which will follow from the dissolution of the central sales organization and thereby contradict the idea which was proclaimed as the basis of a European economy on March 9, 1950, by Foreign Minister Schuman.

306371
OFFICE MEMORANDUM

To: HC - Mr. John J. McCloy
From: L - H. F. Kern
Subject: Meetings with Trade Union Leaders

Date: April 6, 1951

I met with Mr. August Schmidt, President of the Mine Workers Union, and Dr. Franz Grosse, Chief Economist of the Mine Workers Union, on April 4 in Bochum in order to get as complete a picture as possible of their attitude towards the Schuman Plan.

Mr. Schmidt emphasized that the central problem remains the dissolution of the DKV and the liquidation schedule as published in the Adenauer letter. He pointed out that the Schuman Plan will not be acceptable for the Mine Workers Union if the DKV will go into liquidation as of July 1, that means before the Schuman Plan will be ratified and the High Authority is being set up. Under those circumstances no organizations or procedures of the High Authority will be established which could take over those functions of the DKV about which the Mine Workers Union are mainly concerned.

Dr. Grosse, who carried most of the discussion, was in a very mellow kind of mood and demonstrated real concern about the problem. He explained that the Mine Workers are of the opinion that a central distribution agency for the Ruhr coal is of the foremost importance for them. However, he felt that Section 12 of the Convention of the Schuman Plan offers a compromise which would be acceptable to them. This compromise would be of value only from the Mine Workers Union's point of view if it is geared with the liquidation procedure of the DKV. The schedule published in the Adenauer letter will be only tolerable to the Union if the beginning of the liquidation is postponed until such a date that the High Authority can be set up, can study the problem and can establish the procedures and organizations - if considered necessary - as provided for in Section 12. For all practical reasons this would mean a postponement of the schedule of approximately one year.

When I pointed out to Mr. Grosse that some definite liquidation program will have to come under way anyhow he agreed that the schedule could become effective in case the High Authority should not act at the set date.

I presented the reasons for the existing liquidation program and the need to get a sales organization going as soon as possible. Mr. Grosse claimed that a system of sales companies existed already more or less in the former "Syndicates Verkaufsvereinigungen."
that these suborganizations of the DKV would doubtlessly become independent companies as soon as the DKV would go into liquidation. That means he believes that a machinery of this kind is in a way already in existence.

Mr. Schmidt expressed concern about the way the captive mine problem (Versandwirtschaft) has been solved because in his opinion it is endangering the whole reorganization plan for the coal industry as it has been worked out up till now. The question was raised in this connection whether the dissolution of the DKSL means that the whole reorganization program is being scrapped.

Another point, which Grosse and Schmidt brought up during the discussion, concerned the Saar and in which form she will be included in the Treaty because the Union shares the opinion of the SPD that it could not lend its hand to establish a fait accompli with regard to the Saar territory. Finally the matter of PLI in connection with coal production was raised and the matter of German representation on the High Authority Council and Committees was brought forward. I pointed out that in my opinion the PLI problem has been taken care of and that questions which remained open could be cleared up on Saturday. The problem of German representation should be ironed out at the Ministers' Conference beginning April 12.

I finally suggested a meeting between Mr. Schmidt and yourself for Friday evening and Mr. Schmidt asked that Dr. Grosse be invited too.

The discussion, which I had with Dr. Wagenaehr in Cologne, was most satisfactory because there was no question that Wagenaehr is deeply concerned about the success of the plan and is doing everything to bring the unions along. He pointed to a number of problems about which they are concerned in connection with the Treaty. They can be divided into three groups:

1. The political decisions of which the most important centers around the size and constellation of the High Authority. The Germans would like to see similar representation formulas as were applied to the Ruhr Authority or the CEC.

2. Details of the Treaty where the Unions want clarification of a number of paragraphs and stipulations. They are especially concerned about the limited functions of the Consultative Committee. The Unions believe for instance that as far as Paragraphs 60 and 61 are concerned, that there is a field where the Consultative Committee should have considerable say.
In discussing the problem of the limitation of the galvanizes and the question of the domestic market, Dr. McKelvey's report pointed out that the allocation problem could possibly be handled through some pricing mechanism. The purpose of this would be to foster a more reasonable attitude within the state itself and enhance the effectiveness of the trade union.

3. The limitation of the domestic market and the question of the allocation of the Galvanizes and the Domestic Market should be a matter for discussion at the next session of the Consultative Committee, and the Minister of Finance cannot not be concerned.

Dr. McKelvey pointed out that the allocation problem could possibly be handled through some pricing mechanism. The purpose of this would be to foster a more reasonable attitude within the state itself and enhance the effectiveness of the trade union.
Deist mentioned at the end again the fear of the trade unions that the representatives of the old concerns will be brought back into key positions of the reorganized steel industry. The developments around the Schuman Plan discussions in Bonn made it clear to the unions that this might very well happen. Deist urged me to call again to your attention that under no circumstances representatives of old concern should be brought back into new unit companies which belonged formerly to their concerns.

It is my opinion that the support of the trade unions for the Schuman Plan could definitely be won if some agreement about the liquidation schedule could be reached with the Mine Workers Union. It is quite possible that we will not get over the hump during the discussions this weekend, but I am confident that the spirit and the good will, which is prevalent with many of the responsible men, will make an ultimate union support possible.

L: EFKern
Telephone 6666
SECRET

IN 27878

SECRE T

TO: SAINT, MADRID
INFO: SAINT, WASH
FROM: PATTERSON, SAINT, LOND
RE: WASH 25557

1. BRANS, JAN VICTOR LUCIEN, BORN ST. TROND BELGIUM 5 MARCH 1908.
2. AGENT SIPO AND SD, NOTORIOUS H.F. NOTORIOUS MEMBER V.N.V. EDITOR THEIR PRO-NAZI ANTWERP JOURNAL "VOLK-EN STAAT".
3. WENT SPAIN '43 AND '44 TO TALK WITH BELGIAN GOVERNMENT REPRESENTATIVES ON V.N.V. QUESTIONS FOR LEADER ELIAS.
4. IN MADRID SAW RENE BAYER OF TRANSOCHEV PRESSED LAZAR, GERMAN PRESS ATTACHE.
5. REPORT END AUGUST '45 SAYS BELGIAN SEEKING EXTRADITE FROM MADRID TO TAKING TO PUT IN SPAIN 800 MILLION FRANCS IN DIAMONDS STOLEN FROM JEWS.

TOD: 05/20582 CEM
CEM: BRANS LUCIEN SIPO SD V.N.V. "VOLK-EN STAAT"
ELIAS BAYER LAAR RPT LAZAR

306376
DATE    NOV. 27, 1945
FROM    MADRID
TO      WAR DEPARTMENT - STRATEGIC SERVICES UNIT

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MADS 6707

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OFFICE OF STRATEGIC SERVICES - OUTGOING MESSAGE

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DISTRIBUTION

SECRET

Jean Lucien Hrns aka Jean Victor Lucien Hram now in custody DGs Madrid. According to 53 source Military Tribunal in Antwerp asked DGs for information on whereabouts of subject accused of escaping with jewels valued at 600,000,000 francs. DGs replied to Antwerp that subject had left via Rhun (SIC).

MADRID desires info on subject. R&A here identifies Jan Hrans as President of Vereinigung der Belgischen Journalisten, and political director of Volk en Staet (Antwerp), strongly pro-Nazi. Reply to Madrid.

Initials of releasing officer

DONE

It is forbidden to copy or reproduce this cable without authorization from the Secretariat.
JEAN LUCIEN BRANS ÂKA JEAN VICTOR LUCIEN BRAM NOW IN CUSTODY. DGS MADRID. ACCORDING TO B3 SOURCE MILITARY TRIBUNAL IN ANTWERP ASKED DGS FOR INFORMATION ON WHEREABOUTS OF SUBJECT ACCUSED OF ESCAPING WITH JEWELS VALUED AT 800,000,000 FRANCS. DGS REPLIED TO ANTWERP THAT SUBJECT HAD LEFT VIA PRUN (SIC). MADRID DESIRES INFO ON SUBJECT.

R&A HERE IDENTIFIES JAN BRANS AS PRESIDENT OF VEEREENIGING DER BELGISCHE JOURNALISTEN, AND POLITICAL DIRECTOR OF VOLK EN STAAT (ANTWERP), STRONGLY PRO-NAZI. REPLY TO MADRID.

TOM 2423092 FP
TOR ......
OFFICE OF STRATEGIC SERVICES
OFFICIAL DISPATCH

DATE 12 SEPT 45  
TO AMZON, GERMANY

FROM OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

I DO

DIRECTOR, FIELD SECTION,
MAGRUDER, R&A.

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SECRET

WASH 5467, REYNOLDS FROM KILGOUR; INFO: CANFIELD.

SINCE WHITE'S PROGRAM AS SUCH WILL NOT BE PUT INTO EFFECT ALL COMMITMENTS FOR CENTRALIZED AMERICAN LIBRARY COLLECTING SHOULD BE MADE TO PEISS OF LIBRARY OF CONGRESS REPRESENTING ALL AMERICAN LIBRARIES IN ITS CAPACITY AS THE NATIONAL LIBRARY. RETEL 0257 PARAGRAPH 4. TO EFFECT CENTRALIZATION PEISS SHOULD BE ATTACHED DIRECTLY TO USFET AND INDEC GOVERNMENT INTELLIGENCE AND LIBRARY PROCUREMENT CLOSELY COORDINATED WITH PEISS. FOR REPLY TO OTHER PARAGRAPHS OF 0257 SEE MAGRUDER'S TELEGRAM TO CANFIELD.

TOD: 1859 13 SEPT 45

JDM/C JM WA WLL/SR FGK

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OFFICE OF STRATEGIC SERVICES
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DATE 15 SEPTEMBER 45
FROM AMZON
TO OFFICE OF STRATEGIC SERVICES
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$AMZO 5692. TO EVANS, LIBRARIAN OF CONGRESS, WASHINGTON FROM PEISS. INFORMATION: KILGOUR.

WILL IGNORE WHITE AND CONSULT WENTWORTH. PROCEEDING BERLIN IMMEDIATELY TO SEE MASON.

RE USFET #0257 (3601): IMPERATIVE YOU CONFER WITH GEN. BISSELL.

GLENNEN EN ROUTE HOLLAND AND BELGIUM. PEISS WILL ARRANGE FOR USFET COOPERATION AND SEE SANCHEZ BEFORE LEAVING FOR US. UNTIL FURTHER NOTICE SEND LETTERS AND CABLES TO PEISS THROUGH OSS CHANNELS.

TOR: 0954 15 SEPT 45

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306381
OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE 3 OCT 45

FROM AMZON, GERMANY

TO OFFICE OF STRATEGIC SERVICES

DISTRIBUTION IN 25529

ENTRY

BY NAAPA

02:49 FILE

Box

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE 3 OCT 45

FROM AMZON, GERMANY

TO OFFICE OF STRATEGIC SERVICES

DISTRIBUTION IN 25529

ENTRY

BY NAAPA

02:49 FILE

Box

1. EXTENSIVE COLLECTION RUSSIAN PERIODICALS LOCATED IN AMERICAN ZONE. PROPERTY OF KIEV ACADEMY OF SCIENCES. ORIG-INALS CANNOT BE ACQUIRED NOR CAN WHOLE COLLECTION BE FILMED. IF YOU HAVE HIGH-PRIORITY RUSSIAN TITLES, SEND DETAILS AND WE WILL TRY TO FILM.

2. REQUEST CLAPP NOTIFY ME BY RETURN WIRE UNDER WHAT CONDITIONS I CAN OFFER JOB AS MY ASSISTANT IN GERMANY TO DR. J. ZUCKERMAN, BRITISH SUBJECT NOW LIVING IN LISBON. ZUCKERMAN WAS IDC OPPOSITE NUMBER FOR BRITISH IN LISBON.

SECRET

#AMZO 11757. KILGOUR AND R&A FROM PEISS, LC.

SECRET

10

TOR: 0746 3 OCT 45

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306382
OFFICE OF STRATEGIC SERVICES
OFFICIAL DISPATCH

DATE: 3 OCT 45
RECV'D 1430 5 OCT 45

TO: AMZON

FROM: OFFICE OF STRATEGIC SERVICES

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IDC DIRECTOR, MAGRUDER (A&A) FIELD SECTION

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RESTRICTED

\$ WASH 15362. TO REYNOLDS FROM KILGOUR.

1. KILGOUR AND LC DESIRE THAT REYNOLDS, MACEACHERN, BUSHER, STORMBERG WILL ELECT TRANSFER WITH INDEC OPERATION TO PEISS.

2. TRANSFER LOEB AND BLACK TO PEISS SHOULD BE EFFECTED IN THEATER. ROBINSON CONCURS.

3. PARAGRAPHS 1 AND 2 DEPEND ON PERSONAL WISHES OF INDIVIDUALS.

4. PEISS TRANSFER LC EFFECTIVE 16 SEPTEMBER.

TOD: 1553 5 OCT 45
WILL WA JDW FGK

\c

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306383
OFFICE OF STRATEGIC SERVICES
OFFICIAL DISPATCH

DATE 4 OCT 45
FROM AMZON
TO OFFICE OF STRATEGIC SERVICES

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#AMZON 11977. KILGOUR, R&A AND CLAPP, LIBRARY CONGRESS FROM PEISS.

AMPLIFYING PHONE CONVERSATION LIBRARY NEEDS REPRESENTATIVES TO ADVISE DOCUMENT CENTERS CONCERNING SELECTION OF MATERIALS AND TO DIRECT EVACUATION STORAGE RECORDING AND SHIPPING. OPERATIONAL WORK WILL BE PERFORMED CHIEFLY BY MILITARY PERSONNEL AND GERMAN CIVILIAN LABOR.

LIBRARY REPRESENTATIVES SHOULD BE YOUNG, IN SOUND PHYSICAL CONDITION, POSSESS KNOWLEDGE OF RESEARCH MATERIALS AND TECHNIQUES, AND COMMAND GERMAN. AVOID PRIMA DONNAS. PHYSICAL CONDITIONS ARE RIGOROUS. FREQUENT FIELD TRIPS WILL CERTAINLY BE REQUIRED. USE OF ELDER STATESMEN LIKE MR. EVENSEN FOR LONG-TERM OPERATION INADVISABLE. HE MIGHT MAKE A TOUR OF INSPECTION PARTICULARLY IF THIS WOULD REASSURE AMERICAN LIBRARIANS. I WOULD CERTAINLY WELCOME HIS COUNSEL.

SUGGEST YOU TRY TO BORROW DAVID CLIFT FOR THIS PROGRAM FOR 6 MONTHS. LETTER ON WAY WITH FURTHER SUGGESTIONS.

PLEASE NOTIFY HELBING AND LICHTENHAHN TO DISCONTINUE COLLECTING FOR THE LIBRARY OF CONGRESS.

JOHN BROWN MASON ENROUTE TO U.S.

TOR: 1037 4 OCT 45

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OFFICE OF STRATEGIC SERVICES

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DATE 4 OCT 45

FROM AMZON

TO OFFICE OF STRATEGIC SERVICES

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$11922. KILGOUR, IDC FROM REYNOLDS, R&A.

RESTRICTED

PLEASE INFORM WHETHER CIRCA 70 CRATES, WEIGHING
160 POUNDS EACH SCHEDULED FOR SHIPMENT VIA USFET SHOULD BE
SHIPPED TO IDC OR APPROPRIATE WASHINGTON LIBRARIES. GIVE
EXACT ADDRESS.

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TOR: 1104 4 OCT 45

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306385
OFFICE OF STRATEGIC SERVICES
OFFICIAL DISPATCH

DATE
13 OCT 45

FROM
AMZON, GERMANY

TO
OFFICE OF STRATEGIC SERVICES

DISTRIBUTION
IN 26268

PRIORITY
ROUTINE
DEFERRED

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DIRECTOR, FIELD SECTION,
FORGAN, R&A.

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SECRET

SECRET

AMZON 14417. KILGOUR FROM PEISS. INFORMATION: CLAPP, LIBRARY OF CONGRESS.

USFET OFFICIALLY NOTIFIED BY MCCLOY THAT PEISS WILL REPORT TO G-2 TO TAKE ACTION ON LIBRARY PROGRAM. NOTIFICATION INADEQUATE. NO MENTION MADE OF ADDITIONAL PERSONNEL OR OF REQUIREMENTS SUCH AS TRANSPORT. SPECIFIC REQUEST SHOULD BE MADE AT ONCE FOR SUCH FACILITIES. LEAVING FOR BERN 13 OCTOBER. WILL ARRIVE PARIS ABOUT 18 OCTOBER. WILL TRY TO PHONE FROM PARIS.

TOR: 1522 13 OCT 45

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306386
OFFICE OF STRATEGIC SERVICES

TO: AIZON GERMANY

FROM: OFFICE OF STRATEGIC SERVICES

DATE: 31 JULY 1945

OFFICIAL DISPATCH

RE: 1351 2 AUG 45

OFFICE OF STRATEGIC SERVICES

TO ORIGINATOR: (FOR INFORMATION)

TRANSMITTED IN CODE OR CIPHER

$2100. PEISS FROM KILGOUR.

EVANS OF LIBRARY ACCEPTS PROPOSAL DRAWN UP BY PEISS.

DETAILED LETTER WILL FOLLOW. GLENNEN BEING TRANSFERRED LC AS OF 1 AUGUST.

TOO: 1725 2 AUGUST 45

INITIALS OF "RELEASING" OFFICER

IT IS FORBIDDEN TO COPY OR REPRODUCE THIS CABLE WITHOUT AUTHORIZATION FROM THE SECRETARIAT
OFFICE OF STRATEGIC SERVICES
OFFICIAL DISPATCH

DATE 26 JULY 45  RECD 1527 30 JULY 45

TO AMZON, GERMANY

FROM OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

CONFIRMATION TO ORIGINATOR

IDC

DIRECTOR, MAGRUDER, FIELD SECTION, R&A.

FOR INFORMATION

TRANSMITTED IN CODE OR CIPHER

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1821. Carruthers from Kilgour.

Evans requests G-2 ship Auslands collection directly library Congress immediately. Reference 1830. INDEC concurs.

TOD: 1558 30 JULY 45

FGK WLL/SR WA JDW/C

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INITSIALS OF "RELEASING" OFFICER

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306388
OFFICE OF STRATEGIC SERVICES
OFFICIAL DISPATCH

DATE 26 July 45
FROM AMZON, GERMANY
TO OFFICE OF STRATEGIC SERVICES

DISTRIBUTION OFFICE OF STRATEGIC SERVICES
IN-19832

FOR ACTION DIRECTOR, FIELD SECTION, WAGRUDER, RAA

FOR INFORMATION

IDC

RECEIVED IN CODE OR CIPHER

#1630.* TO KILGOUR FROM CARRUTHERS.

1. REORGANIZATION G-2 MAKES IMPERATIVE REMOVAL AUSLANDS INSTITUTE NEWSPAPER COLLECTION IMMEDIATELY.

2. POSSIBILITY G-2 SHIP DIRECTLY LIBRARY CONGRESS IF EVANS CABLE REQUEST CARRUTHERS.

* AS RECEIVED.
TOR: 0055 26 July 45

IT IS FORBIDDEN TO COPY OR REPRODUCE THIS CABLE WITHOUT AUTHORIZATION FROM THE SECRETARIAT

306389
OFFICE OF STRATEGIC SERVICES
OFFICIAL DISPATCH

DATE 1 AUGUST 1945

FROM MIIZON, GERMANY

TO OFFICE OF STRATEGIC SERVICES

DISTRIBUTION (FOR ACTION)

IDC

DIRECTOR, MAGRUDER, F. SECTION, R&A

RECEIVED IN CODE OR CIPHER

SECRET

KILGOUR FROM DEUTSCH AND CARRUTHERS.

SECRET

1. ATTEMPTING SECURE LOCAL CLEARANCES SHIP AUSLANDS NEWSPAPERS LIBRARY LIBRARY OF CONGRESS. WAR DEPARTMENT CLEARANCE FOR SHIPMENTS OUT OF GERMANY ALSO NECESSARY.

2. SUGGEST EVANS CONTACT WAR DEPARTMENT IMMEDIATELY ATTEMPT SECURE NOT ONLY ABOVE CLEARANCE BUT GENERAL ONE FOR ALL MATERIALS SHIPPED TO CONGRESS OR IDC AS CONGRESS REPRESENTATIVE.

3. DEUTSCH WILL CONTACT SIBERT SOONEST ON GENERAL PROBLEM.

TOR: 2353 1 AUGUST 1945

SECRET

IT IS FORBIDDEN TO COPY OR REPRODUCE THIS CABLE WITHOUT AUTHORIZATION FROM THE SECRETARIAT
OFFICE OF STRATEGIC SERVICES

DATE 11/1/44

TO

HERNE, SWITZERLAND

FROM

OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

TO OFFICE OF STRATEGIC SERVICES

(CONFIRMATION TO ORIGINATOR)

DIRECTOR, SECRETARIAT, MAURER,
ERES, 51, IIA, X-2, BIA

TRANSMITTED IN CODE OR CIPHER

$30. To 110 from Leo. In reference to your $117.

1. Peiss and Shachter are to be representatives of interdepartmental committee for acquisition foreign publications and attached Legation in this capacity. Interdepartmental committee includes representatives from principal government agencies interested in obtaining publications from enemy and enemy occupied areas. Committee sets policy for such procurement. Actual operations are in charge executive secretary who is under chief of IIA in OSS.

2. Peiss and Shachter have been attached to Embassy in Portugal. They centralize procurement, microfilm publications and ship films here. Copies distributed to all agencies. In Portugal they established file and office at their residence. IIA representatives are in Stockholm, London, and Far East.

3. You would have no direct responsibility except to coordinate their procurement with any you do. IIA has requested State to send Legation further cable clarifying their functions and status of Peiss and Shachter.

TOD: 11/1/44 11:03 PM

INITIALS OF "RELEASING" OFFICER

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306392
See your 6653 of October 6.

Shacter and Peiss have been given positions of indefinite duration at Bern on the payroll of the Interdepartmental Committee for the Acquisition of Foreign Publications.

HULL (SST)
LUXEMBOURG

OCT 9 11

Mr. James R. Glennon, representative of Library of Congress will report to Luxembourg in the near future in the interest of collecting materials for Library of Congress and other American libraries.

Please render all possible assistance in facilitating Mr. Glennon's operations.

By yours,

[Signature]

[Attachment: 306395]
RESTITUTION IN THE FOUR ZONES

REGRADTED TO "RESTRICTED"
ORDER SEC ARMY BY TAG PER 9N314

FILES
OFFICE OF INTERNATIONAL FINANCE
RETURN TO ROOM 6200

RESTRICTED
306396
NOVEMBER 1947
Restitution in the Four Zones

**SUMMARY**

1. The restitution program involves the returning to formerly occupied nations of property which was removed from them by Germany during occupation. In the execution of this program a number of specialized problems have arisen, which are discussed hereafter under two headings: restitution of non-cultural property and restitution of cultural property (including problems incidental thereto). Only three of these problems are individually important enough to be discussed in this summary.

2. It is important that the restitution program not be allowed to upset the agreed German minimum economy, which is important for Europe as a whole. For this reason, it has been necessary to restrict mandatory restitution to cases where the claimant can prove the use of force. This procedure is objected to by all claimant nations.

3. The US and British Military Governments agree that announcement should be made in October 1947 that the termination date for filing restitution claims in the US and British Zones of Occupation will be 30 April 1948. It may be anticipated that certain nations, particularly the French, will object to this early conclusion of the program. However, a termination of restitution is necessary for the stability of the German economy. The proposed date does not appear unreasonable inasmuch as the claimant United Nations will have had 3 years within which to file their claims.

4. The Soviets have unilaterally looted from their Zone enormous quantities of art works including the best items of the Dresden and Leipzig museums, and approximately 983,000 items from the Berlin museums. Efforts should be made to induce the Soviets to return as much as possible of this material and if this fails at least to make it clear that the US does not regard such removal as a legal or proper act of international law.
Restitution in the Four Zones

INTRODUCTION

1. Scope of the Program—Restitution, as the term is used by Military Government, means the returning of property of all kinds removed from countries formerly occupied by Germany. The types of property which are subject to restitution, and circumstances under which restitutable, are defined in War Department Cable Number XX-85965 dated 3 December 1945 as follows:

'A. All currencies of the United Nations occupied by Germany;

'B. Works of art and cultural works of either religious, artistic, documentary, scholastic or historic value including, as well recognized works of art, such objects as rare musical instruments, books and manuscripts, scientific documents of a historic or cultural nature and all objects usually found in museums, collections, libraries, and historic archives, identified as having been looted or acquired in any way through commercial transactions or otherwise by Germans from United Nation countries during German occupation;

'C. Heavy and power-driven industrial and agricultural machinery and equipment, rolling stock, locomotives and other transportation equipment (other than sea-going vessels) and communication and power equipment identified as having been looted or acquired in any way by Germans from United Nations during German occupation;

'D. Other goods, valuables (excluding gold, securities, and foreign currencies other than those mentioned in paragraph 2A), materials, equipment, livestock and other property found in storage or otherwise in bulk form and identified as having been looted or acquired in any way by Germans from United Nations during German occupation.'

The latest directive issued by Washington and released on 15 July 1947 summarizes restitution policy as follows:

'Par 17: Restitution.

a. You will proceed, consistent with agreements on restitution reached in the Control Council, to restore such identifiable property other than gold and transport essential to minimum German economy, to the government of the country from which it was taken. You will not consent to any extensive program for the replacement of looted or displaced property which has been destroyed or cannot be located whenever such replacement can be accomplished only at the expense of reparations, a self-sustaining German economy, or the cultural heritage of the German people.'

2. Progress of Program—Many thousand works of art and other pieces of cultural material have already been restituted to their former owners. As to non-cultural property, claims had reached as of 31 July 1947 a total of 9,311 submitted by 11 United Nations and four ex-enemy states. Of this number, 2,567 claims, with a combined value of RM 223,374,279, have been satisfied, 571 have been rejected, 865 covered material which could not be located, and 4,928 claims (about 32% of the total received to that date) remain on the active list. It is expected that a considerable number of additional claims are yet to be filed.

3. Special Problems—The general program and policies covering restitution have for a long time been established and there is no need to reconsider or revise the program in its general outlines. This report considers a number of specialized
problems of an operating nature which do require solutions or which should be referred to in the forthcoming peace treaties with Germany. These problems, and the recommendations for dealing with them are grouped under two headings: problems of non-cultural restitution and problems of cultural restitution.

PROBLEMS OF NON-CULTURAL RESTITUTION

4. Restitution of Gold—The final act of the Paris Conference on reparations provides that all "monetary" gold found in Germany shall be pooled for restitution to countries in proportion to their respective loss of gold through looting or wrongful removal by Germany. All "non-monetary" gold found by the Allies in Germany is to be used for the rehabilitation and resettlement of non-repatriable victims of German action, and is to be administered by the Intergovernmental Committee on Refugees or its successor agency. "Non-monetary" gold is further defined, according to War Department Directives, as all "valuable personal property" which was looted from victims of the Nazi government, whose national origin, owner or legal successor is unknown, in which case it is to be turned over to the Intergovernmental Committee on Refugees, or successor agency. There appears, however, to be a third category of gold which falls into neither of these definitions, i.e., gold which is not monetary but whose national origin, owner or legal successor is known and which would seem to be subject to restitution under current restitution concepts and practices. A concrete example of such a case is the following: The Czechoslovakian Restitution Mission has claimed 11,000 grams of gold bars, allegedly obtained from the melting down of rings, bracelets, etc., belonging to concentration camp inmates and removed from Czechoslovakia to Germany in March, 1945. The Czechoslovakian Government has rejoined that under the war crimes and with the proceeds of the claims of surviving victims or heirs. If this gold still existed in its original form of jewelry, it would without any doubt be restitutable to Czechoslovakia. The question is whether the melting down of this identifiable jewelry makes it "non-monetary" gold within the meaning of the Paris Act. This problem may be raised by the US in an attempt to support the restitution claim of a country in the Soviet orbit and as a basis for criticizing the Paris Act, to which it is not a signatory.

5. Conflict Between Restitution and German Economy—Quadruparte agreement for restitution to United Nations provides that such nations have an absolute right to receive restitution of items which were removed by force. Provision is also made for the restitution of all other items removed from occupied territory irrespective as such restitution is "consistent with reparations," which term has been interpreted by the Military Governor to mean restitution without lowering the German economy below the established level. Therefore, in cases where property was removed from United Nations but not by force, and in all cases of removal from ex-enemy nations, restitution is made only if the claimed items are not considered essential for the German minimum economy. This policy is not agreeable to any of the claimant nations, whether allied or ex-enemy, and specifically is not agreeable to France, one of the four occupying powers.

6. Burden of Proof in Claims Alleging Forced Removal—With the view of maintaining the minimum economy in its Zone, US Military Government has required that claimant nations desiring to take advantage of "the absolute right" provision referred to in the preceding paragraph must submit satisfactory proof that force was used in connection with the removal of the claimed object. On the other hand, the recent treaties with Italy and the other satellite states provide that "the burden of identifying the property and of proving ownership shall rest on the claimant government, and the burden of proof that the property was not removed by force or duress shall rest on the (ex-enemy) government." Although claimant nations, France as a case in point, have objected to being required to prove that the object was removed by force, a change in the current policy would require reexamination of the entire question of the minimum economy and of restitution in the US Zone.

FINANCE DIVISION  November 1947

CONFIDENTIAL
Restitution in the Four Zones

7. Restitution to Baltic States—Restitution procedure provides that claims to be filed by the government of the country from whose territory the Germans removed the looted goods. Under this procedure the USSR has filed claims for restitution to the Baltic States of Latvia, Estonia, and Lithuania, claiming to be the government of those states. US Military Government, pursuant to A.G.A.R. instructions, has notified the Soviet Military Administration that the US does not recognize the fusion of the Baltic republics with the USSR, but that information concerning property looted from those countries will be accepted, no commitment being made however as to the final disposition to be made of such property. It is understood that the Soviet Military Government has taken the same position. In the A.G.A.R. Coordinating Committee Meeting of 15 September 1947, the Soviet Member objected that there were no grounds for denying restitution and that no agreements of the Allied powers permit an occupation authority to delay arbitrarily the restitution of property because of some unilateral consideration of its own. The British and US delegations have referred the Soviet statement to their Governments pending further instructions.

8. Termination Date for the Filing of Claims—While some nations such as Norway do not maintain permanent restitution missions in the US Zone and others such as Holland are reducing their missions because they feel that most worthwhile items have been recovered, certain nations such as France continue to maintain their missions, to file a considerable volume of claims, and to profess that the end of restitution is nowhere in sight. The French have recently published a 600-page catalog of some 60,000 machines which they claim are restitutable to France and have indicated that similar catalogs are being prepared for cultural objects and transportation equipment. The British as well as the US believe, however, that restitution should not continue indefinitely. With a view toward facilitating sound industrial planning, the two Military Governments plan to announce in October 1947, that the termination date for filing claims in the US and British Zones of Occupation will be 30 April 1948. This means that claimant nations will have had three years from the cessation of hostilities in which to file their claims -- no time limit is placed on the processing of such claims. Nor will Germany be given particularly favorable treatment since the peace treaties with Italy and other satellites provide that all claims for restitution from those countries are to be presented within six months from the coming into force of the treaties.

9. Recommendations—The following recommendations are made with respect to non-cultural restitution:

a. It is recommended that the problem of the restitution of gold be re-examined with a view to clarifying such vague terms as "monetary gold" and "non-monetary gold" and to facilitate the restitution of such melted down gold as would be restitutable property in its original form according to present restitution concepts and practices.

b. It is recommended that unilateral restitution procedure in the US Zone of Occupation continue to be as indicated below, and that we endeavor to have this procedure included in any German peace treaty.

(1) United Nations to receive all claimed and identifiable items that were removed by force;

(2) United Nations to continue to receive such claimed identifiable items, not removed by force, as are not essential for the agreed German minimum economy;

(3) Former enemy nations to receive such items, however removed, as are not required for the German minimum economy.

c. It is recommended that the US continue to place on the claimant nation the burden of proving that force was used rather than placing the burden on the Germans to prove that force was not used, and to endeavor to have this same principle embodied in any German peace treaty that may be drawn up.
Restitution in the Four Zones

4. It is recommended that property looted by the Germans from the Baltic States not be restituted to the USSR until such time as the US Government has recognized the forcible annexation by the USSR of the Baltic States.

5. It is recommended that the US and British proposals to set 30 April 1948 as the termination date for the filing of restitution claims be approved, and that such limiting date be included in any German peace treaty that may be prepared.

10. Replacement of Unique Objects—A special problem exists in connection with the replacement of unique cultural objects and works of art which were removed by the Germans from territories they occupied, and which cannot now be found. The original policy developed in principle by the European Advisory Council was that objects of this kind should be replaced in kind. However, the quadrupartite definition of restitution, dated 7 April 1946 was equivocal on this point. The policy developed by EAC was substantially reversed in the SWEDIC Directive of 15 July 1947 which prohibited any extensive program for the replacement of destroyed property if such a program would adversely affect repatriation, a self-sustaining German economy, or the cultural heritage of the German people. A present policy recognizes that the use of works of art and cultural objects as reparations is abhorrent to the civilized mind and is forbidden under general accepted principles of international law. Although the principle of replacement of artistic, historical or archeological objects, the restitution of which is impossible by the substitution of other objects of the same kind has been incorporated in the Italian, Hungarian and Bulgarian Peace Treaties, a similar provision in the German Peace Treaty would so damage the German cultural heritage that the rebuilding of Germany upon a democratic basis would be seriously endangered. Inasmuch as nations which have argued for replacement in kind have repeatedly spoken about the money value of the things lost, it is believed that they would in most cases be willing to add them to their reparations accounts.

11. Internal Restitution of Cultural Objects—The draft law for internal restitution still under quadrupartite discussion contains adequate treatment of the restitution of cultural objects; should this law fail of quadrupartite agreement, existing instructions indicate that the US will put it into effect unilaterally or bilaterally. A special problem exists, however, because of Military Government Laws No. 52 and 53 blocking properties within Germany owned by persons outside of Germany as well as all works of art or cultural material of value or importance. It is anticipated that provisions for granting Military Government permission for prohibit transactions will become operative upon adjudication under the proposed law for internal restitution, or in the normal course of stabilization of the country. German law requires that export of objects of art listed on the "Verzeichnis der National Wervollen Kunsstwerke" be approved by an office of the Reich which has ceased to exist, but the functions of which should be provided in any plan for permanent German government.

12. Disposition of Ownerless Cultural Objects—A number of art collections seized by the Allies, including Goering's personal collection, contain much material of which cannot be identified or for which claims cannot be found. It is necessary, however, to consider such material as restitutable until NS is thoroughly satisfied that it cannot be identified, although undoubtedly a time limitation must be placed upon this process. Such material as is finally determined to be nonrestitutable is according to JOS 1570/a to be turned over to the Intergovernmental Committee on Refugees, with the exception of Jewish materials which are being held for eventual custody by a special trustee. No provisions have been made for art works acquired personally by Goering, Hitler, etc., on the open market, or acquired by Nazi organizations such as the Litz Museum. It can be argued that the source of Hitler's and Goering's income makes their collections public property. In any case, what cannot be controlled under the blocking statutes may be confiscated under the law for liberation from National Socialism and Militarism. Sooner or later, these collections should be disposed
of since they could easily be converted into shrines of nationalism.

13. Archives in the US Zone—The 144 archival institutions in the US Zone have with few exceptions been reinstalled in their original buildings or in temporary quarters. Effort has been made to establish an Institute for Archival Science. US Zone archivists are permitted to join the zonal professional society, and those where they originated. But in many cases such problems are only a matter of instance, the Russian State Archives in Marburg and Wiesbaden are actually indigenous to Hesse and should remain there.

14. Cultural Institutions—The monuments, fine arts and archives sections of the Soviet and French Military Government are located within Education Branches and combine the restitution program with the aggressive promotion of artistic and cultural programs representing the ideology of these occupying powers. The monuments, fine arts and archives section of US Military Government is located in the Restitution Branch and has concentrated upon the return of cultural property to its rightful owners. In addition to the program for returning works of art to foreign countries an intensive program within Germany has returned large amounts of displaced material to German museums, collections, libraries, etc., and has secured the protection and repair of a number of important monuments. The responsibility for the care of cultural property has been in large measure returned to the Germans, although there is a shortage of trained personnel in this field. A positive artistic program by the occupying power is lacking in the US Zone, although authorization for such a program is contained in the SNEDEC directive of 15 July 1947. Such a program, although utilizing the artistic achievements of the occupying power, should aim at stimulating natural and free expression in Germany.

15. Cultural Objects as War Booty—The question of whether works of art may properly be seized as war booty was fully discussed by Charles de Visscher, Judge of the International Court of Justice, in a paper entitled "Historic Monuments and Works of Art in Time of War" in the "Treaties of Peace" published in the "Revue de Droit International et de Legislation Comparée 1935." This monograph sums up the historical development of current opinion, based upon the Hague Convention of 1899 and 1907 as well as other authorities, that removal of works of art by the military command during hostilities or by the occupation, or by the victor at the close of war, is a practice that modern international law has explicitly condemned.

Although Control Council Proclamation No. 2 requires Germans and others to furnish such information and documents of every kind public and private as the Allied representatives may require, and Control Council Order No. 4 requires the surrender and destruction of Nazi and militaristic literature, it is evident that these provisions do not apply to historical documents long antedating recent events. Although occupying powers are no longer bound by the Laws and Customs of War on Land during a period of debellation or of "complete conquest" following a victorious war, the usages among civilized peoples, the laws of humanity, the dictates of public conscience, (quoted from the Hague Convention) are still applicable and would preclude the removal of archives. On the other hand, the legal adviser to the Soviet Military Administration is reported (Weekly Intelligence Report of 28 May 1947) to have defined debellation as occupation plus reprisal and justified expropriation, requisition without receipt and pilage by members of the Soviet Armed Forces on this ground. The evidence of looting of art works by the USSR is voluminous and convincing—a mass of such evidence was forwarded to the War Department on 2 May 1947. This evidence shows that the USSR took "booty" and "trophies" soon after the fall of Berlin, and until the Western allies arrived had a regular trophy commission. Systematic removals were made from the museums of Berlin, as well as all the best pictures from Dresden and Leipzig and other places, in many cases with recklessness. In the safety of the objects. According to a Polish officer, all repositories east of the Oder, including those containing purely Polish material, were evacuated before the Polish government was allowed to take over. Where the looted materials were taken has been a carefully guarded secret, and knowledge...
Restitution in the Four Zones

of their present location has come only from chance remarks of Russian officials such as the "Dresden Wing of our museum in Moscow" and the untraceable statement that the boxes from the Berlin museums remain unopened in the Kuskowski museum. The weakest point in the US position arises from the removal of the 202 paintings from the Prussian State Museums to Washington. It is weak, of course, only because the physical removal has been greeted with suspicion in spite of the unequivocal statement by the highest US authorities that these pictures will be returned.

16. Archives in the Soviet Zone—The former Prussian State Privy Archives and the Archives of the House of Brandenburg - Prussia, stored in two mines near Magdeburg, were thrown into chaos through unskilled handling and exposure to the elements and to pillage. It has been reported that the Soviets have searched for and removed all materials connected with the history of Marxism as well as materials concerning the royal courts. Other valuable original manuscripts from this source have been offered for sale to antiquarians in Berlin. Details on the handling of archives elsewhere in the Soviet Zone are obscure.

17. The Berlin Libraries—The Prussian State Library at 8, Unter den Linden, suffered considerable damage, but is still usable. Four hundred thousand books were returned from the US Zone to the Library in April, 1946. More than 1 million additional volumes and 900 cases of incunabula and manuscripts found in the US Zone are being collected in Marburg. An unknown quantity of material has been removed by the Soviets from repositories. The University of Berlin Library was not badly damaged, however, parts of them are usable and more could be repaired. It was Hitler's belief that evacuation of the museums would constitute cowardice and a signal that Berlin was to be abandoned. Therefore, evacuation was delayed until February and March, 1945, when much of the best materials as possible was evacuated largely westward. Other material was stored in the basements and vaults of the museum buildings, much more in the so-called "Flakturm" or bunkers in the Tiergarten. After the Fall of Berlin and before the Western Allies arrived, one of the Flakturms was burned and gutted through carelessness or wantonness, accounting for the loss of many large pictures and other objects which could not be removed. In June and July, 1945, both Flakturm and the Pergamon were emptied of all their contents by the Russians shortly before the Americans arrived. From December, 1945 to May, 1946, the Russians engaged in systematic removals of everything that remained except purely Germanic materials or materials that curators managed to hide from them. Some of this material is still hidden. Of the original 2,700,000 objects of which approximately 100,000 were first rank major works of art, approximately 351,000 objects were destroyed in Berlin and approximately 933,000 were removed by the Soviets from repositories under their control. The United States has under its control in the Wiesbaden central Collective Point approximately 209,000 objects of the collection. Although this is only 8 per cent of the total quantitative holdings, it represents closer to 50 per cent of the actual value, since these are of the whole the finest objects in the collections. British Military Government has approximately 700,000 objects representing approximately 20 per cent of the total value of the collections, in its Collecting Point at Celle, almost completely boxed and inventoried. French holdings are negligible. The US has temporarily stored 202 of the best paintings in the National Gallery at Washington, but is committed to return these paintings to Germany. Return of material under US and British control to the museums at Berlin at the present time would result in their coming under exclusive Soviet control since under a Kommandatur decision of 27 September 1945 museums are the sole responsibility of the Kommandatur.

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in whose sector they are located. Furthermore, there is at the present time no adequate administrative organization under the Berlin Magistrat to take care of the material.