

Reparations File

## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

AG CABLE CONTROL

## OUTGOING MESSAGE

~~SECRET~~  
~~CONFIDENTIAL~~

TO : AGWAR FOR ECHOES  
 FROM : OMCHUS FROM CLAY SIGNED McNARNEY  
 REF NO : CC-6513                      TO: 081215Z JUNE 46/ehd

Reference our ad CC-5791. Paragraph 3.

1. Soviet reply regarding dismantling Deutsche Maisena Werke states: Documents submitted on the spot indicated ownership including "Gesellschaft Fur Industrie-Beteiligungen MBH" in Hamburg, a former Nazi Party Member named Nezeman and other Germans, and the American firm, "Corn Products Refining". Partial American ownership was unknown during dismantling. Since plant processes corn, which is not now being grown in Germany, there were no prospects for operation within next few years. Therefore, dismantling does not reduce output of food processing industry and is not contrary to Potsdam or Reparations Plan. USSR considers it unfair to connect dismantling of this plant with reparations deliveries. Present capacity starch and molasses industries in Soviet Zone is over 100,000 tons which, together with capacity in Western Zones, exceeds German requirements.

2. Cannot evaluate accuracy statement regarding capacity because of inability to date to obtain data on Soviet Zone.

3. New Subject: Have protested dismantling for removal 700 shoe making machines owned US machinery corporation stating our understanding there were to be no removals from this industry unless determined by Control Council and emphasizing ownership U.S. Nationals.

W-89222 is AGO IN 28750

ORIGINATOR	: ECONS	ATTY: STEPHEN A. PARK CO.
INFORMATION	: O/SS POL APP	LEGAL FIN
		C/MT OFF AP RECORDS

CC-6513

~~SECRET~~  
~~SECRET~~

1500B

WLC/ehd  
Copy No. 34

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

302935

Reparations File

## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

AG CABLE CONTROL

## OUTGOING MESSAGE

**SECRET**

P R I O R I T Y

TO : AGWAR FOR WARCAD PERSONNEL FOR ECHOES  
 FROM : OMGSUS FROM CLAY SIGNED MONARMY  
 REF NO : CC-6357                      POOL 061840B JUNE 46/end

Refer your W-89834 do not consider first alternative providing for unilateral removals from US Zone desirable as contrary entire quadripartite operation. It would encourage individual dealings by other Zones with IARA or IAR Countries and would tend to complicate the wartime reparations policy. The second alternative reverses the normal reparations pattern of declaring plants and equipment available for negotiations and substitutes requests from receiving countries for specific items. This would require us more of our repairing personnel to check whether equipment is question reusable and whether excess to minimum German economy. Our personnel now are active selecting specific plants in various industries for reparations and for retention, and this would divert our efforts on piecemeal basis rather than pushing the main operation along. Both alternatives impractical at present in view our stopping dismantling and shipping of reparations plants and equipment except for plants already allocated as advance reparations. Any arrangements on tripartite basis would be particularly undesirable since stoppage of dismantling not directed at any one Nation but simply adopted as measure to prevent removal of plants needed in case Potsdam provision for Economic Unity and Central Administrative Agencies not actually implemented. We have no desire to hurt either IARA Countries or Soviet/Poland legitimate desires for reparation, but we cannot agree to carry our reparations plan and actually ship designated plants until we know whether the basis on which the reparations plan was developed is to be carried out or not. Since IMA list of items is such a small part of US share of reparations and since other occupying powers have already accomplished much more on a greater scale, I repeat my recommendation that we be paid off for their value as an eventual charge against the US share of reparations.

CC6357

**SECRET**

S U B R E P L

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302936

DECLASSIFIED  
Authority NND 75042  
By *[Signature]* NARA Date 7-22  
RG 260  
Entry MIL GOVT EXEC OFF  
Box 111

GENERAL INFORMATION SOURCE: U.S. GOVERNMENT

cc-6357

~~SECRET~~  
~~-2-~~

ORIGINATOR	ECON	AUTH: STEPHEN H. PARK
INFORMATION	O/S5 FIAT LEGAL FIN CONT OFF AG RECORDS	

cc-6357

6 June 46

0945B

HB/ehd

ONLINE AS A C R E P T

ALL INFORMATION CONTAINED

302937

Authority NND 75042  
By [Signature] NARA Date 7-22RG 260  
Entry 111  
Box 111

Reparations File

GEN CLAY  
OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)DATED 312003Z AG CABLE CONTROL 138B JUN 46  
707/01 ter

## INCOMING MESSAGE

**CONFIDENTIAL**

OUTLINE

FROM : AGWAR FROM ECHOLS SIGNED WARCAD

TO : OMGUS FOR CLAY

REF ID : W-89834

Reured CC-148. State and WD agreed to direct shipment of sample industrial and scientific equipment gathered by FIAT via Bremer to US provided some means adopted giving satisfaction to non-occupying countries entitled reparations.

For your information, State sympathetic to difficulties faced by FIAT and Office of Publications Bd, Commerce. In Washington attaches great significance US good relations with smaller countries entitled reparation from Germany. US assumed leadership in Paris Conference, and enjoys outstanding confidence countries in IARA. Fact that British and French have accomplished removals sample machinery outside agreed reparation procedure, and French have undertaken unilateral removals of productive equipment is regretted. It is not regarded as warranting US to follow example without taking interests other countries into account. These countries as important as France or Britain to receive reparations or as time to receive sample equipment.

As one means giving satisfaction, State and WD suggest you undertake unilateral removals from US Zone of sample industrial and scientific equipment for non-occupying powers entitled to reparation. These removals would take place limited amount, perhaps RM 3,000,000, on basis lists of items exclusive those selected for US which FIAT would prepare from its present information, and would furnish Dorr of IARA to divide non-occupying powers by US reparation outside IARA procedures in proportion to their respective shares. Equipment would eventually be charged in RM (not dollars) to each country's reparation share, as would US FIAT removals. Items would be listed by FIAT on basis interest already expressed by US, British and French CICS Team Members, but would be such that removal would not markedly affect plant capacities. Understood FIAT has employed certain standards for restricting category

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AGC IN 29257

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U-383

~~CONFIDENTIAL~~

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sample machinery which standards would continue to be employed.

As alternative to proposal above, State suggests for your reconsideration British proposal for RM 100,000,000 machine tool reparation, opposed by OMONS (Reported of ENCL 1 of 1168 of May 3 to State). Underlying British forward proposal in order obtain standard machine tools urgently needed for housing program which are in use in Germany both to plants required minimum economy and plants designated removal. Plan should be operated to account for British, French and US plant removals sample industrial and scientific equipment, to enable US to ship present FIAT requirements, to regularize present French unilateral removals general purpose machinery and plants outside agreed reparation procedures. Equipment should be limited to (1) sample industrial and scientific equipment narrowly defined, (2) equipment taken from German plants partly destroyed, (3) equipment surplus or redundant to plants in either minimum German peacetime economy or designated for reparation removal (surplus being defined as not required for operation or standby at 100% capacity operation of plant), (4) equipment from plants which are no longer wholly producing units, (5) equipment in segregated stores, etc. Removals under this program should have priority over plant removals in dismantling, packing and delivery.

I appreciated you may prefer to turn proposal unacceptable in view announced stoppage dismantling and shipping reparation pending resolution common policy foreign trade. Proposal could be agreed, however, on Tripartite Basis, setting aside RM 25,000,000 for use USSR and Poland when common policy agreed. This might strengthen your bargaining position vis-a-vis USSR element ACA, by indicating US unwillingness to let reparation stoppage hurt IAPA countries. Plan could be negotiated quickly in Washington on diplomatic level if Tripartite character would impress you in Berlin.

In preliminary view State favors latter alternative as giving satisfaction to non occupying powers at same time regularizing French and British withdrawals FIAT equipment, French removals priority, machine tools and prospective British removals productive machinery.

U.S.A.

AGC TN 2925

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302939

DECLASSIFIED	RG	260
Authority NND 7/5042	Entry	MIL. GOVT EXEC.OFF.
By <i>[Signature]</i>	Box	111
NARA Date 7-22		

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

AG CABLE CONTROL

INCOMING MESSAGE  
**CONFIDENTIAL**

Request comment or information on action taken.

CG-4432, May 46, O/S - DKG

ACTION

*C/Sec* EC

INFO

ECON  
POLICIES  
PLAT  
FINANC  
ETC

AGC 16-29857 1 June 46 1115P JMK/125 TAD NO. W 89834

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Authority NND 725042  
By *[Signature]* NARA Date 7-22

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Entry MIL. GOVT  
Box 111

Reparations File

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

AG CABLE CONTROL

INCOMING MESSAGE  
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*Rec'd*

*Rec'd by [Signature]*



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Authority NND 775042

By *[Signature]* NARA Date 7-22

RG 260

Entry

Box

MIL. GOVT  
EXEC-OFF

111

Supply North River will also indicate you contain no  
information.

As you know, the proposal received from the USIS  
on your reconsideration of the proposal submitted by the  
German Economic Council dated 10th August by AMGUS version of 30  
July 1948 (see my letter) has been fully criticized but  
no formal proposal will be sent in regard which he was  
unable to heed. Your existing program will be excepted in  
every point to plan a regular minimum economy and limits  
of 1000000 RM per day and steps to be taken to achieve the  
existing reduction in production capacity individual and  
scientific development to enable us to implement THAT  
which I mentioned earlier. And address the following items  
remove all heavy purpose machinery and plants cuts down reen  
preparation procedures equipment should be reduced in  
simple industrial who could be removed but not only limited  
to equivalent take over equipment plants per 1000000 RM  
of equipment surplus by technique to planes in either minimum  
wartime peacetime economy or designated for preparation removal  
surplus being defined as not required for operation or  
standby at 100% capacity operation of plant (an equipment  
in a plant which since longer would produce units > 5  
countant in sequence given etc. Removal under this  
program should have priority over plant removals equipment  
and packing and delivery.

Appreciated you may record latter proposal  
unacceptable in view unforced attorney dismantling and shipping  
agents component resolution com on policy foreign trade  
proposal could be argued however on tripod to basis set in  
article RM 125,000,000 or less TTR in stand and other policy  
dictated. This might strengthen your position in discussion with  
USIS or such AGO that in calling up available goods for prepared  
like coverage but I do not see such countant negotiate  
with USIS in Washington on diplomatic level if "tripod"  
chassis or would make very good in Berlin.

Facilities in New York should be used whenever possible as  
well as liaison in New York in carrying powers of command  
including French and British in the rear. THAT each  
AGO receives funds for maintenance and prospective  
availing productivity theory.

100-1000000000

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Authority NND 775042

By *[Signature]* NARA Date 7-22

RG 260

Entry

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MIL. GOVT  
EXEC-OFF

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## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

AG CABLE CONTROL

## INCOMING MESSAGE

CONFIDENTIAL

Request contains information on action taken.

OO-MW82 4 May 46 U/SC-DMG

ACTION : O/SS-C/  
INFO : ECON  
POL AFF  
PLAT.  
FINANCE  
LEGAT

CHANGE OF ACTION: ECON  
(2 JUNE 1946)

ACG IN 29257 1 JUN 46 11153 DDK/1oh PBE WCH 3034

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Authority NND 75042

By *[Signature]* NARA Date 7-22

RG 260

Entry *MIL. GOVT EXEC.OF*

Box 111

Reparations File

UNITED STATES POLITICAL ADVISER  
FOR GERMANY

A6602.3

Reparations  
22

May 30, 1946

## MEMORANDUM

TO : Lieutenant General Lucius D. Clay  
Deputy Military Governor for Germany

FROM : United States Political Adviser for Germany

I am sure you will be interested in the cable quoted below from the American Embassy in London presenting British newspaper comments on your announcement of the cessation of reparations deliveries.

"British newspapers give prominence to General Clay's announcement on cessation of reparations deliveries and it is accorded largest headlines in politically contrasted Daily Herald -- organ of Labor Party -- and extreme conservative Daily Mail; only comment added locally comes significantly from Herald's diplomatic correspondent Ewer who writes that "The American decision is likely to be the prelude to the scrapping of the whole of the economic clauses of the Potsdam Agreement and to the shaping of an entirely new economic policy for Western Germany." Correspondent says basis of Potsdam clauses was decision that Germany should be organized as economic whole but that this has been destroyed by Russian policy sharply separating Eastern and Western Germany. He continues "The Americans evidently realize that if their zone is to become self-supporting and not dependent on relief from the United States its own productive capacity cannot be further reduced. Mr. Byrnes gave warning of this in Paris during the Council of Foreign Ministers. Similar action in the British Zone is inevitable for the circumstances are the same." Herald article declares that unless Russians agree to restoration of economic unity the whole Potsdam fabric or at least economic side seems about to collapse and that in such case Western Powers will have no alternative but to settle down to making their own zones self-supporting as far as possible without regard to Russian demands for reparations."

FOR THE AMBASSADOR:

*Donald R. Heath*  
Donald R. Heath  
Director

31

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Reparations File

1136 H36 116 602.3  
OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)  
Office of the Political Adviser  
APO 742

May 27, 1946

RESTRICTED

MEMORANDUM

TO : Lieutenant General Lucius D. Clay,  
Deputy Military Governor for Germany

FROM : United States Political Adviser for Germany

Your attention is invited to memorandum dated 11 May 1946 from the Office of Political Affairs to General Draper, copy of which was sent to Staff Secretary, presenting State Department's views on the British proposal for expediting reparations removals as contained in DECO/P(46)166.

I am now in receipt of a cable from Russell Dorr, American Delegate to IARA, presenting to the State Department a proposal which he and the French and British Delegates to IARA have prepared, the substance of which is presented below.

'Believe that the British proposal as qualified by the Department's suggestions would have great value, since it would a) account for previous unilateral removals, b) facilitate greatly in accounting for FIAT material, and c) expedite allocation of small amount of most critical material for small country needs.'

'In order to remove IARA time-lag, we have drafted the following proposal, with which the French and U.K. delegates have agreed in general and which we believe IARA would approve. I handed General Draper a copy of this proposal on his recent visit here and I am now awaiting ACC reaction on British proposal before proceeding further. General Draper's immediate reaction was unfavorable, based largely on his feeling that the plan required a revamping of the present ACC procedure. However, when I stated that in our view present ACC procedure could be followed exactly with the exception that priority of inventoring, dismantling, and transportation would be given to plants or equipment of the type indicated, he agreed that the plan might possibly be feasible and undertook to have further studies made on it in Berlin. The proposal follows. The Department's comments are requested.'

-2-

(1) If agreed to by the Control Council, initial lists of requirements within the following procedure shall be limited to 118 million RM. Each country shall be eligible to submit a list of requirements equal in value to its percentage share as outlined in the Paris Reparations Act applied to a general pool of reparations equipment amounting to 100 million RM with the following exceptions:- a) all countries whose share would be less than 2 million RM shall be entitled to request 2 million RM worth of material, b) all countries whose share is less than 5 million RM but greater than 2 million RM shall be entitled to request 5 million RM of material.

(2) Countries will submit lists of their most urgent requirements. These lists will be submitted within 21 days of the approval of this agreement. The lists may consist of general indications of type and quantity of equipment required for specific purposes or it may list specific machines. However, type of equipment requested must be that which is normally available for reparations in accordance with Potsdam Declaration and the Paris Agreement.

(3) Such equipment will not be removed from the following plants:- a) Any plants designed to remain in Germany as part of her minimum economy or, b) Plants designed to be removed as reparations if the equipment or processes requested form a part of an integrated whole. Equipment may be taken from such plants if it is surplus or if its removal would not decrease the value of the remaining equipment for carrying out complete production processes. In addition, small plants may be included if their value does not exceed that authorized under Paragraph 1 above.

Equipment available under this plan will thus be taken from armament plants partly destroyed, from surplus equipment of plants made available for reparations, from other plants only partially complete which are no longer whole processing units, from small specialized plants, and from other similar sources.

(4) In addition to lists of total value submitted in accordance with Paragraph 1, all countries which might have received items of individual plant or equipment which were available for reparations in accordance with Part 4 of the Potsdam Declaration and which may have been removed from Germany for research or special purposes after the Declaration of Potsdam and prior to this Agreement and which, due to an emergency, may not have been formally allocated by AGO or IMA, would submit lists of this equipment. Necessary procedure would then be carried out to regularize title on these items and to account for them properly.

(5) Upon receipt of requests from Delegates, Secretary General will draw up a combined list showing requirements of all IARA countries and will submit this list to AGO, with additional copies being furnished each Delegate for information.

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RG 260  
Entry FILED  
Box 111

-3-

(6) Upon receipt of these combined lists by the AGC, it is expected that the Zone Commanders will immediately take steps to insure the availability of the equipment. Allocations will be made as repeatedly as possible and appropriate priorities will be given to inspection, dismantling, and delivery.

(7) All items allocated to IMA will be immediately and automatically re-allocated to country requesting equipment and will be charged against that country's reparation share. When more than one country have requested a certain type of item and insufficient amounts to fill all requests have been made available by AGC, the Secretary General or IMA shall ascertain if the countries concerned will accept a division of the items and if so he will allocate items accordingly. If no agreement can be reached, requests will be considered in the same manner as those submitted in accordance with the normal procedures for plant allocation.

(8) When, due to unavailability of the type of equipment requested, a country's actual allocations fall short of the quota as allocated in Paragraph 1 above, countries concerned may submit an additional list and this request will be handled in the same manner as the first list. *10/29*

Robert Murphy

cc: Brigadier General W.H. Draper Jr.,  
Director, Economics Division

Colonel J.H. Allen, Chief,  
Restitution Branch, Econ.Div.

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Reparations File

CARRIER SHEET - MUST REMAIN WITH ATTACHED PAPERS

**SECRET**

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

APO 742

FILE NO.

SUBJECT: G-2 Report on German Reactions to Reparations.

NO	TO	FROM	DATE	(Has this been coordinated with all concerned?)
1	A/DMG	ODIC	13 May 1946	<p>1. Enclosed is a report from Intelligence Branch, this Office, on the statement which appeared in the G-2 Weekly Intelligence Summary No. 42, Headquarters, USFET, concerning German reactions to the reparations policy.</p> <p>2. Also enclosed are reports of public opinion surveys conducted by this Office and published in Information Control Intelligence Summaries Nos. 26 and 38.</p> <p>3. The German press and radio have given full coverage to all laws and official announcements concerning reparations.</p>

*[Signature]*  
 ROBERT A. McCLURE  
 Brigadier General GSC  
 Director of Information Control

Incl: 4  
 Memorandum from Intelligence, Information Control, dated 13 May  
 ICIS No. 26 dated 12 January  
 ICIS No. 38 dated 20 April  
 Public Relations release dated 2 May

Telephone: 42268

2. Economics O/SS 25 May 1946 1. The ADMG desires that you unobtrusively insert the substance of the attached brief in a brief to Gen McNarney and the monthly report, without mentioning the G-2 report.

2. Please submit copy of your report to O/SS.

Susp: 1 June

*[Signature]*  
 CHARLES W. SOLE  
 Lt Col, GSC  
 Executive Secretary

3. O/SS ED 29 May 1946 Incls: n/c Ext 42477

1. In accordance with above minutes, the following is suggested as a brief to General McNarney and for incorporation in appropriate paragraphs in the Military Governor's Monthly Report on Reparations:

(over)

**SECRET**

(Page No.)

*w/69**S-907 S17*

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DECLASSIFIED

Authority NND 775042

By *[Signature]* NARA Date 7-22

RG 260

Entry

Box

MIL. GOVT  
EXEC.OFF.

111

FILE NO.  
SUBJECT.

NO. TO FROM DATE (continued)

"It is difficult to appraise the repercussions of the reparations program on the German population, since German reactions to the reparations program are almost wholly subjective rather than objective." *[Handwritten note: JAS 8]*

The reactions of the German population to the reparations program obviously vary greatly, depending upon the political point of view, the social position, the relationship between the individuals involved in any specific part of the reparations program and other factors. Owners, managers, or stockholders of ammunition plants naturally react unfavorably to the dismantling of a factory which may have represented their life work. Some of the workers of such a plant may react equally unfavorably. Others, however, holding different political opinions, may even welcome the destruction of the plant in which they have been employed because of their better understanding of Germany's responsibility for the two world wars.

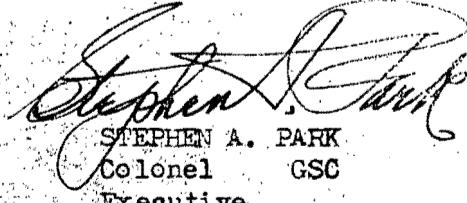
There are, however, indications that, on the whole, the German public is showing reasonably good understanding of the reparations program. Two I.C.D. surveys, based on scientific sampling procedures, in mid-December 1945 and mid-February 1946, showed that about half the adult public approved of the reparations policy and less than one-third disapproved.

Publicity has been given periodically to the reparations program in the monthly "Reparations and Restitutions" report issued by Military Government of Germany which is utilized extensively by the German press and the radio. The most recent publicity release, dated 2 May 1946, reviews the Reparations Plan as it had been implemented in the U.S. Zone, with some additional information on the British and French Zones of Germany. Of the 75 plants declared available for reparations and allocated in the three Western Zones, up to 2 April 1946, eight had been allocated to the U.S.S.R. and Poland, and 67, consisting largely of general purpose equipment to be taken from special purpose war facilities, had been allocated to the Western Nations. At that time none had yet been sub-allocated among the Western Allies.

Since that time, considerable publicity has been given to the first and subsequent shipments of reparations equipment made from the U.S. Zone to Bremen for trans-shipment thence to the U.S.S.R.

The press release dated 2 May 1946 was based on Report No. 9 entitled "Reparations and Restitution Cumulative Review", 20 April 1946, issued by the Office of Military Government of Germany. The full report was also made available to the German newspapers and radio stations through DANA, the German news agency for the U.S. Zone."

FOR THE DIRECTOR:

  
STEPHEN A. PARK  
Colonel GSC  
ExecutiveTelephone 42700  
Room 2018, Econ Bldg

DISPATCHED

30 MAY 1946

ECON DIV  
OMGUS

(Page No.)

THIS SPACE WILL NOT BE VISIBLE WHEN FILED

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Authority NND 725042  
By *JL* NARA Date 7-22RG 260  
Entry MIL. GOVT  
Box EXEC-OFF 111

Reparations File

**SECRET**

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

Office of the Director of Information Control

APO 742

13 May 1946

SUBJECT: G-2 Report on German Reactions to Reparations Program.

TO: Colonel Kinard.

1. You have asked us to comment on a G-2 report on German reactions to the reparations policy which appears in HQ USFET G-2 Weekly Intelligence Summary No. 42 of 2 May 1946, page A-7. The pertinent passage from this report reads as follows:

"With the occupation of GERMANY, there has been a gradual accumulation of factors which either have led, or are likely to lead, to a misunderstanding on the part of the German people of the exact aims of the occupying Powers. Intelligent German leaders tell us that this misunderstanding has come about as the result of specific measures which have directly affected the economic and social well-being of the German population. The Germans complain, for instance, that various factories are being dismantled and are being shipped away to some unknown destination. Very few Germans realize that this industrial equipment is a part of the reparations payment agreed to by the Allies at the various Big Three meetings upon the insistence of RUSSIA. They actually believe that the Americans are taking equipment dismantled in the American Zone for their own use, and it is evident that the Russians, through lack of denial and by positive statements, are encouraging this belief. German authorities say that we should correct this false impression at once by appropriate newspaper articles and radio broadcasts."

2. This report would not be accepted by the Intelligence Branch of ODIC as solid intelligence for the following reasons:

a. The report is based on information obtained from "intelligent German leaders" who express not only their own opinions but describe what they claim to be the opinions of the public at large.

Comment: (1) The G-2 report does not indicate the socio-economic position and political character of the sources. In our experience, we have found such data essential in order to evaluate opinions of Germans which differ according to these factors. From the context we would infer that the sources are political conservatives, perhaps businessmen and perhaps strong nationalists.

(2) We should also point out the danger of using German informants with a political or economic bias as a source

**SECRET**

S-12

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REFR0DUCED AT THE NATIONAL ARCHIVE

DECLASSIFIED	RG 260
Authority NND 785042	MIL. GOVT EXEC. OFF.
By <i>JL</i> NARA Date 7-22	Entry Box 111

**SECRET**

Colonel Kinard, G-2 Report on German Reactions to Reparations Program,  
13 May 1946.

of information as to what the public at large thinks. Consciously or unconsciously, they tend to interpret public opinion in such manner as to demonstrate the desirability of their own political preferences and programs.

(3) We would like to call attention to ICD surveys based on scientific sampling procedures which show that about half the adult public concedes the justification of our reparations policy while one-third do not. (See attachments, ICIS #26 and #38.) It may be pointed out, further, that publicity is periodically given to the reparations program in the German press and radio, as for example, in the 2 May publicity release by OMGUS, Public Relations Division.

b. The G-2 report itself does not give a clear statement as to how widespread or important the situation reported actually is. As a matter of fact the opening sentence of the report (see quotation above) hedges on this point in the phrase: "... or likely to lead . . ."

c. This Branch has no information to support or contradict the G-2 statement that Germans do not realize that plant removed by us is for reparations. We have seen nothing indicating that Germans think we are removing these plants for our own use rather than for reparations. We feel, however, that this type of comment must be extremely limited else it would have come to our attention.

d. The G-2 report by implication criticizes the Russians for saying that the plants which we are removing in our zone are for our own use. G-2 suggests, again by implication, that the plants we are removing are actually going to someone else (Russia?). under the reparations policy which we agreed to "upon the insistence of Russia". This Branch does not consider itself competent on the subject of 4-Power diplomacy in order to judge whether we were forced to accept the reparations program. It is our impression, however, that the responsible American statesmen have favored reparations and that disagreements between the four Powers were over the precise allocation to be made.

Apart from this, it is possible to find out who has received ~~xxxx~~the plants removed from the American zone so far. We have checked this point with Economics Division, OMGUS. They report that the bulk of the plants so far removed by us in our zone constitute reparations for the Western Powers; only a few have gone to Russia or Poland.

*Alfred Toombs*  
ALFRED TOOMBS, (by A.G.)  
Chief, Intelligence Branch

? Incls: (as above)

Telephone: BERLIN 42944

**SECRET** 89

302951

By *[Signature]* Authority NND 7-22 Date 7-22RG 260  
Entry *HIL. GOVT  
EXEC-OFF*  
Box 111*Reparations File*

## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

AG CABLE CONTROL

## INCOMING MESSAGE

DATED 242216Z

RECD 251428Z MAY 46  
842/25/wea

DEGREI

S E C R E T

P R I O R I T Y

FROM : AGWAR FROM ECHOLS  
 TO : OMGUS PERSONAL FOR CLAY  
 REF NO : W-89222

State Department has forwarded following draft note to this office requesting your views:

"State Department proposes to submit following note to USSR in order clarify and establish definite policy on removals United Nations property by USSR from Eastern Zone Germany. Begin text note:

" Acting upon instruction from my Government, which attaches the highest importance to this matter, I have the honor to bring the following considerations to your attention:

At the Potsdam Conference, the Governments of the USSR, the United Kingdom and the United States of America agreed upon an overall and far-reaching program designed to meet our mutual reparation and security objectives. In the Protocol of that conference, it was agreed, Inter-Allied that Germany would, during the period of occupation, be treated as a single economic unit; and that the reparation claims of the USSR would be met by removals from the Zone of Germany occupied by the USSR and from appropriate German total assets.

Subsequently, and in accordance with procedures envisaged at Potsdam, a conference was held in Paris to discuss distribution of reparation shares to other nations entitled to compensation from the other 3 zones of Germany, and from appropriate German External Assets. In the agreement resulting from that conference, the signatory nations agreed that they would in no way support claims on behalf of themselves or persons entitled to their protection in respect of property received by a reparation-claimant government as reparation "with the approval of the Control Council for Germany". In addition, it is agreed that each signatory nation should have a prior right

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to claim items declared available for reparation removal when a claimant nation or its nationals had a substantial interest in such property.

Subsequently, the ACC for Germany has established the principle that, in an industry in which reparation removals are to take place, purely German property should be removed before that in which nationals of the United Nations have an interest; and the level of industry report, which has been under serious consideration over a considerable period of time, has been agreed.

The United States is informed that certain removals of plants in which nationals of the United States have substantial interests have taken place from the Zone of Germany occupied by the USSR. The United States would desire to be informed, at the earliest possible moment, of the cases in which such removals have taken place, of the extent of such removals, and the justification of each. On the question of principle which is involved, the United States would desire to bring the following comments and suggestions to the attention of the Government of the USSR:

1. The United States feels strongly that, in the absence of specific determination on each such case in the ACC, properties in Germany in which nationals of the United Nations have a substantial interest are not properly subject to removal for reparation purposes. For purposes of discussion, the United States would define the term "substantial interest" as being a shareholding of 48% or more of the outstanding stock of the Germany corporation or entity directly owning the property in question.

2. The United States believes that all past or future cases of removals from the Zone of Germany occupied by the USSR of properties in which nationals of the United Nations have a substantial interest should be identified to the ACC. Only thus can implementation be given to the agreement that Germany is to be treated as an economic unit. Furthermore, this information is essential in order to enable the ACC to pass on an overall basis upon the suitability of such removals as reparations.

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## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

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3. The United States proposes that the ACC shall be instructed to institute procedures which will make it possible for Germany to provide compensation to the nationals of the United Nations having a substantial interest in properties removed as reparation from Germany. In the view of the United States, these procedures would entail appraisal of the United Nations interest in such property by the ACC, deposit of the appraised value in Reichsmark by the ACC to the account of the United Nation owner, and permission by the ACC that the sums so deposited may be used by the owner in the purchase in Germany of similar properties in related industries. The ACC should also be instructed to give favorable consideration to methods of compensating such United Nations owners, where feasible, by transfer of shares of similar enterprises in Germany. The ACC should also be instructed to explore other ways and means of making available to such United Nations owners, as a charge on the German economy, compensation for the properties so removed.

4. The United States requests that, pending these steps, any removals which may be contemplated of properties in which nationals of the United Nations have a substantial interest should be discontinued.

5. The United States must state that, where past or future removals do not fall within the category of reparation removals as thus defined by the ACC, the United States reserves its right to claim compensation, on behalf of its nationals, in respect of such removals of properties in which such nationals have a substantial interest.

6. In recognition of the needs of economic security, the United States recognizes the right of the occupying powers to effect removals of all plants and equipment falling within those categories which are prescribed under paragraph 2 B. 11. of the Potsdam Protocol. The United States reserves its right at a later date, however, to ask Reichsmark compensation for its nationals with respect to such removals.

7. The question of minority interests of nationals of the United Nations is expressly reserved in this memorandum.

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Auth'd NND 725042

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Box *EXEC.OFF.*  
Box 111~~SECRET~~

REF NO W-89222

8. The United States will support proposals in the ACC for Germany designed to implement these principles, and requests an expression of the views of the Government of the USSR at the earliest opportunity. The United States is making similar proposals to the Governments of the other occupying powers.

"Your comments soonest on above are requested. It is assumed here that in implementation reparation removals program, United States Representatives on Industry Committee note United Nations ownership of property in separate zones and do not agree to allocation of property to remain in Germany which would require removal of United Nations property while similar German owned property in other zones is available for removal. If this assumption is unfounded, it is desired you seek establish this principle.

"State Department attaches particular importance settlement this matter with USSR.

This office has made NO comment to State re above but will await your reply.

ACTION : O/SS - C/S

INFORMATION : ECON  
POL AFF  
LEGAL  
FIN  
CONT OFF  
AG RECORDS

ACC IN 28750 25 May 46 1610B CB/ved REF NO W-89222

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

## OUTGOING MESSAGE

~~SECRET~~

TO : AGWAR FOR ECHOES  
 FROM : OMGSUS FROM CLAY SIGNED MCNARNEY  
 REF NO : CC-5791                                   TOO: 26132SB May 46/jb

(1) Reference your W-89222, consider principle involved in proposed State Department note entirely sound although consider case for protesting removals or for claiming compensation from Soviet for removals from Eastern Zone of Germany is not strong in view no limitation in Potsdam Agreement restricting removals from Soviet Zone. Only limitation would appear to be under broad interpretation of treating Germany as an economic unit, which question not affected one way or the other by considerations of ownership by Nationals of United Nations. Another possible basis might be the provision in the Potsdam Agreement that the amount and character of reparations removals would be determined by the Control Council, but this is incorporated in sections dealing with removals from the Western Zones and might well be contested by the Soviet as not applicable to removals from the Eastern Zone.

(2) Compensation can of course be claimed in reichsmarks from some future German Government or could be paid by the Allied Control Council in Allied-military marks. Latter method would add to existing reichsmark-currency and, unless coupled with comparable taxes, would increase possibility uncontrollable inflation.

(3) We have strongly protested the removal of the Corn Products Refining Company plant at Barbe in the Russian Zone both on the ground of American ownership and the fact that it is a food processing plant and under the Level of Industry plan no reparations removals were contemplated from such industries. However, under the letter of the Potsdam Agreement we doubt if legal basis for protest is too strong. We have had no reply as yet.

(4) US Representatives on Industry Committee check United States ownership of property offered for reparations from the 3 Western Zones from available records and do not agree to its declaration for reparations if similar German owned property is available for removal. They apply similar rule in case other United Nations ownership but have little information.

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concerning such ownership. Economic Directorate has agreed that where United Nations ownership is later established substitution of similar German owned plant will be made if practicable.

(5) In conclusion, see no objection to proposed note except comments above respecting payment. Since the principles stated were not specifically included in the Potsdam Agreement we would be somewhat doubtful of their acceptance by the Soviet. In point of fact, the question of ownership was raised at Potsdam as I remember from conferences at which I talked informally then with Soviet representatives. As I understand, it was somewhat waived aside then as unimportant in comparison of the accepted objective to deindustrialize Germany to destroy war potential. Our only other comment for such consideration as it merits must be indefinite as the extent and value of United Nations ownership is unknown. It could prove to represent a large percentage of the remaining capital investment in Germany after reparations. Such foreign ownership and transfers of funds as dividends might prove a crushing load on Germany's post war economy and to its ability to obtain a balanced foreign trade.

W-89222 is AGO IN 28750

ORIGINATOR	: ECON	AUTH:	WILLIAM H. DRAZER, JR., BRIG. GEN.
INFORMATION	: O/SS-C/S POL AFF LEGAL FINANCE CONTROL OF AG RECORDS		

CG-5791 27 May 46 1130B \*HB/JB

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By [initials] NARA Date 7-22

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ALB 601.3  
Reparations  
Gen Reparations  
Germany  
April 17, 1946

Office of Military Government for Germany (U. S.)  
Office of the Political Adviser  
APO 742

RESTRICTED

MEMORANDUM

TO : Lieutenant General Lucius D. Clay  
Deputy Military Governor for Germany

FROM : Office of Political Affairs

There is transmitted herewith for your information and appropriate action the text of a message received from Russell Dorr, American Delegate to the Inter-Allied Reparations Agency, which is now holding sessions in Brussels.

"1. Discussions on current production in committee and ASS show delegates small countries represented here are very ignorant re present economic policies in Germany and true significance of factors used in setting German level on industry.

"2. Discussion showed that while small countries were aware of and apparently agreed to first charge principle, they had no realization of fact German economy would not also have excesses to allow reparation from production. Rueff informally gave very excellent lecture on policies agreed on in setting German level of industry. He pointed out no possibility of reparation until 1949, although holding out slight hope expansion of non-controlled sector of economy, as well as under estimate of export potential, might give some after that date.

"3. Problems of small countries were taken up in turn, each being shown how their request to receive certain items as reparation defeated first charge principle. Dutch wanted raw materials. Czechs, services, especially transportation. India, replacement parts. Albania, anything. Delegates showed amazement,

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since apparently concept had never really struck home before.

"4. In general discussion in ASS delegates asked that Rueff's statement be circulated, since they believed their governments had never received as complete a picture. They stated that due to lack of information governments were refusing pay for certain German exports hoping receive same as reparation. Rueff refused, saying his statement was unofficial based on informal information he had gathered himself. He stated that realizing need all for an official statement as to what economic policies in Germany are, he would invite representatives of ACC Economic Directorate to attend next ASS to explain problems and policies involved.

"5. I feel, after discussion with other delegates, that such explanation given by Berlin will aid greatly in clarifying whole reparation picture for small countries. It would settle many doubts in their minds and would make negotiations on payments for exports considerably easier."

If you wish to make any comments or reply to this message, I shall be glad to transmit to Mr. Dorr through our Embassy in Brussels. *16*

Robert Murphy

cc: Brigadier General W.H. Draper Jr.,  
Director, Economics Division  
Office of Staff Secretary

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*Reparations File*

## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

STAFF CABLE CONTROL

## OUTGOING MESSAGE

UNCLASSIFIED  
URGENT*P. J. Rea*

TO : AGWAR FOR WARCAD

INFO : USEFT (MAIN); OMG FOR BAVARIA; OMG FOR GREATER HESSE; OMG FOR WURTTEMBERG

FROM : OMGS SIGNED CLAY

REF NO : CC-2221 TOO: 282155A MAR 46

The Control Council has approved the following plan for reparations and the level of postwar German economy. This is to be released to the press 1800 hours Berlin time 28 March. The text is as follows:

## ALLIED CONTROL AUTHORITY

## THE PLAN FOR REPARATIONS AND THE LEVEL OF POSTWAR GERMANY ECONOMY IS ACCORDANCE WITH THE BERLIN PROTOCOL.

1. In accordance with the Berlin Protocol the Allied Control Council is to determine the amount and character of the industrial capital equipment unnecessary for the German peace economy and therefore available for reparations. The guiding principles regarding the plan for reparations and the level of the postwar German economy, in accordance with the Berlin Protocol are:

A. Elimination of the German War Potential and the industrial disarmament of Germany.

B. Payment of reparations to the countries which had suffered from German aggression.

C. Development of agriculture and peaceful industries.

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Authority NND 75042

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D. Maintenance in Germany of average living standards not exceeding the average standard of living of European countries (excluding the United Kingdom and the Union of Soviet Socialist Republics).

E. Retention in Germany, after payment of reparations, of sufficient resources to enable her to maintain herself without external assistance.

2. In accordance with these principles, the basic elements of the plan have been agreed. The assumptions of the plans are:

A. That the population of postwar Germany will be 66.5 millions.

B. That Germany will be treated as a single economic unit.

C. That exports from Germany will be acceptable in the International markets.

PROHIBITED INDUSTRIES

3. In order to eliminate Germanys war potential, the production of arms, ammunition and implements of war, as well as all types of aircraft and sea going ships, is prohibited and will be prevented.

4. All industrial capital equipment for the production of the following items are to be eliminated:

- A. Synthetic gasoline and oil.
- B. Synthetic rubber.
- C. Synthetic ammonia.
- D. Ball and taper roller bearings.
- E. Heavy machine tools of certain types.

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- F. Heavy tractors.
- G. Primary aluminum.
- H. Magnesium.
- I. Beryllium.
- J. Vanadium produced from Thomas Slags.
- K. Radio active materials.
- L. Hydrogen peroxide above 50% strength.
- M. Specific war chemicals and gases.
- N. Radio transmitting equipment.

Facilities for the production of synthetic gasoline and oil, synthetic ammonia and synthetic rubber, and of ball and taper roller bearings, will be temporarily retained to meet domestic requirements until the necessary imports are available and can be paid for.

RESTRICTED INDUSTRIES

METALLURGICAL INDUSTRIES

5. STEEL

A. The production capacity of the steel industry to be left in Germany should be 7.5 million ingot tons. This figure to be subject to review for further reduction should this appear necessary.

B. The allowable production of steel in Germany should not exceed 5.8 million ingot tons in any future year without the specific approval of the Allied Control Council, but this figure will be subject to annual review by the Control Council.

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C. The steel plants to be left in Germany under the above program should, so far as practicable, be the older ones.

6. NON FERROUS METALS. The annual consumption of non ferrous metals (including exports or products containing these metals) is fixed at the following quantities:

Copper	- 140,000 tons
Zinc	- 135,000 tons
Lead	- 120,000 tons
Tin	- 8,000 tons
Nickel	- 1,750

CHEMICAL INDUSTRIES

7. A. BASIC CHEMICALS. In the basic chemical industries there will be retained 40% of the 1936 production capacity (measured by sales in 1936 values). This group includes the following basic chemicals: Nitrogen, phosphate salts, carbide, sulphate acid, alkalis, and chlorine. In addition, we obtain the required quantities of fertilized for agriculture. Existing capacity for the production of nitrogen through the synthetic ammonia process will be retained until the necessary imports of nitrogen are available and can be paid for.

B. OTHER CHEMICALS. Capacity will be retained for the group of other chemical production in the amount of 70% of the 1936 production capacity (Measured by sales in 1936 values). This group includes chemicals for building supplies, consumer goods items, plastics, industrial supplies, and other miscellaneous chemical products.

C. DYESTUFFS, PHARMACEUTICALS AND SYNTHETIC FIBERS. In the pharmaceutical industry there will be retained capacity for the annual production of 80% of the 1936 production, measured by sales (in 1936 value). Capacity will be retained to produce annually 36,000 tons of dyestuffs and 10,000 tons of synthetic fiber.

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MACHINE MANUFACTURING AND ENGINEERING.

8. A. MACHINE TOOLS. For the machine tool industry there will be retained 11.4% of 1938 capacity, with additional restrictions on the type and size of machine tools which may be produced.

B. HEAVY ENGINEERING. In the heavy engineering industries there will be retained 31% of 1938 capacity. These industries produce metallurgical equipment, heavy mining machinery, material handling plants, heavy power equipment (boilers and turbines, prime movers, heavy compressors, and turbo blowers and pumps).

C. OTHER MECHANICAL ENGINEERING. In other mechanical engineering industries there will be retained 50% of 1938 capacity. This group produces constructional equipment, textile machinery, consumer goods equipment, engineering small tools, food processing equipment, woodworking machines, and other machines and apparatus.

D. ELECTRO ENGINEERING. In the electro engineering industries there will be retained 50% of 1938 production capacity. (Based on sales in 1936 values). Capacity to produce heavy electrical equipment is to be reduced to 30% of 1938 production or Reichmarks forty million (1936 value). Heavy electrical equipment is defined as generators and converters, six thousand KW and over; high tension switch gear; and large transformers, 1500 KVA and over. Electro engineering, other than heavy electrical equipment, includes electric lamps, light fittings, installation materials, electric heating apparatus, domestic appliances, cables and wires, telephone and telegraph apparatus, domestic radios, and other electrical equipment. Export of specified types of radio receiving sets is forbidden.

E. TRANSPORT ENGINEERING.

(1) In the automotive industry capacity will be retained to produce annually 80,000 automobiles, including 40,000 passenger cars and 40,000 trucks, and 4,000 light road tractors.

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REF NO: CC-2221

(2) Capacity will be retained to produce annually 10,000 motorcycles sizes between 60 and 250 cubic centimeters. Production of motorcycles with cylinder size of more than 250 cubic centimeters is prohibited.

(3) In the locomotive industry available capacity will be used exclusively for the repair of the existing stock of locomotives in order to build up a pool of 15,000 locomotives in 1949. A decision will be made later as to the production of new locomotives after 1949.

(4) Sufficient capacity will be retained to produce annually 30,000 freight cars, 1,350 passenger coaches, and 400 luggage vans.

F. AGRICULTURAL MACHINERY. To permit maximization of agriculture, capacity will be retained for an annual production of 10,000 light agricultural tractors. Existing capacity for the production of other agricultural equipment, estimated at 80% of 1938 levels, is to be retained, subject to restrictions on the type and power of the equipment which may be produced.

G. SPARE PARTS. Estimating capacities there will be taken into account the production of normal quantities of spare parts for transport and agricultural machinery.

H. OPTICS AND PRECISION INSTRUMENTS. Capacity will be retained to produce precision instruments in the value of three hundred and forty million Reichmarks (1936 value), of which two hundred and twenty million Reichmarks is estimated as required for domestic use and one hundred and twenty million Reichmarks for exports. A further limitation for

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NARA Date 7-22

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this industry is possible, subject to the recommendation of the committee for the liquidation of German war potential.

MINING INDUSTRIES

9. A. COAL. Until the Control Council otherwise decides, coal production will be maximized as far as mining supplies and transport will allow. The minimum production is estimated at one hundred and fifty five million tons (Hard coal equivalent), including at least forty five million tons for export. The necessary supplies and services to this end will be arranged to give this maximum production of coal.

B. POTASH. The production of potash is estimated at over 100% of the 1938 level.

ELECTRIC POWER

10. There will be retained an installed capacity of nine million KW.

CEMENT

11. Capacity will be retained to produce eight million tons of cement annually.

OTHER INDUSTRIES

12. The estimated levels of the following industries have been calculated as shown below as necessary for the German economy in 1949:

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A. RUBBER: fifty thousand tons, including twenty thousand tons from reclaimed rubber and thirty thousand tons from imports.

B. PULP, PAPER-AND PRINTING. Two million one hundred and twenty nine thousand tons, based on 26 KG per head per annum in 1949 plus four hundred thousand tons for export.

C. TEXTILE AND CLOTHING INDUSTRIES. Six hundred and sixty five thousand tons of fiber, based on ten KG per head for 1949, including 2 KG for export.

D. BOOTS AND SHOES. One hundred and thirteen million pairs, based on 1.7 pairs per head in 1949 (figure excluded needs of occupying forces). Production may exceed the above estimates in this paragraph (other industries) unless otherwise determined by the Control Council.

13. BUILDING. No level will be determined for 1949. The industry will be free to develop within the limits of available resources and the licensing system.

14. BUILDING MATERIALS INDUSTRIES (Excluding cement). Existing capacity will be retained. Production will be in accordance with building licensing and export requirements.

15. OTHER UNRESTRICTED INDUSTRIES. For the following industries no levels have been determined for 1949. These industries are free to develop within the limitations of available resources. These industries are as follows:

- A. Furniture and woodwork.
- B. Flat glass, bottle & domestic glass.
- C. Ceramics.
- D. Bicycles
- E. Motorbicycles under sixty CC.
- F. Potash

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## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

STAFF CABLE CONTROL

## OUTGOING MESSAGE

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GENERAL LEVEL OF INDUSTRY

16. It is estimated that the general effect of the plan is a reduction in the level of industry as a whole to a figure about fifty or fifty five percent of the prewar level in 1938 (excluding building and building materials industries).

EXPORTS & IMPORTS

17. The following agreement has been reached with respect to exports and imports:

A. The value of exports from Germany shall be planned as three billion Reichmarks (1936 value) for 1949, and that sufficient industrial capacity shall be retained to produce goods to this value and cover the internal requirements in Germany in accordance with the Potsdam declaration.

B. That approved imports will not exceed three billion Reichmarks (1936 value), as compared with 4.2 billion Reichmarks in 1936.

C. That of the total proceeds from exports, it is estimated that not more than one and a half billion Reichmarks can be utilized to pay for imports of food and fodder, if this will be required, with the understanding that, after all imports approved by the Control Council are paid for, any portion of that sum not needed for food and fodder will be used to pay for costs of occupation, and services such as transport, insurance, etc.

DETERMINATION OF CAPACITIES AVAILABLE FOR REPARATIONS

18. After the approval of this plan, the existing capacities of the separate branches of production shall be determined, and a list of enterprises available for reparations shall be compiled.

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Authority NND 775042

By *JH* NARA Date 7-22

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CC-2221

19. After decisions have been given on the matters now referred to the coordinating committee, the Economic Directorate would propose to prepare the final plan embodying these decisions and including a description of the various features of the plan, such as: disarmament, reparations, postwar Germany economy, and the German balance of trade.

End of plan. Then follow three tables as follows:

Table 1; Prohibited industries.

Table 2; Industries for which no level determined.

Table 3; Industries the level of which are determined or estimated for 1949.

Table 3 part A, Industries from which production capacity will be taken for reparations.

Table 3 part B, Industries from which reparations are not anticipated but not necessarily excluded.

Tables include production in prewar year, estimated level in 1949 and percentage of prewar year to be retained. Forwarding 50 copies plan and tables by air courier.

ORIGINATOR

: Econ

AUTH: W. H. DRAPER, Jr.

Brig Gen

INFORMATION

: O/SS

Fin

Legal

AG Records

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29 Mar 46 JAK/pl

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*Reparations File*

## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

STAFF CABLE CONTROL

## OUTGOING MESSAGE

*JULIET*~~SECRET~~~~PRIORITY~~

TO : AGWAR FOR WARCAB

FROM : CMGUS SIGNED CLAY

REF. NO. : CC-1763      T00:211529A MAR 46/p1

27997

Ref is made to W-80934. It is suggested that the State Department advise the Soviet Representatives along the following lines. The United States government is cognizant of the delay being experienced in the Allied Control Council in reaching full agreement on reparations and deliveries thereof. It regrets this delay as much as does the Soviet Government. It points out that its representatives in the Allied Control authority have exerted every effort to obtain agreement and have on all occasions been prepared to enter into compromises to reconcile conflicting points of view. However, quadripartite agreement is essential to the solution of this problem. The United States government is advised that the representatives of the Soviet government in the Allied Control authority have had firm positions with respect to the level of industry which have necessarily had to be reconciled with the different views of other powers. It is understood that there is likelihood of early agreement and the United States government has instructed its representatives to exert further effort to secure such agreement.

The United States government understands that certain plants have been allocated to the Soviet Government as advance reparations and that an additional list of plants has been available for evaluation and allocation for some time. However, these deliveries of allocated plants and the further allocation of plants declared available for reparations required agreement on the methods and procedures of evaluation. It is understood that the United States, British, and French representatives in the Allied Control authority had reconciled

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By *[Signature]*

NARA Date 7-22

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REF NO: CG-1763

their views and reached agreement among themselves some time prior to the reaching of an overall agreement among all four powers. Now that this agreement has been reached, there is no obstacle known to the United States government in the making of deliveries to the Soviet Government provided early agreement is reached as to the reciprocal reparations to be made available in payment of that portion of the reparations available from the US Zone to which the Soviet government has agreed to payment in kind. The United States government is equally desirous with the Soviet government for the prompt removal of plants declared available for reparations. Its representatives in the Allied Control authority have been given full authority to effect these arrangements and they are prepared to discuss these matters and to reach agreements as rapidly as any differences in view can be reconciled on the ground.

For your information: No later than 20 Mar the failure to agree on a general level of industry plan resulted from a Soviet position which varied from the compromise position agreed by other three occupying powers. Hence, it would appear Soviet note really is protest against unwillingness of other occupying powers to always accept Soviet interpretation of Berlin protocol. Further specific details can be furnished if desired.

W-80934 is SOC IN 22997

ORIGINATOR : O/SS - DMG AUTH: M C ALLEN  
CAPTAIN

INFORMATION : O/SS, C/S; ECON; FINANCE; LEND; POL APP;  
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OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)  
 STAFF CABLE CONTROL  
**INCOMING MESSAGE**

DATED 162123Z

RECD 172159A March 46  
985/17/wea

R E S T R I C T E D

ROUTINE

FROM : AGWAR SIGNED HARCAD  
 TO : OMGSUS  
 REF NO : W-80934

Subject is interim deliveries of equip. on reparations account to USSR.

Following is memo received by Dept. State from Soviet Charge D'affaires and constitutes protest by USSR concerning failure of occupying powers in 3 Western Zones to meet provisions of Berlin Conference with respect to interim deliveries of equip. on reparations account to USSR. State now preparing reply to this note and requests comments with particular ref. to failure of ACC to fix general level of industry within period set by Berlin Conference and to absence of reparations deliveries to USSR under provision for advance deliveries.

It is common knowledge that it is stated in the decisions of the Berlin Conference regarding the problem of reparations from Germany that the quantity of equipment subject to removal from the Western Zones on reparations account must be defined at the latest within 6 months from the date of the conclusion of the Berlin Conference, that is not later than 2 Feb. 46. It is also stated in these decisions that prior to the fixing of the general quantity of equipment subject to removal advance deliveries will be made.

Inasmuch as in the course of 6 weeks subsequent to the conclusion of the Berlin Conference steps had not been taken toward the practical realization of the above decisions of the Berlin Conference the Soviet Govt. introduced on 14 Sept. 45 at the session of the Council of Foreign Secretaries in London a proposal to accelerate the realization of these decisions.

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By <i>[Signature]</i> NARA Date 7-22	Box 111

R E S T R I C T E D

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As a result of the consideration of these proposals at the Council of Foreign Secretaries on 25 Sept. last year it was recognized that it was necessary to transfer the Inter-Allied Reparations Commission from Moscow to Berlin expedite, with the cooperation of the Reparations Committee, work on the drafting of the reparations plan in particular the plan of advance deliveries in order to assure the exact fulfillment of the schedule established for this purpose by the Berlin Conference.

In conformity with the above the Soviet Govt. sent a representative to the Inter-Allied Reparations Commission in Berlin so that he, together with his colleagues on the Reparations Commission might render necessary assistance to the Control Council in the timely realization of the decisions of the Berlin Conference on the reparations problem. However the Govts. of Great Britain, the U.S. and France did not send their representatives to Berlin to the Inter-Allied Reparations Commission.

In view of the manifestly unsatisfactory fulfillment of the decisions of the Berlin Conference on the problem of reparations from Germany this problem was at the proposal of the Soviet Govt. again posed in Dec. last year for consideration by the 3 Ministers of Foreign Affairs in Moscow. In the consideration of this problem on Dec. 21, Mr. Bevin and Mr. Byrnes stated that instructions had been given to the British and American representatives regarding the expediting of the work so that it might be fulfilled by the time fixed by the decisions of the Berlin Conference.

Notwithstanding the above the decisions of the Berlin Conference have remained unfulfilled both in respect to the fixing of the general quantity of equipment subject to removal on reparations account from the Western Zones of Germany and in respect to advance deliveries. In this connection it cannot but be noted that with regard to the problem of advance deliveries an

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**INCOMING MESSAGE**

R E S T R I C T E D

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REF NO. W-80934

inadmissible occurrence is observed, namely that despite the decision of the Control Council regarding the furnishing to the Soviet Union of several establishments as advance deliveries, the shipping of the equipment from these establishments has not been begun up to the present time, that is more than 6 months subsequent to the decisions of the Berlin Conference.

On the basis of all the foregoing the Soviet Govt. states that in the first place the decision of the Berlin Conference regarding the fixing in a 6 months period of the quantity of equipment subject to removal on reparations account from the Western Zones of Germany has not been fulfilled; in the second place the decisions of the Berlin Conference relating to advance deliveries has not been fulfilled; in the third place the decisions of the Council of Foreign Secretaries of Sept. 21 and the promise of Mr. E. Bevin and Mr. J. Byrnes of Dec. 21 of last year to the effect that measures would be taken by the Govts. of Great Britain and the United States toward the fulfillment within the period fixed by the decisions of the Berlin Conference regarding reparations from Germany has not been fulfilled.

Inasmuch as the delay in the solution of the reparations problem is creating great difficulties in the course of Economic Reconstruction in the Soviet Union and in other allied countries, which were subjected to extraordinary devastation and plunder on the part of the German aggressors, the Soviet Govt. insists that the Govts. of Great Britain, the United States and France take urgent measures to terminate further delay in the realization of the decisions of the Berlin Conference regarding the reparations problem.

The present memorandum has been addressed to the Govts. of Great Britain, the United States of America and France. 27 Feb. 1946."

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III

R E S T R I C T E D

REF NO. W-80934

ACTION : ECON

INFORMATION : O/SS  
Finance  
Legal  
Pol. Aff.  
AC Records

SCC IN 22997 18 March 46 1030A JAK/wea REF NO W-80934

R E S T R I C T E D

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AG. Records

per  
PVM

21 March 1946

SUBJECT: Interim Deliveries of Equipment on Reparations Account to U.S.S.R.

TO : Director, Civil Affairs Division, War Department, Washington, D. C.

1. With reference to your cable W-30934 and supplementary to our cable CG 1763, the following information is presented.

2. U. S. representatives at all levels in the Allied Control Authority have taken the lead in pressing for prompt determination of the character and amount of reparations and the necessary levels of industry to be retained in Germany. In most cases, American proposals finally led to the resolution of differences between various delegations.

3. The U. S. Standard of Living Board was established immediately after the Potsdam Agreement was signed, and the preliminary study on German standard of living was presented for quadripartite discussion on 18 September 1945. The three other delegations expressed appreciation for this first study which set the general pattern for preparation of later plans. The British Plan was presented on 31 December, the French Plan on 13 January, and the Soviet Plan, which had been promised to Mr. Panley in Moscow, and again to General Danner in Moscow in September, was never presented for quadripartite consideration until 9 February 1946, three days after the deadline set by Potsdam for the completion of entire reparations determination, in which the standard of living was only the first step.

4. The first two months after the Potsdam Agreement were largely wasted due to Soviet insistence that the plan should be prepared by the Reparations Commission in Moscow, when the Potsdam Agreement had clearly stated that determination of the character and amount of reparations removals should be made by the Control Council. Even after this question was decided, delays of many weeks occurred due to Soviet experts not being available in Berlin and to their failure to attend regularly called meetings of committees and sub-committees considering the many problems involved. For example, during the latter half of October, Soviet member failed to attend five out of eight regularly called meetings of the Technical Staff of Level of Industry Committee. Similarly, in connection with the determination of the level of steel capacity, which was one of the major issues involved, the Soviet member failed to attend or refused to enter into steel capacity discussions at five meetings of the Metals Sub-Committee regularly called for this purpose. The Economic Directorate established the Level of

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By *JL* NARA Date 7-22RG 260  
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To: Director, Civil Affairs Division (Cont'd) 21 March 1946

Industry Committee on 15 August 1945, but it was not until 14 September that the Soviet member of this Committee was appointed and it was therefore not until 18 September 1945, that the first meeting of this important Committee could be held, at which meeting the U. S. Standard of Living study was introduced for discussion.

5. Agreement by the U.S., British and French Delegations on most of the required levels of industry would have been comparatively easy and the time consumed would have been greatly shortened except for the many low levels in population and in many of the industries concerned insisted on by the Soviet Delegation, and the delaying tactics referred to above.

6. Several months were consumed in endeavoring to arrive at the basic agreement on steel. It was the U. S. proposal that finally broke the bottleneck and the minutes of the meeting of the Control Council of 10 January 1946 included a statement by General Sokolovsky specifically thanking the U. S. member "for his strenuous and skillful efforts to achieve agreement in the Coordinating Committee."

7. For the past few weeks, and particularly since the Russians took the chair on 1 March, the Soviet Delegation's desire to achieve agreement has been evident. On 5 March, the Economic Directorate, after several long meetings each week, finally reached agreement on the Reparations Plan, with a few minor disagreements. These were resolved in the Coordinating Committee and Control Council, and it is expected that final formal approval may be given to the Plan on 22 March.

8. Another factor which necessarily caused long delay in determining capacities not needed in the three Western Zones was the lack of information from the Soviet delegation concerning capacities to be retained in the Soviet Zone. The first detailed information of this character was received on 16 January.

9. With respect to advance deliveries on account of reparations, the U. S. Delegation sponsored and organized Operation RAP (Rapid Appraisal of Plants) which valued the first list of advanced deliveries and provided the basis for the first allocation of plants on 10 December 1945. Soviet objections to the tentative basis of valuation already agreed upon made it impossible to ship any of these plants, although the plants in the U. S. Zone were already being dismantled and prepared for shipment. The other three delegations were agreed on the basis for valuation but only on 9 March was it possible to get quadripartite agreement on this point. We have several times requested shipping instructions from the Soviet but only on 1 March were such instructions received. Transportation has been arranged for these first shipments and loadings on Soviet ships at Bremen are being arranged for the near future. Arrangements were made on the U. S. side in September and October 1945, for valuation experts who arrived here in November prepared to evaluate reparations plants both for advanced deliveries

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To: Director, Civil Affairs Division (Cont'd) 21 March 1946

and for those determined under the permitted Level of Industry to be available for final delivery. However, these experts were able to accomplish very little because it proved impossible to arrive at agreed procedures for evaluating, dismantling, packing and shipping reparations plants until last month. In this connection, the proposal made by the U. S. Delegation for use of the U. S. Treasury depreciation rates on machinery was finally accepted, using 80% of the allowable years of life in that document.

10. It must be recognized that the task given the Control Council by the Potsdam Agreement was a most far reaching and complicated economic determination, particularly as it had to be arrived at on a quadripartite basis. It involved the determination of the European Standard of Living in comparison with the pre-war German standard, as well as a complete survey of the existing productive capacity in all of Germany. Nevertheless, it is believed that the task could have been accomplished within the time allowed except for the delays and protracted negotiations enumerated above, many of which we consider to have been unnecessary. We cannot accept the implication of the Soviet memorandum that responsibility for the delay is attributable to any action, or lack of action, of the U. S. Delegation, which has constantly pressed at all levels for agreement on a reparations plan and has made this its major objective during the past seven months.

For The Deputy Military Governor:

BRYAN L. MILBURN,  
Brigadier General, GSC,  
Chief of Staff

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302978

Reparations File

## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

STAFF CABLE CONTROL

## OUTGOING MESSAGE

~~SECRET~~~~URGENT~~

TO : AGWAR FOR WARCAD PERSONAL FOR HILLDRING  
 FROM : ONGUS FROM DRAPER SIGNED CLAY  
 REF NO : CC 1112 TOO: 081952A MAR 46/v3

1. At meetings of the Coordinating Committee and Control Council on 7th and 8th March respectively report submitted by Economic Directorate on Reparations plan was approved subject to confirmation by the Coordinating Committee at a subsequent meeting and to certain reservations by the French mentioned below. The plan is based on the assumptions that population will be 66½ millions, that Germany will be treated as an economic whole, and that exports from Germany will be acceptable in the international markets. It is of course based on the present territorial limits of Germany, including the Ruhr and Saar, although this is not specifically mentioned in the plan.

## 2. The plan:

a. Prohibits the production of arms, ammunition, implements of war, all types of aircraft, and sea-going ships.

b. Eliminates production facilities for synthetic gasoline and oil, synthetic ammonia, synthetic rubber, ball and taper roller bearings, heavy machine tools of certain types, heavy tractors, primary aluminum, magnesium, beryllium, vanadium produced from Thomas slags, radio-active material, hydrogen peroxide above 50% strength, specific war chemicals and gases, radio transmitting equipment. Production facilities for synthetic gasoline and oil, synthetic ammonia and synthetic rubber, and for ball and taper roller bearings, will be temporarily retained to meet domestic requirements until the necessary imports are available and can be paid for.

c. Metallurgical industries restricted as follows:

(1) Steel as already agreed by the Control Council.

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(2) Annual consumption of non-ferrous metals including exports is fixed as follows:

- a. Copper - 1,000 tons.
- b. Zinc - 135,000 tons.
- c. Lead - 120,000 tons.
- d. Tin - 8,000 tons.
- e. Nickel - 1750 tons.

d. 40% of the 1936 production capacity for basic chemicals will be retained and in addition the existing capacity for production of nitrogen through the synthetic ammonia process will be retained until imports of nitrogen are available and can be paid for. Basic chemicals include nitrogen, phosphate, calcium carbide, sulphuric acid, alkalis, and chlorine. 70% of the 1936 capacity will be retained for other chemical production. Capacity will be retained to produce annually pharmaceuticals in the amount of 332,000,000 reichmarks (1936 value), 36,000 tons of dyestuffs and 185,000 tons of synthetic textiles.

e. Following capacities to be retained for machine manufacturing and engineering.

- 1. For machine tools, 11.4% of 1938 capacity;
- 2. For heavy engineering 31% of 1938 capacity (heavy engineering is defined as metallurgical equipment, heavy mining machinery, material handling plant, and heavy power equipment);
- 3. For other mechanical engineering industries 50% of 1938 capacity;
- 4. For electrical engineering 50% of 1938 capacity, with capacity to produce

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## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

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Heavy electrical equipment reduced to 30% of 1938 production (heavy electrical equipment is defined as generators and converters, 6000 KW and over; high tension switch gear; and large transformers, 1500 KVA and over);

5. For transport engineering capacity retained to produce annually 40% passenger cars, 40000 trucks, 4000 light road tractors, and 10000 motorcycles limited to certain cylinder sizes. Sufficient capacity will be retained to produce annually 30000 freight cars, 1350 passenger coaches and 400 luggage vans. In the locomotive industry available capacity will be used exclusively for the repair of locomotives in order to build up a pool of 15000 locomotives in 1949. Decision will be made later as to production of new locomotives after 1949.

6. For agricultural machinery capacity will be retained for annual production of 10,000 light agricultural tractors. Existing capacity for other agricultural equipment will be retained subject to certain restrictions as type and power of equipment which may be produced;

7. For optics and precision instruments capacity will be retained to produce precision instruments in the value of 340000000 reichmarks.

f. Mining industries.

1. Coal production to be maximized. Potash production estimated in excess of 1938 level.

g. Electric power: 9000000 KW installed generating capacity will be retained including all hydroelectric facilities.

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b. Other industries: estimated levels of the following industries were calculated and shown as necessary for the German economy in 1949:

1. Rubber, 50000 tons, including 20000 tons from reclaimed rubber and 30000 tons from imports.
2. Pulp, paper and printing: 2129000 tons, based on 26 KG per head per annum plus 400000 tons for export.
3. Textiles and clothing industries: 665000 tons of fiber, based on 10 KG per head for 1949, including 2 KG for export.
4. Boots and shoes: 113,000,000 pairs, based on 1.7 pairs per head in 1949.

Report contains specific statement at this point that US Delegate considers that these estimates are not limitations.

1. For the building and building materials industries no levels were determined except for cement. Capacity will be retained to produce annually 8,000,000 tons of cement.

2. F  
are determined so that the industries are free to develop within the limitations of available resources: Furniture and woodwork; flat glass, bottle and domestic glass; ceramics; bicycles; small motorbicycles; potash.

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## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

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## OUTGOING MESSAGE

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~~SECRET~~ 3. With reference to exports and imports, the agreement provides that the value of exports shall be planned as 3,000,000,000 Reichmarks (1936 value), for 1949; that approved imports will not exceed 3,000,000,000 Reichmarks; that of the total proceeds from exports, it is estimated that not more than 1,500,000,000 Reichmarks can be utilized to pay for imports of food and fodder, if this will be required, with the understanding that, after all imports approved by the Control Council are paid for, any portion of that sum not needed for food and fodder will be used to pay for costs of occupation and import services.

3. With reference to pharmaceuticals, dyestuffs, and machine tools The French Delegate was not prepared to accept figures in excess of 280,000 tons 24,000 tons and 8% of 1938 capacity respectively. However, he agreed to recommend to his Govt the higher figures accepted by other 3 delegates.

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AUTH: W H DRAPER  
Brig Gen.INFORMATION : O/SS  
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## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

STAFF CABLE CONTROL

## INCOMING MESSAGE

*Ay - Rec.*

DATED 022308Z

RECD 031621A Mar 46  
932/03/dm~~RESTRICTED~~~~OUTLINE~~

FROM : AGWAR SIGNED JARCAD  
TO : OMGUS  
REF NO : W-99164

Subject is Paris Conference on Reparations and Agreement on Reparation from Germany on the Establishment of an Inter-Allied Reparations Agency and on the Restitution of Monetary Gold.

1. Following State Dept views informally transmitted for your info and comment prior to issuance as instructions. This radio in IV parts.

Part I - General

2. Assume you have available copy of final act and annex of Paris Conference on Reparations which was signed by US Govt on 1<sup>st</sup> Jan current at which time a sufficient number of other nations signed to bring agreement into effect. Assume James Angell, US member IARA and US representative at Paris Conference, has undoubtedly personally reported to you on conference. Felt that a complex and difficult problem has been satisfactorily handled. Particularly gratified that major portion of agreement rests upon proposals originating with this Govt. Following represent instructions contemplated for your action and with respect to items which require no action views of this Govt. Provision should be made for appropriate communication and liaison between IARA and AGC in order to effect coordination and implementation on reparation programs and operations. In the joint operations which must be undertaken in connection with title transfers, publication of plant lists, physical inspection and removal, etc, suggest that appointment

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of liaison officers would be useful.

Part II -- German reparation. (Part I of agreement).

3. References refer to final act and annex. Article II, Par D. Suggest you ascertain from Angell reasons for adoption this provision and types of transactions to which it will give rise. In event you approve provision, you should attempt to secure ACC approval of actions proposed thereunder. In event you disapprove, request your comments.

4. Article III. Two actions appear necessary.

a. Suggest that ACC enact legislation to clear title to reparation assets devolve upon you.

b. Appropriate forms providing for title transfer to reparation recipients should be devised by ACC.

5. Article VI. Views your Govt in this respect already known to you and will undoubtedly be amplified in future comm.

6. Article VIII Par F. Anticipated 1 and perhaps 2 responsibilities.

a. That known monetary gold stocks be valued.

b. In event Inter-Governmental Committee requests proceeds of gold rather than gold proper you would be charged with sale of gold. Suggest evaluation of gold stock be undertaken as soon as possible.

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III

## OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

STAFF CABLE CONTROL

## INCOMING MESSAGE

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Part III -- Restitution of monetary gold  
(Part III of agreement)

7. In accordance with Part F thereof your Govt will communicate to you detailed and verifiable data re gold losses in order that you may implement distribution of the gold stock. In event monetary gold is held or subsequently uncovered in British or French Occupation Zones, you should make arrangements with your British and French colleagues to implement distribution in accordance with provision of part III, Paris Agreement.

Part IV -- Annex to agreement.

8. Annex to final act includes 8 resolutions submitted by govt indicated for attention of US, UK and French Govts. This Govt has considered the resolutions and conveys to you following instructions in event resolutions are presented by one of other occupation powers for consideration.

9. Resolution I should be supported only to extent that it is identical with your restitution directive and procedures you have formulated thereunder.

10. Resolution II should be opposed because it is implicitly contrary to "first-charge" principle. If adopted in context of a German economy short of all excess capacity, this resolution would in effect involve US and UK in subsidizing reparation through unpaid imports.

11. Resolution III. Matter currently under consideration and you will be informed of US view subsequently.

12. Resolution IV should be opposed. In event matter arises for discussion in ACC you should request instructions.

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13. Resolution V should be supported unless interim developments present reasons to contrary.

14. Resolution VI. You are authorized to support. It appears identical with present policy of ACC.

15. Resolution VII should be opposed in view of present plans to use such property for other purposes.

ACTION

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