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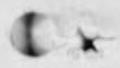
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↳ Box B - U. A. Conference

(San Francisco - Briefing
Memos)

~~[State Dept Classified]~~

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WORLD SECURITY

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1. The Problem of Voting in the Security Council.

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PROBLEM OF VOTING IN THE SECURITY COUNCIL

Summary

1. President's formula calls for unanimity in most cases.

Unanimity of the permanent members of the Security Council, under the voting formula proposed by the President on December 5, 1944, would prevail in six categories of decisions having political and enforcement character. It would also prevail in the remaining category of decisions involving promotion of peaceful settlement of disputes, except when one of the permanent members is a party to a dispute.

2. Soviet proposal would increase domestic United States opposition.

The proposed formula, or its basic principle, seems more clearly essential to us now than heretofore. Our talks with members of Congress, and groups and individuals throughout the country, indicate that its abandonment would gravely alienate many sincere supporters of the Dumbarton Oaks Proposals, and would provide perfectionists and isolationists with a powerful weapon against American participation in the Organization. It is furthermore disturbing that acceptance by us of the straight unanimity rule would be interpreted as surrender to Russia, whose rigid advocacy of that rule is widely known.

3. Soviet proposal is opposed by small nations.

At the same time, our discussions with representatives of other American republics and United Nations have disclosed the strongest official opposition to the straight unanimity rule. It may be difficult, if not impossible, for their governments to secure popular support for entrance into an international organization which, with such a rule, would bear every earmark of a great-power alliance. It appears that all of them would be bitterly disillusioned, that some may stay out, and that under such a rule various smaller nations after joining the organization may feel obliged to align themselves with great powers, which would render the organization undependable and unstable.

THE PROBLEM OF VOTING IN THE SECURITY COUNCIL

I

To bring the problem into its proper perspective, the question of voting procedure in the Security Council must be considered in relation to the functions and powers to be assigned to the Council and, therefore, to the type of substantive decisions which the Council might be called upon to make. The various types of decisions are listed in the attached memorandum, in which they are grouped into seven categories.

Under the voting formula proposed by the President, unanimity of the permanent members would always be required for all categories of decisions except one: in those decisions involving promotion of peaceful settlement of disputes, a permanent member of the Council would not cast a vote if it is a party to the dispute in question.

This exception is based upon the principle that the procedures involved under the excepted category would be quasi-judicial in character, and in such procedures no nation should be placed above the law in an organization based fundamentally on the principle of equality under the law. The rule of unanimity should always prevail under the other six categories of decisions because the procedures involved are of a political character and may require the use of force. In such procedures there is every justification for placing the permanent members in a special position since they must bear the principal responsibility for action in the maintenance of peace and security.

While it is clear that, in general, the rule of unanimity of the permanent members is necessary, the proposed voting formula--or, at least, its basic principle--is essential from our point of view. It amply safeguards our basic national interests. Its abandonment would weaken rather than strengthen our position, both at home and abroad, and would cause us no end of trouble.

Our talks with members of Congress and with many individuals and groups throughout the country clearly

indicate

indicate that failure to provide for at least this much of a modification of the unanimity rule would be profoundly deplored by many sincere supporters of the Dumbarton Oaks proposals. There is strong evidence that it would become a powerful weapon in the hands of both the perfectionists and the isolationists. Moreover, acceptance by us of a straight unanimity rule would inevitably be interpreted as surrender to Russia. These factors might well jeopardize our chances for adequate public and Congressional support in this country.

At the same time, our discussions with representatives of the American Republics and of other United Nations have already disclosed their strong opposition to the straight unanimity rule. All of them have indicated that it would be extremely difficult, if not impossible, for their governments to secure whole-hearted support on the part of their peoples for an international organization which would thus, in popular estimation, have every earmark of a great-power alliance. Without at least some such provision as is contained in the proposed voting formula, all of them will be bitterly disillusioned, and some of them may even decide to stay out. Furthermore, under these conditions, the smaller nations, even after joining the organization, might well seek to align themselves with the various great powers and thus render the whole system precarious and unstable.

Taken in conjunction with the fact that we may have to acquiesce in some unsatisfactory peace settlements, all this would inevitably impair both our moral prestige and our political leadership in the world and might come perilously close to defeating the great cause in which we are now exercising so vigorous a leadership.

Soviet Russia's case against the proposed formula is extremely weak. Under the proposal, she--as well as we and each of the other three permanent members--would have veto power in the following decisions:

1. Admission of new members;
2. Suspension and expulsion of members;
3. Determination of the existence of a threat to the peace or of a breach of the peace;
4. Use

4. Use of force or the application of other measures of enforcement;
5. Approval of agreements for the provision of armed forces;
6. All matters relating to the regulation of armaments;
7. Determination of whether a regional arrangement is consistent with the purposes and principles of the general organization.

So long as this is so, Soviet Russia has more to gain than to lose, just as have we--in stature, in prestige, in leadership, and in prospects for a successful and effective world order--by agreeing to place herself on an equal footing with all other countries before the bar of world opinion as regards efforts on the part of the new organization to bring about peaceful settlement of whatever controversies may arise between her and other countries.

II

The manner in which the proposed voting formula would safeguard our basic national interests may be seen from the following concrete example. If the United States were to become involved in a dispute with Mexico, and if Mexico or some other country were to bring the situation to the attention of the Security Council on the plea that its continuation is likely to threaten the peace, the United States would accept the Council's decisions made without its participation, by a vote of the other permanent members and at least two non-permanent members only on the following questions:

1. Whether the matter should be investigated by the Council;
2. If an investigation is made, whether, on the basis of its results, the dispute should be considered to be of such a nature that its continuation is likely to threaten the peace;
3. Whether the Council should call on the United States and Mexico to settle or adjust the dispute by means of their own choice;
4. Whether,

4. Whether, if the United States and Mexico, having failed to settle the dispute by means of their own choice, refer it--as they are obligated to do--to the Council, the latter should make a recommendation to them as to methods and procedures of settlement;
5. Whether the circumstances require that such a recommendation be made by the Council before the dispute is referred to it by the parties;
6. What should be the nature of the recommendation;
7. Whether the legal aspects of the matter before it should be referred by the Council for advice to the international court of justice;
8. Whether the dispute does in fact arise out of a matter which, by international law, is solely within the domestic jurisdiction of the United States when the United States claims that this is the case;
9. Whether, if there exists a regional inter-American agency for peaceful settlement of local disputes, the Council should ask such an agency to concern itself with the dispute in question;
10. Whether the matter should be referred by the Council to the General Assembly for consideration and recommendation.

Once the situation gets beyond the field of conciliation and of efforts at peaceful settlement, and the Security Council is confronted with the question as to whether or not the dispute between the United States and Mexico constitutes a threat to the peace, the United States would resume the right to cast its vote in the Council's decisions. The right of the United States to cast its vote under the unanimity rule in all other substantive decisions of the Council would, of course, remain unimpaired throughout.

NOTE: Copies of this document were given informally to the Soviet and British Ambassadors in Washington shortly after January 15, 1945.

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January 15, 1945

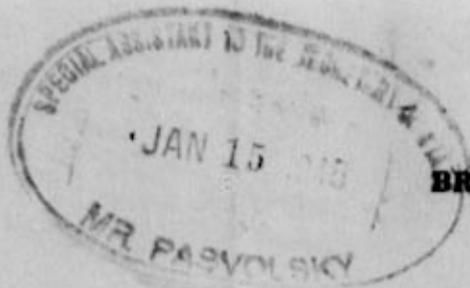
PRINCIPAL SUBSTANTIVE DECISIONS
ON WHICH THE SECURITY COUNCIL
WOULD HAVE TO VOTE

Under the voting formula proposed by the President, all of the decisions listed below would require the affirmative votes of 7 members of the Security Council, including the votes of the permanent members. The only exception would be that, in the event that a permanent member is a party to a dispute or a situation before the Council, that member would not cast its vote in decisions listed under "Promotion of Peaceful Settlement of Disputes" (Category III below).

- I. Recommendations to the General Assembly on
 1. Admission of new members;
 2. Suspension of a member;
 3. Expulsion of a member;
 4. Election of the Secretary General.
- II. Restoration of the rights and privileges of a suspended member.
- III. Promotion of peaceful settlement of disputes, including the following questions:
 1. Whether a dispute or a situation brought to the Council's attention is of such a nature that its continuation is likely to threaten the peace;
 2. Whether the Council should call on the parties to settle or adjust the dispute or situation by means of their own choice;
 3. Whether the Council should make a recommendation to the parties as to methods and procedures of settlement;
 4. Whether

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4. Whether the legal aspects of the matter before it should be referred by the Council for advice to the international court of justice;
 5. Whether, if there exists a regional agency for peaceful settlement of local disputes, such an agency should be asked to concern itself with the controversy.
- IV. Removal of threats to the peace and suppression of breaches of the peace, including the following questions:
1. Whether failure on the part of the parties to a dispute to settle it by means of their own choice or in accordance with the recommendations of the Security Council in fact constitutes a threat to the peace;
 2. Whether any other actions on the part of any country constitute a threat to the peace or a breach of the peace;
 3. What measures should be taken by the Council to maintain or restore the peace and the manner in which such measures should be carried out;
 4. Whether a regional agency should be authorized to take measures of enforcement.
- V. Approval of special agreement or agreements for the provision of armed forces and facilities.
- VI. Formulation of plans for a general system of regulation of armaments and submission of such plans to the member states.
- VII. Determination of whether the nature and the activities of a regional agency or arrangement for the maintenance of peace and security are consistent with the purposes and principles of the general organization.



BRITISH EMBASSY,
WASHINGTON 8, D. C.

14th January, 1945

Dear Leo,

In confirmation of my telephone message of yesterday, I am writing, on the Ambassador's instructions, to inform you that His Majesty's Government are prepared to accept the President's proposed compromise on voting on the Security Council of the World Organization.

His Majesty's Government are still not entirely clear as to the precise effect of the application to paragraph 1 Chapter 8, Section C of the Dumbarton Oaks proposals of the rule that parties to a dispute should not vote, but they do not anticipate any difficulty on this score.

The Foreign Office ask us to recall to you that the question of voting is not the only one that remains to be settled before a United Nations Conference could be called, and that all difficulties will not probably have been got out of the way before the next Three Power meeting. This must unfortunately militate against going ahead too precipitately. The Foreign Office also recall that the idea was that the invitation to the Conference should be sent out in the names of the Three (or Four) Powers. Consultation between us would consequently be required before the invitation actually issues.

Yours sincerely,

Michael Llewellyn

Mr. Leo Pasvoliski,
Department of State of the United States
Washington, D.C.

COMPOSITION OF THE SECURITY COUNCIL

PRESENT PROPOSAL

The Dumbarton Oaks Proposals provide that the Security Council should be composed of eleven members, of which the United States, Great Britain, the Soviet Union, China and, in due course, France, would have permanent seats. Six other states would be elected by the General Assembly for two-year terms, which states would not be immediately eligible for reelection.

CHANGED STATUS OF FRANCE

The condition attached to French tenure of a permanent seat has been met by virtue of recognition of the French Provisional Government, of that Government's having become a full member of the European Advisory Commission, and of its having signed the United Nations Declaration. The other permanent members should, accordingly, reach prompt agreement that hereafter they will treat France as one of the powers sponsoring the Dumbarton Oaks Proposals if France so desires.

POSSIBILITY OF OTHER GOVERNMENTS PROPOSING CHANGES

It is not believed that the Soviet Union will raise questions about the present Proposals for the composition of the Security Council.

It is considered more likely that Great Britain may advance recommended changes in the present Proposals which would recognize the right of the medium-sized powers to something akin to semi-permanent seats, based on their greater ability to assist in the maintenance of international peace and security through military action. It is believed that any such proposal should be resisted.

NATIONS TO BE INVITED TO THE
UNITED NATIONS CONFERENCE

During the Dumbarton Oaks Conversations it was assumed that the nations to be invited to the United Nations Conference for the drafting of the Charter of the General International Organization would be the initial or founding members of the Organization, but the question of which nations should be invited was left open.

We took the position that both the United Nations and the nations associated with the United Nations should be invited. The Chinese agreed with us.

The Soviet representatives maintained the position that the Conference should be restricted to the United Nations, but did not rule out the possibility that the associated nations might be admitted to membership in the Organization immediately after the United Nations had signed.

The British representatives did not object to the American position, suggesting only that additional states might desirably be invited to be initial members though not to take part in the Conference.

The British since then have seemed to feel that the problem is particularly an American one; six of the associated nations are American Republics, the other two being Egypt and Iceland. The six American countries are: Chile, Ecuador, Paraguay, Peru, Uruguay, and Venezuela. Although we are suggesting to these six countries the desirability of their adhering to the United Nations Declaration, special problems in each country make such action unlikely for some months.

The question of which nations should be invited to the Conference may arise in discussion of the voting problem since, apparently, the Soviet view was advanced chiefly for bargaining in that connection. The question will more certainly arise if the voting problem is solved, since such agreement will remove the main obstacle to calling the Conference.

Should this development occur, it is recommended that this Government maintain its previous position. If we cannot obtain concurrence with it, the preferable

alternative

alternative would be to invite the associated nations to send observers, if possible with right to present views, and to sign the Charter immediately after the United Nations have signed.

In order to provide for admission of other states, prior to the coming into force of the Charter, it is recommended that the Charter be held open for adherence by certain states, agreed upon through consultation, in the category of adhering signatories.

CONFERENCE OF AMERICAN REPUBLICS IN
MEXICO CITY AND DISCUSSIONS WITH
LATIN AMERICAN AMBASSADORS IN WASHINGTON

Should Prime Minister Churchill or Marshall Stalin raise any question about either of the above subjects, the following background material may be helpful.

Mexico City Conference

The Conference, which will convene February 21, is not a regular Consultative Meeting of American Foreign Ministers. It is being held, however, in accordance with the practice of the American republics to consult together on matters of mutual interest. No such general meeting having been held since that at Rio de Janeiro in January, 1942, a demand for a meeting has been growing during the past year in the other American republics. The agenda for the Conference is as follows:

- I. Further cooperative measures for the prosecution of the war to complete victory.
- II. Consideration of problems of international organization for peace and security.
 - A. World organization
 - B. The further development of the inter-American system, and its relations to world organization.
- III. Consideration of the economic and social problems of the Americas.
 - A. War and transitional Economic cooperation
 - B. Consideration of methods of further cooperation for the improvement of economic and social conditions of the peoples of the Americas with the end of raising their general standard of living.
- IV. Other factors of general and immediate concern to the participating Governments.

Attention may be given to the Argentine problem.

With respect to plans for world organization, it is the objective of this Government to have a full discussion

of

of the Dumbarton Oaks proposals at the Conference, and no commitment inconsistent with the proposals will be assumed by this Government at the Conference.

Discussions with Latin American Ambassadors

This Government has followed the same policy in discussing the Dumbarton Oaks proposals with the Ambassadors of the other American republics in Washington at a series of meetings during the fall and winter which have had the same objective of enabling the other republics to express their views, and of winning support for the proposals.

DEPENDENT TERRITORIES

The Department has tentatively formulated, for use when approved, a Draft Plan for International Trusteeship, a Draft Plan for Regional Advisory Commissions for Dependent Areas, and a Draft Declaration Regarding Administration of Dependent Areas.

No discussion with other governments has as yet occurred regarding these papers. While we were prepared to transmit a proposal on trusteeship prior to the Dumbarton Oaks Conversations, this part of our Tentative Proposals was taken out at the instance of the Joint Chiefs of Staff who in the light of circumstances last summer feared that embarrassing territorial discussions might result. Accordingly, no formal discussion occurred during those Conversations. However, the British, Soviet, and Chinese representatives informally expressed much interest in the matter, and it was understood that this question would be considered later as one of the questions left open.

Our Draft Plans are being submitted to review, in the light of the Dumbarton Oaks Proposals, by the Secretary's Staff Committee and by the War and Navy Departments for presentation to the President before communication to other governments. Their essential points are summarized below.

Categories of Dependent Territories.--Dependent areas should be divided, for reasons of status and corresponding difference in degree and directness of international concern, into two categories: (a) trust (or mandated) territories whose special status makes it desirable to place them under the authority of the general international organization as trustee; and (b) other dependent territories whose control by individual states is recognized pending their development toward self-government to the fullest extent of the capacity of the dependent people.

Declaration of Principles.--The authorities responsible for the administration of dependent territories should agree upon a general declaration of principles designed to establish minimum

political

political, economic, and social standards applicable to all non-self-governing territories, whether colonies, protectorates, or trust territories.

These principles should be formulated in accord with two essential assumptions: (1) that the welfare of dependent peoples and the development of the resources of dependent territories should be recognized as of proper concern to the international community at large; and (2) that states responsible for the administration of dependent territories should recognize the principle of some measure of accountability to the international community for such administration.

A Trusteeship Mechanism.--A trusteeship mechanism should be provided by which the international organization would succeed to the rights, titles, and interests of the Principal Allied and Associated Powers, and to the rights and responsibilities of the League of Nations with respect to the mandates. It should also be given authority over certain territories which may be detached from the present enemy states, and over any other territories which by agreement may be placed under its control.

Regional Advisory Commissions.--Regional advisory commissions should be established, wherever practicable, in regions in which dependent territories are numerous, to assist the responsible authorities in the discharge of their international accountability for such territories together with their obligation to develop the resources and promote the welfare of these territories and their peoples. The regional advisory commissions should as a general rule have wide membership, including states which hold colonies in a given region, independent states and certain advanced dependent territories in the region, and other states which have major strategic or economic interests in the region. They should be entitled to call on the general organization and on specialized economic or social agencies related to the general international organization for advice and assistance and should make reports available to the general organization and related agencies.

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July 19, 1944DRAFT DECLARATION REGARDING ADMINISTRATION
OF DEPENDENT TERRITORIES

The United Nations and the Nations associated with them

Having regard for the principles enunciated in the Atlantic Charter and in the Declaration by United Nations of January 1, 1942;

Desiring to give in dependent territories effective application of those principles and provisions of existing international conventions and agreements which have promoted and which may be expected to promote the social, economic, and political advancement of dependent peoples;

Realizing that economic development and stability in dependent territories are closely related to the welfare of the world community and to the preservation of world peace;

Being convinced that the well-being of the world requires the protection of dependent peoples against aggression and imposes upon these peoples and upon the administering authorities a mutual obligation to comply with the requirements of world security;

Reaffirming the intention to assist in the development of the capacities of dependent peoples with a view to realization by them of reasonable aspirations which may be theirs to participate in and contribute to the progress of the world community;

jointly declare that:

I Political

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I

Political Development

1. It is the duty of all authorities responsible for the administration of dependent peoples to foster the development of political institutions suited to their needs and to develop in them the capacity for self-government. To this end they should:

- (a) Safeguard the political and civil rights of the inhabitants of dependent territories, including freedom of speech, press, and assembly, and of worship and religious teaching;
- (b) Give due consideration, in the evolution of forms of self-government, to the cultural development and traditional institutions of the people;
- (c) Promote the development of organs of local self-government, the extension of the franchise where and as feasible, and the increasing participation of the people in the various branches of government and public service and in the activities of any regional institutions which may be established in the area; and
- (d) Arrange, with due consideration always for the wider interests of the world community, that peoples which desire to be self-governing and which have acquired and have demonstrated adequate capacity, shall become self-governing, on the basis either of independence or of autonomous association with other peoples within a state or a grouping of states.

2. It is the duty of those peoples which aspire to self-government or to independence to make every effort to prepare themselves for the corresponding duties and responsibilities and to demonstrate their capacity to maintain stable government and to safeguard political and civil rights of the inhabitants.

II Economic

II

Economic Development

1. The economic development of dependent territories should be conducted in a manner which will safeguard and promote the interests of the inhabitants and give due consideration to the interests of the world at large. To this end all authorities responsible for the administration of dependent territories should:

- (a) Promote rational use of resources, with such diversification of production and distribution as may best serve that purpose; and make available to all peoples without discrimination, but with due regard to the rights and interests of the dependent peoples and to the requirements of world security and peace, the resources, products, and economic opportunities of dependent territories;
- (b) Protect dependent peoples against loss of their lands and occupations; assist them to become progressively competent to manage their own economic affairs, subject only to the requirements of a sound international economy; and aid them to participate on fair terms in world trade; and
- (c) Facilitate access by dependent peoples to capital and technical assistance needed for sound economic development.

2. The administering authorities in each territory should apply, as far as practicable, the provisions of all generally accepted international agreements wherein principles of equality of commercial treatment, of freedom of transit and navigation, or of similar practices are affirmed or elaborated.

III Social

III

Social Development

1. The administering authorities in each territory should promote the health, education, and general social development of the dependent peoples thereof.

2. The administering authorities should, so far as feasible, apply the provisions of generally accepted agreements relating to these matters, including relevant portions of the Treaty of St. Germain, 1919, relating to the Congo Basin; the Opium Conventions of 1912 and 1931; the Slavery Convention of 1926; and the Social Policy in Dependent Territories Recommendation, 1944.

IV

The Obligation to Report

The administering authorities in each territory should publish annually and make available to other governments and to appropriate general or regional international organizations a full report upon the political, economic, and social conditions within that territory and upon all efforts being made to give effect to this Declaration.

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CDA 140c
November 21, 1944.

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ARRANGEMENTS FOR
INTERNATIONAL TRUSTEESHIP

Section A
SCOPE AND PURPOSES

1. The Organization, on behalf of the world community, should establish under its own authority a system of international trusteeship for the administration and supervision of certain non-self-governing territories. The Organization, as trustee, would (a) succeed to the rights, titles, and interests of the Principal Allied and Associated Powers under the Treaty of Versailles and the Treaty of Lausanne and to the rights and responsibilities of the League of Nations under the Covenant with respect to the non-self-governing territories detached from previous sovereignties in 1919, and (b) acquire authority over certain territories which may be detached from enemy states as a result of the present war. By action of the General Assembly the system might be extended in whole or in part to any territories at the request of states having control over such territories. Italy and Japan should be required by the terms of the peace settlement to relinquish all their rights, titles, and interests in the present mandated territories.

2. The basic objectives of the trusteeship system should be: (a) to promote, in accordance with the provisions of a declaration to be agreed upon, the political, economic, and social advancement of the trust territories and their inhabitants and their progressive development toward self-government; (b) to provide non-discriminatory treatment in trust territories for appropriate activities of the nationals of all member states; and (c) to further international peace and security.

Section B
STRUCTURE AND COMPOSITION

1. The responsibilities of trusteeship should be vested in the General Assembly. Supervision of the authority administering each trust territory should be exercised by a Trusteeship Council responsible to the

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General Assembly.

2. The Trusteeship Council should be composed of persons of special competence designated (a) one each by states and international mixed commissions administering trust territories and (b) one each by an equal number of other states named for three-year periods by the General Assembly. Decisions by the Trusteeship Council should be taken by a majority of those present and voting. The Trusteeship Council should make arrangements for representatives of appropriate specialized organizations or agencies to participate in its deliberations, their votes being recorded but not counted.

3. There should be attached to the Trusteeship Council a permanent secretariat of experts, with adequate fact-finding powers, to provide technical advice and assistance to the Trusteeship Council and to the General Assembly upon its request.

4. The administering authority over each trust territory should be a state or a specially constituted international mixed commission. Each territory administered under a mandate, except the islands formerly administered by Japan and mandated territories which shall have achieved their independence, should be administered under these trusteeship arrangements by the state which now administers it, unless in a particular case or cases some other disposal is made by the Organization.

5. Each territory should be governed in accordance with a territorial charter, which should constitute the fundamental law of the territory defining the rights and obligations of the parties concerned. Each charter should be so drawn as to take into account the special circumstances of each territory.

Section C
POWERS

1. The General Assembly should be empowered:
 - a. to call for and to act upon the reports, recommendations, and decisions of the

Trusteeship

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Trusteeship Council;

- b. by a two-thirds vote to adopt the initial territorial charters, to amend such charters, to designate the administering authorities, to remove the authorities for cause, to determine the conditions of termination, and to terminate trusteeship of any territory;
 - c. to institute investigations into any aspect of the trusteeship system;
 - d. to authorize representation of the Organization on any regional or technical commission within whose sphere of responsibility a trust territory may be situated;
 - e. to encourage and facilitate cooperation between the Trusteeship Council and the Economic and Social Council and between the administering authorities and the economic, social, and other organizations or agencies brought into relationship with the Organization; and
 - f. to assign to the Trusteeship Council such powers and functions, in addition to those listed in paragraph 2 below, as may be deemed desirable.
2. The Trusteeship Council, exercising general supervision over trust territories, should be empowered:
- a. to advise the authorities administering trust territories;
 - b. to call for and examine reports from the administering authorities;
 - c. to interrogate representatives of those authorities;
 - d. to receive petitions and to hear petitioners in person;

e. to

- e. to recommend or pass upon economic projects of more than a minor local character and to conduct investigations relevant to such projects;
- f. to conduct periodic inspections in the trust territories;
- g. to make recommendations to the General Assembly regarding the territorial charters, the administering authorities, and other aspects of the trusteeship system;
- h. to assist the Security Council at its request;
- i. to make public its records and reports; and
- j. to adopt its own rules of procedure and the method of selecting its President.

Section D
PROCEDURES

1. The financial position of each trust territory should be reviewed periodically by the Trusteeship Council. The costs of administration should in general be met from the regular revenues of the trust territory, and the costs of supervision should be provided in the budget of the Organization.

2. The administering authorities should cooperate fully in the application of any international security measures specified by the Security Council.

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CDA-220 Preliminary
October 18, 1944.

DRAFT PROPOSAL
REGIONAL ADVISORY COMMISSIONS

A. PURPOSE

1. The welfare of dependent peoples and the resources of dependent territories are of proper concern to the international community at large. The establishment of regional advisory commissions in regions characterized by the presence of numerous dependent territories would be one means whereby states responsible for dependent territories could recognize such concern and could discharge their obligation to promote the welfare of dependent peoples through international cooperative effort.

2. The regional advisory commissions should have as their primary purpose the promotion of the political, economic, and social welfare of the peoples inhabiting the region.

B. MEMBERSHIP AND
STRUCTURE

1. Membership in the regional commissions should consist of states responsible for the administration of dependent territories in the region, independent states

within

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within the region, dependent territories in the region which have attained a considerable degree of self-government, and other states having major economic or strategic interests in the region. The general international organization should be represented on any regional commission within whose sphere of responsibility a trust territory may be situated.

2. Each regional commission should operate on the basis of an agreement between its members. With a view to the progressive advancement of the dependent peoples, such an agreement should incorporate a statement of the principles which would guide those members responsible for the administration of the dependent territories within the region.

3. The members of the regional commissions should designate official representatives to serve as commissioners. The number of commissioners to be designated by the members of each regional commission should be specified in the basic agreement.

4. The regional commissions should be responsible within their terms of reference for the formulation of policy and the initiation of programs and recommendations. Each commission should appoint a secretary-general and provide for a joint permanent secretariat, composed of

experts

experts on the problems of the region. The secretary-general should be charged with the preparation of memoranda and reports, with the organization of conferences, and with the administrative functions of the commission. The headquarters of each commission should be located within the region.

5. The regional commissions should have technical research agencies and such other committees, regional offices, conferences, and development agencies as may be found essential for the effective discharge of their responsibilities.

6. The members administering the dependent territories in the region should, to the extent feasible, include as commissioners, representatives of the peoples native to the region. In the secretariat and auxiliary agencies of the commissions, to the extent consistent with the effective functioning of such bodies, qualified personnel should also be drawn from the peoples native to the region.

C. TERMS OF REFERENCE
AND AUTHORITY

1. The regional commissions should undertake to encourage and strengthen social and economic cooperation within the region. They should stimulate technical research on the problems of the area, develop regional

self-help,

self-help, and avoid unnecessary duplication in research.

2. The regional commissions should be empowered to make recommendations to the respective members relating to the problems of common concern to the given region and to request and review annual or special reports on subjects within the competence of the commissions from members administering dependent territories in the region. The commissions should be empowered to reach agreements, subject to acceptance by their respective members, on budgetary arrangements, personnel, and other administrative details pertaining to the commissions.

3. The official representatives of the regional commissions should for purposes of gathering information essential to the work of the commissions, and subject to prior notification to the authorities concerned, enjoy the privilege of free access to the dependent territories of any member in the region.

D. PROCEDURE

1. Each regional advisory commission should adopt its own rules of procedure, including provision for new members.

2. Each regional commission should prepare reports periodically on the work of the commission for submission

to

to its members and for the information of the general international organization and the public.

E. AREAS OF POSSIBLE APPLICATION

Regional advisory commissions might be considered as practicable for the following general regions:

The Caribbean

Central and South Pacific

Southeast Asia

West Africa

East and Central Africa

Southern Africa

RJBunche
TS:HFurber :FL:MLC
PWireland

THE INTERNATIONAL COURT OF JUSTICE

PROVISIONS OF THE PROPOSALS

The Dumbarton Oaks Proposals provide that: (1) an international court of justice should be established as the principal judicial organ of the Organization; (2) the court should have a statute which should be annexed to the Charter of the Organization; (3) all members of the Organization should ipso facto be parties to the statute; (4) states not members of the Organization should be permitted to become parties to the statute upon conditions laid down by the General Assembly upon recommendation by the Security Council; and (5) the statute should be either (a) the statute of the present Permanent Court of International Justice with such modifications as may be desirable, or (b) a new statute based upon the present Statute.

PRESENT STATUS OF THE PROBLEM

It was suggested informally during the Conversations that prior to the United Nations Conference a preliminary meeting of jurists be held for the purpose of drafting the statute of the court and formulating plans for its establishment, to be submitted to that conference. No definite agreement was reached on this suggestion, and there was no detailed discussion of the content of the proposed statute nor of the possible means by which it might be put into effect. The United States delegation handed informally to the other delegations a tentative revised draft of the Statute of the Permanent Court of International Justice as a possible basis for future consideration.

The preliminary meeting of jurists, and, subsequently, the Conference, will therefore be faced with complex legal and practical problems resulting from the fact that the Permanent Court of International Justice is still an organization in being, and that the adoption either of a new statute or a revision of the present Statute will necessarily involve the interests of states which will not be initial members of the organization. These include eight enemy states or states under armistice, and six neutral states. Since no decision was reached during the Conversations on the time for the proposed meeting of jurists, on its composition, or on its terms of reference,

these

these questions will presumably be decided by agreement between the Governments of the United States, the United Kingdom, the Soviet Union and China.

RECOMMENDED PROCEDURE

If this matter arises for consideration, it is recommended that the following procedure be favored: (1) the convening of the meeting of jurists immediately upon the issuance of invitations to the United Nations Conference; (2) the meeting to consist of about fifteen jurists selected on the basis of technical competence by agreement among the four powers; (3) their terms of reference to be (a) the preparation for submission to the Conference of a statute for the court, on the basis of the present Statute, leaving for decision at the United Nations Conference the question whether it is to be treated as a revision of the present Statute, or as a new one, and (b) the preparation for submission to the Conference of alternative procedures for putting the statute into effect.

LIQUIDATION OF THE LEAGUE OF NATIONS

ACTION AT DUMBARTON OAKS

The question of the dissolution of the League of Nations and the transition from it to the United Nations Organization was discussed informally by the representatives of the United States, Great Britain, and China at Dumbarton Oaks, October 7, 1944. It was informally agreed that papers on the subject should be exchanged, no date being set for the exchange. As this Government is not a member of the League it has preferred to await the initiative of the other Governments in this matter. No papers have been received. A copy of a paper prepared in the Department is attached.

ACTION OF THE LEAGUE'S SUPERVISORY COMMITTEE

Early in December 1944 the Supervisory Committee of the League met in London and appointed a committee of three consisting of Mr. Hambro (Norway), Mr. Bruce (Australia), and Mr. Castillo Najera (Mexico), to select a Conciliation Committee for the purpose of conferring with such group as might be designated by the United Nations Conference to deal with questions arising out of the dissolution of the League and the transfer of functions to the new Organization.

Previous to this London meeting, on November 23 the Mexican Ambassador, Chairman of the Supervisory Committee, expressed the hope to Mr. Stettinius that when the contemplated Conciliation Committee should meet with the designated United Nations group at the forthcoming United Nations Conference, the United States would appoint an expert to consult with the Committee. The Acting Secretary made no commitment on this point, but said the matter would be borne in mind.

After the London meeting, on December 23 the Mexican Ambassador informed Mr. Stettinius of the action taken by the Supervisory Committee and stated that the Conciliation Committee would be ready to meet with the designated United Nations group at their convenience. The Secretary made no comment and explained that no plans could be

made

made for such a meeting until a time had been set for a United Nations Conference to consider the Dumbarton Oaks Proposals.

It is expected that the League Supervisory Committee at a meeting scheduled for January 19, 1945 in London will discuss the matter of the liquidation of the League generally and decide what preparatory work should be undertaken for a further meeting to be held probably in July at which a report will be presented for adoption.

RECOMMENDED PROCEDURE

It is recommended that no initiative be taken by the United States with respect to the liquidation of the League. The question should be left for consideration at the United Nations Conference, unless a different procedure is initiated by the United Kingdom and/or by China, both of which are members of the League.

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ISO 27c
November 21, 1944

TRANSITION FROM THE LEAGUE OF NATIONS
TO THE NEW INTERNATIONAL ORGANIZATION

I. THE PROBLEM

Establishment of a new general international organization in place of the League of Nations will raise three important problems respecting the League of Nations: (1) how the League of Nations may be legally terminated in favor of the new organization; (2) how its properties and any of its functions, aside from those vested in the League by separate agreements, may be transferred to the new organization; and (3) how the functions vested in the League by separate agreements may also be transferred. It is desirable that these problems be clarified and, if possible, steps be taken to avoid uncertainty and confusion when the new organization is established.

The problem arises because the Covenant of the League of Nations still constitutes a binding obligation upon the states members of the League, and unless the League is terminated concurrently with the establishment of the new organization these states may be faced with conflicting legal obligations to two general international organizations. Moreover, there would exist some possibility that a few states might endeavor to maintain the League of Nations, in which event there would be two organizations endeavoring to operate in the same field. Furthermore, there might be confusion with regard to the legal status of several hundred treaties which vest certain powers and functions in the League.

II. RELATION OF THE
UNITED STATES TO
PROBLEM

The termination of the League of Nations is not a matter of primary concern to the United States in view

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of

of the fact that the United States is not a member. It is, however, a matter of concern to the extent that the United States has an interest in or is a party to treaties vesting functions in the League of Nations. It also becomes of concern insofar as the continued existence of the League may complicate the establishment of the new general international organization and to the extent that other governments might consult the United States to ascertain any views which it may hold with regard to the best procedure for the transition to the new organization.

It may also be to the interest of the United States that ways and means be found whereby the new international organization may avail itself of the property and assets of the League of Nations.

The present discussion is in response to the suggestions made in the conversations at Dumbarton Oaks that research papers examining possible solutions of the problem of transition and possible procedures to achieve such solutions be prepared and exchanged. To these ends, two sets of solutions are explored below, the first dealing with the substantive problem of dissolution of the League and transfer of its functions to the new international organization and the second dealing with the problem of discovering ways and means which could lead to the adoption of an appropriate mode of dissolution and transfer.

III. STATUS OF LEAGUE MEMBERSHIP

The status of membership of the League of Nations in relation to prospective membership of the new international organization is as follows:

1. Twenty-eight of the forty-five present members of the League are United Nations or associated with the United Nations.

United Nations: The United Kingdom of Great Britain and Northern Ireland, Australia, Canada, India, Union of South Africa, New Zealand,

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China

China, Belgium, Bolivia, Colombia, Cuba, Czechoslovakia, the Dominican Republic, Ethiopia, Greece, Iran, Iraq, Liberia, Luxembourg, Mexico, the Netherlands, Norway, Panama, Poland, and Yugoslavia.

Associated Nations: Ecuador, Egypt, and Uruguay.

2. Seventeen of the members of the League of Nations are neither United nor Associated Nations:

Afghanistan, Albania, Argentina, Austria, Bulgaria, Denmark, Eire, Estonia, Finland, France, Latvia, Lithuania, Portugal, Sweden, Switzerland, Thailand, and Turkey.

3. Fifteen of the United Nations and of the Associated Nations are not members of the League:

United Nations: Brazil, Costa Rica, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, the Philippines, Soviet Union, and the United States.

Associated Nations: Chile, Iceland, Paraguay, Peru, and Venezuela.

IV. POSSIBLE SOLUTIONS
OF THE PROBLEM OF
TRANSITION

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A. Protocols

- (1) Protocol of Dissolution and Transfer
(2) Protocol of Transfer.

(1) A protocol of dissolution and of transfer of properties and of functions of the League, aside from those functions vested in it by separate treaties, could be opened for signature by states members of the League, at the time of signing of the basic instrument of the new organization. Such a protocol could provide, as among the signatory states, for the following:

1. The

1. The Covenant of the League of Nations should be terminated as of the date the protocol becomes effective.
2. The continuing functions of the League, with the exception of those related to the Permanent Court of International Justice, should be transferred to the new organization, subject to the provisions of the charter of the new international organization.
3. All archives and records of the League should be transferred to the new organization.
4. All the rights, titles, and interests of the League in property of any kind should be transferred to the new international organization, subject to the fulfillment of existing obligations and commitments.
5. The protocol should be open for signature by all members of the League.
6. The protocol, after ratification by at least all those states members of the League who would become initial members of the new organization, should become effective as between the parties at the moment of entry into force of the basic instrument of the new organization. These parties should thereupon proceed with the liquidation of the League.

The suggestion of such a protocol assumes that in the absence of any provision in the Covenant providing for its own termination, common consent or a general consensus, and not unanimous consent, is adequate to the purpose.

It would be desirable, nevertheless, to secure unanimous consent if possible. Every effort to that end should be made. Among the states members of the League but which would not at the outset become members of the Organization are three enemy states, Bulgaria, Finland, and Thailand, and two states not now represented by recognized governments, Albania and Austria, which

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would be required to consent to the dissolution as part of the terms of the peace settlement. It can be assumed that now, since recognition of the provisional government, France is in a position and would be disposed to consent to dissolution. The status of Estonia, Latvia, and Lithuania is doubtful, and it seems likely that they will not be in a position to assert any interest which they may have in this problem.

This leaves only the following "neutral" states: Aghanistan, Argentina, Denmark, Eire, Portugal, Sweden, Switzerland, and Turkey. The possibility that one or more of these states might adopt an intransigent attitude cannot entirely be ignored. If this should occur the principal practical effect would be a possible delay of the transfer of property rights. The possible number of recalcitrant states is too small and their position acting separately too weak seriously to impede the proposed procedure. Presumably, virtually all of them when given an opportunity will join the new organization, and acquiesce in the liquidation of the League.

If it were planned to proceed by means of such a protocol, it would appear that appropriate provision might have to be made in the basic instrument of the new organization authorizing the acceptance of the properties, powers and functions so tendered, and arranging for proper transitory measures, subject to subsequent assignment by the Organization to its appropriate organs.

(2) Protocol of Transfer

Simultaneously with the opening for signature of the protocol of dissolution and transfer, there might be opened for signature by all states with the appropriate interest a protocol to the following effect:

1. In all treaties or other engagements, excepting the Statute of the Permanent Court of International Justice, to which the signatories are parties or in which they have or claim an interest, vesting any rights, powers, authority, or functions in the League of Nations, the new

organization

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Organization should be substituted for the League, subject to the provisions of the Charter of the new Organization.

2. This protocol, after ratification by at least all those States members of the League who would become initial members of the new Organization, should become effective as between the parties at the moment of entry into force of the basic instrument of the new Organization.

B. Amendment of the Covenant

Article 26 provides a procedure for amendment of the Covenant through favorable action by all members of the League represented on the Council, and a majority of those represented in the Assembly. This procedure could conceivably be used either to substitute the provisions of the Charter of the new Organization for the provisions of the Covenant or to terminate the League and transfer its functions to the new Organization. This use of the amending process could be regarded as the action of the constituent authority of the League. States dissenting from such an amendment would in accordance with the Covenant cease to be members of the League, but it is to be presumed that any member willing to join the new Organization would be willing to support such an amendment. One advantage of this method is that it perhaps constitutes as near an approach to an unimpeachable legal process as could be found, and that it offers a dignified procedure by which the League could terminate its own existence.

It may be argued against this procedure that it would call for meetings of organs of the League whose status is now uncertain. While it may also be argued that there is little precedent for using the amending process for such a purpose, it may be less open to objections on the ground of illegality than some other method. It may further be argued that this method, by preserving formal continuity between the League and the new Organization and making the latter the legal successor of the former, would arouse opposition from some who have regarded the League with disfavor. This objection would have less force if the new Organization were created

independently

independently, as it is proposed that it should be, and thereafter accepted by the League through its process of amendment. Aside from any validity which this objection may have in fact, the same objection could be raised against procedure by separate protocol. In either case the validity of the objection would depend upon the effect of the protocol or the amendment.

C. Revision of the Peace Treaties of 1919

Since the Covenant of the League of Nations is a part of each of four treaties of peace of 1919 which became effective, the League might be dissolved and its properties transferred to the new international organization through termination of the appropriate parts of those treaties.

This procedure would be open to the objections: (1) that, under the view that the Covenant is separate or severable from the various peace treaties in which it is found, the consent of the parties to those treaties, respectively, would not be necessary; (2) that, if the Covenant is not separate or severable despite the amendment now ratified by 18 states, the consent of all signatories to those treaties would be ineffective, since the states parties to the four treaties of peace and the states members of the League were not and never have been identical; (3) that this procedure could not dispose of the interests of at least 13 states members of the League but not signatories of the peace treaties.

Since the states parties to the several treaties of peace of 1919 and the States members of the League are not now identical in most cases, the view may be adopted that the Covenant of the League can be terminated only by consent of both the parties to the treaties of peace of 1919 and the present members of the League. If so, an appropriate procedure might be to adopt a protocol of dissolution and transfer signed by both groups of states.

D. Establishment

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D. Establishment of New Organization
Without Reference to Treaties or
Covenant

A practical approach which would disregard legal continuity as such, but which might conform to the practice at times resorted to by States, would be for the states desiring to establish the new general international organization to agree to the basic instrument for the new organization without reference to the peace treaties of 1919 or to the Covenant of the League of Nations, and to proceed to act henceforth under the obligations of this instrument. This procedure might more nearly satisfy the requirements of international law, and might further be justified on the ground that the Covenant had lost its force by desuetude, thus leaving states free to set up a new international organization by agreement.

V. POSSIBLE MEANS TO
INITIATE SOLUTION
OF TRANSITION

With respect to the question of possible ways and means of achieving the adoption of an appropriate solution of the problem of transition, the following possible means are submitted. They could be utilized with respect to the achievement of any of the Possible Solutions explored above except D. Establishment of New Organization Without Reference to Treaties or Covenant.

A. States members of the United Nations, who are also members of the League of Nations, could before or at the time of the forthcoming conference of the United Nations initiate intergovernmental discussions on the formulation of plans looking toward the assumption of the initiative by the League itself with respect to its dissolution.

B. Alternatively, the United Nations, while in conference or preparatory thereto, could initiate the transfer by indicating what functions and responsibilities now exercised and possessed by the League of Nations, they would be willing to assume under the new Charter.

C. A

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C. A further possibility lies in the setting up of a Committee representing the United Nations and a committee representing the League of Nations, either before or during the forthcoming conference of the United Nations, to confer together with a view to proposing to their respective bodies an appropriate solution to the problem of transition.

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EUROPE

EUROPE

- 1) The necessity of the three principal Allies arriving at a common political program for Liberated countries.
- 2) American policy toward spheres of influence.
- 3) UNRRA
 - (1) Accomplishments and problems.
 - (2) Operations in the Balkans.
 - (3) Relations with the Soviet Government.
- 4) Treatment of Germany (Political).
- 5) Economic policies toward Germany.
- 6) German Reparations.
- 7) Treatment of Austria (Political).
- 8) Economic treatment of Austria.
- 9) Suggested United States policy regarding Poland.
- 10) Reconstruction of Poland and the Balkans.
- 11) General Balkan policy.
- 12) American position on Allied Control Commissions in Rumania, Bulgaria and Hungary.
- 13) Reparation policy with reference to Rumania and Hungary.
- 14) Principal Albanian problems.
- 15) Principal Bulgarian problems.
- 16) Principal Hungarian problems.
- 17) Principal Rumanian problems.
- 18) Principal Yugoslav problems.
- 19) United States policy toward Italy.
- 20) France
 - (1) Role in United Nations Councils.
 - (2) Zone of Occupation in Germany.
 - (3) Control Machinery for Germany.
 - (4) Attitude

(4) Attitude toward future German economy.

- 21) Rearming of French Forces.
- 22) French views on treatment of Germany.
- 23) Czechoslovakia.
- 24) Russian request for financing of acquisitions of capital equipment during and after the war.
- 25) The needs of Great Britain for financial aid during Phase III.
- 26) Post-war trade policy (Article VII of the Mutual-Aid Agreements).
- 27) British plan for a Western European Bloc.

Subject: The necessity of the three principal Allies arriving at a common political program for liberated countries.

Although the principal Allies have been able to work out a generally satisfactory coordination of military strategy and operations in the prosecution of the war against Germany, there has been no such coordination in regard to political policies. Recent events in Europe have demonstrated the very real danger not only to Allied unity during the war but to the hope of a stable peace, as a result of the failure of the Allies to evolve an agreed and mutually acceptable political program.

Growing evidence of Anglo-Soviet rivalry on the continent of Europe and the resulting power politics scramble for position is due less to the difficulties over territorial questions than to the question of the political character of the governments in various countries of Europe beyond the Soviet borders. On the one hand, it is evident that the Soviet Government suspects that Great Britain desires to see installed wherever possible right-wing governments which from the Soviet point of view would be hostile to the Soviet Union. On the other hand, the British view with apprehension the possibility that the Soviet Government will endeavor in its turn to install and support left-wing totalitarian governments as far west as possible in Europe.

In actual fact these mutual suspicions appear to be unjustified in that it is not a fixed and calculated British policy to support right-wing elements in Europe, nor on the basis of existing evidence can it be said that the Soviet Government is determined to install Communist regimes throughout Europe. However, these interacting mutual suspicions tend to push British policy, in action, farther to the right and Soviet policy farther to the left. Recent events in Greece will undoubtedly be widely interpreted in Moscow as confirmation of their suspicions of Great Britain's intentions, and the recent events in Poland with the formation of the Lublin Committee into a provisional government will likewise confirm British fears in regard to Soviet policy.

If

If the situation is to be saved it is essential for the three principal Allies to examine carefully the present political forces at work in the liberated countries in Europe in order to ascertain if there are not political groups and parties which would be mutually acceptable and to which all three countries could give whole-hearted support. It would be necessary to start by excluding either a right-wing government in which "reactionary" elements regarded by the Soviet Government as intrinsically hostile would predominate, or a single party Communist totalitarian state. Between these two extremes, however, lies the bulk of the political sentiment of the peoples of Europe.

Judging from present indications the general mood of the people of Europe is to the left and strongly in favor of far-reaching economic and social reforms, but not, however, in favor of a left-wing totalitarian regime to achieve these reforms. Until such time as it is possible to hold genuine elections in the liberated areas, in certain countries at least, such as Greece and Poland, it will probably be necessary for the principal Allies, and for this purpose France should be included in that category, to accept and support interim governments. The character and composition of these governments is precisely the place where the Allies must have an agreed political program. These governments must be sufficiently to the left to satisfy the prevailing mood in Europe and to allay Soviet suspicions. Conversely, they should be sufficiently representative of the center and petit bourgeois elements of the population so that they would not be regarded as mere preludes to a Communist dictatorship.

In so far as the United States is concerned the following two criteria could be applied to any proposed interim government: (1) that it should be dedicated to the preservation of civil liberties; (2) that it should favor social and economic reforms.

In order to work out with its Allies for the interim period an agreed, mutually acceptable political basis for coordinated policies, the United States Government should be prepared, when the internal condition of a liberated country so demands, to participate in inter-Allied commissions to act as observers and to insure that at the proper time the people of that country will be given a genuine opportunity to elect their future government.

**AMERICAN POLICY TOWARD SPHERES
OF INFLUENCE**

Summary

Much of the underlying paper is a record of the background facts concerning what we know of the spheres of influence arrangement between the British and Soviet Governments in their relations as regards Rumania, Bulgaria, Greece, and Yugoslavia. It is supposed to have become effective in the early summer of 1944, and, as a result of American objections, to have been limited to a three-month period, which would have expired in September, though in some respects at least it appears still to be operative.

Our position (pp 2-3) is that while we acknowledge the usefulness of arrangements for the conduct of the war, we cannot give our approval to such plans as would extend beyond the military field and retard the processes of broader international cooperation. The paper refers also to the argumentation of the Joint Chiefs of Staff (annex to the paper) setting forth the importance from the point of view of American national interest of preventing if possible a contest for power between the British and Soviet Governments.

AMERICAN POLICY TOWARD SPHERES
OF INFLUENCE

The American attitude toward spheres of influence took definite and public form as a result of the Moscow Conference. In Mr. Hull's report to the Joint Session of Congress on November 18, 1943 he said:

"As the provisions of the Four Nation Declaration are carried into effect there will no longer be need for spheres of influence, for alliances, for balance of power or any other of the separate alliances, through which, in the unhappy past, the nation strove to safeguard their security or to promote their interests."

In the late spring of 1944 the Department was informed of a contemplated arrangement between the USSR and Great Britain whereby Rumanian affairs should be the "main concern" of the Soviet Government and Greek affairs should be the "main concern" of the British Government. Subsequently, the arrangement was extended to include Bulgaria as a Soviet concern, with the British receiving roughly an equal position with the Russians in Yugoslavia. The term "spheres of influence" was sedulously avoided, or disclaimed, in all the correspondence; the term "taking the lead" was occasionally used. In subsequent reports, from London and from Ankara, there was some talk of the arrangement having crystallized to the degree that the distribution of influence was to be on a basis of 80-20 percent (Russian v.s. British) in Rumania and Bulgaria, and 50-50 in Yugoslavia, though the Russians thought it should be 60-40. In the message from Ankara the British share was described as "Anglo-American."

The question has since arisen in connection with the Soviet and British interest in the political situation, and with somewhat more precision, in a proposed arrangement between the Soviet and British Governments for the rearmament of Yugoslavia.

Reverting to the earliest communication from the British, upon their learning of our misgivings concerning the proposal, Mr. Churchill suggested to the President that the arrangement be given a three-months' trial, subject then to review by the three Governments, to which the President's assent was given. The British Government then informed the Soviet Government that our assent had been given but that the three-months limit had been set in order not to "prejudice the question of establishing postwar spheres of influence."

The Department had also received a note from the Soviet Embassy inquiring as to our position. Apparently the Soviet Government had supposed that the whole arrangement had had American approval, and on learning of the three-months provision desired to "subject this matter to additional study."

It is thus our reply to the Soviet note, a copy of which was sent also to the British, which best sets forth the American position, which is briefly as follows:

Our assent to the trial period of three-months was given in consideration of the present war strategy. Except for this overriding consideration, this Government would wish to make known its apprehension lest the proposed agreement might, by the natural tendency of such arrangements, lead to the division in fact of the Balkan region into spheres of influence.

It would be unfortunate, in view of the decisions of the Moscow Conference, if any temporary arrangement should be so conceived as to appear to be a departure from the principle adopted by the three Governments at Moscow, in definite rejection of the spheres of influence idea. Consequently this Government hopes that no projected measures will be allowed to prejudice the efforts toward directing the policies of the Allied Governments along lines of collaboration rather than independent action, since any arrangement suggestive of spheres of influence cannot but militate against the establishment and effective functioning of a broader system of general security in which all countries will have their part.

It was supposed that the three-month trial period would enable the British and Soviet Governments to determine whether such an arrangement is practicable and efficacious as applicable only to war conditions and essentially related to the military operations of their respective forces, without in any way affecting the rights and responsibilities which each of the three principal Allies will have to exercise during the period of the reestablishment of peace, and afterwards, in regard to the whole of Europe.

Finally, this Government assumes that the arrangement would have neither direct nor indirect validity as affecting the interests of this Government, or of other Governments associated with the three principal Allies.

In somewhat further detail we had stated to the British that we acknowledge that the Government whose military forces are operating in a given territory will in the ordinary course of events take the principal initiative in making decisions affecting that territory, due to the circumstances of the military operations therein. We believe that the natural tendency for such initiatives to extend to other than military fields would be strengthened by the conclusion of an agreement of the type suggested, and that the practical and military advantages sought in resorting to plans of this general nature do not counterbalance the evils inherent in such a system.

The Department's views in opposition to the doctrine of spheres of influence, with particular reference to Great Britain and the USSR, is in full accord with the position of the Joint Chiefs of Staff, as set forth in Admiral Leahy's letter of May 16, 1944, the pertinent part of which is quoted as an attachment to this memorandum.

The evolution of events in recent months indicates that the British and Soviet Governments are in fact operating under such an arrangement, as shown chiefly by the Soviet forbearance in Greece and the teamwork in Yugoslavia where the British seem to feel, however, that the odds are against them. In Albania, where, so far as we know, no arrangement was made, the British have tried to keep a little ahead of the Russians. In Hungary the Russian military position has given the Soviet Government a predominant position, which the British have perforce had to accept. With only a somewhat precarious "lead" in Greece, the British may well feel that the scheme has neither divided in an equitable manner the areas of influence, nor protected the British position in the Mediterranean. This may account for the revival of British interest in a Balkan federation, which, if it includes Albania and Turkey, might limit to a certain degree the Slav power in the area which otherwise seems inevitably to reach toward Salonika and the Aegean coast line.

ANNEX

ANNEX

EXCERPT FROM LETTER OF ADMIRAL LEAHY
May 16, 1944.

"From the point of view of national and world-wide security, our basic national policy in post-war settlements of this kind should seek to maintain the solidarity of the three great powers and in all other respects to establish conditions calculated to assure a long period of peace, during which, it may be hoped, arrangements will be perfected for the prevention of future world conflicts. The cardinal importance of this national policy is emphasized by a consideration of the fundamental and revolutionary changes in relative national military strengths that are being brought about in Europe as a result of the war.

"It would seem clear that there cannot be a world war, or even a great war, which does not find one or more of the great military powers on each side. At the conclusion of the present war, there will be, for the foreseeable future, only three such powers -- the United States, Britain and Russia. Since it would seem in the highest degree unlikely that Britain and Russia, or Russia alone, would be aligned against the United States, it is apparent that any future world conflict in the foreseeable future will find Britain and Russia in opposite camps.

"In appraising possibilities of this nature, the outstanding fact to be noted is the recent phenomenal development of the heretofore latent Russian military and economic strength -- a development which seems certain to prove epochal in its bearing on future politico-military international relationships, and which has yet to reach the full scope attainable with Russian resources. In contrast, as regards Britain several developments have combined to lessen her relative military and economic strength and gravely to impair, if not preclude, her ability to offer effective military opposition to Russia on the continent except possibly in defensive operations in the Atlantic coastal areas. In a conflict between these two powers the disparity in the military strengths that they could dispose upon that continent would, under present conditions, be far too great to be overcome by our intervention on the side of Britain. Having due regard to the military factors involved -- resources, manpower, geography and particularly our ability to project our strength across the ocean and exert it decisively upon the continent -- we might be able to successfully defend Britain, but we could not, under existing conditions, defeat Russia. In other words, we would

find

find ourselves engaged in a war which we could not win even though the United States would be in no danger of defeat and occupation.

"It is apparent that the United States should, now and in the future, exert its utmost efforts and utilize all its influence to prevent such a situation arising and to promote a spirit of mutual cooperation between Britain, Russia and ourselves. So long as Britain and Russia cooperate and collaborate in the interests of peace, there can be no great war in the foreseeable future.

"The greatest likelihood of eventual conflict between Britain and Russia would seem to grow out of either nation initiating attempts to build up its strength, by seeking to attach to herself parts of Europe to the disadvantage and possible danger of her potential adversary. Having regard to the inherent suspicions of the Russians, to present Russia with any agreement on such matters as between the British and ourselves, prior to consultation with Russia, might well result in starting a train of events that would lead eventually in the situation we most wish to avoid."

January 4, 1945.

UNRRA: ACCOMPLISHMENTS AND PROBLEMS

I. Accomplishments. - Some 1200 persons have been recruited, including an excellent Bureau of Supply and Health Division. As to finance, contributions of nearly \$1,800,000,000 have been provided for operating expenses and most of the members have paid their administrative quotas. As to operations, while UNRRA has not yet taken over direction of relief in any liberated area, the following facts may be noted: (1) it is running refugee camps in the Middle East for some 50,000 Greek, Yugoslav, Albanian and Italian refugees; (2) it has arranged with the military to care for displaced persons in Italy and to send supplies to Italy early this year to supplement the military relief program; (3) it has sent personnel into Greece to act for the military and is prepared to do the same in Albania and Yugoslavia; (4) it has arranged with SHAEF to attach UNRRA health and displaced persons personnel to the SHAEF G-5 missions; (5) it has arranged with the U.S. Typhus Commission for interchange of personnel on typhus teams; (6) it has concluded agreements with Norway, Belgium, the Netherlands, France and Luxembourg to send UNRRA missions to those countries for health, welfare and displaced persons activities; (7) it is prepared, as soon as they have the consent of the Soviets, to send supplies to Poland and Czechoslovakia, and WSA has promised a small amount of shipping for this purpose commencing this month; (8) UNRRA has made substantial progress with respect to the acquisition of supplies in the United States, the United Kingdom, Canada and the American republics; (9) an UNRRA mission is in Ethiopia; and (10) regional offices for the Far East have been opened at Sydney and Chungking.

II. Problems. - 1. UNRRA urgently needs a vigorous and competent Senior Deputy Director General to counteract the Governor's over-cautiousness. The British have not offered a capable substitute for Sir Arthur Salter who previously had this job. The Governor has asked for Commander Jackson of MESC and Richard Law has promised to do what he can to release him. If he cannot get Jackson, the place might then be filled by a strong European such as P. A. Kerstens of the Netherlands or a first-class American like Charlie Polcetti or Ferdie Eberstadt.

2. It needs a strong American Deputy in London in charge of field operations. This position has been vacant since Lithgow Osborne resigned. The Governor tried to get Charlie Taft and President Hopkins of Dartmouth. Bill Batt has been mentioned as a possibility.

3. It

3. It must as soon as possible take over full responsibility for relief in Greece. Although his staff is anxious to do so, the Governor is extremely cautious about this. Law and I have strongly urged him to move forward on this, and this is the type of problem on which a strong Senior Deputy could be of great help.

4. The Governor's relations with the Soviet Government leave much to be desired. The main problem as to Poland and Czechoslovakia has been the reluctance of the Soviets to come to terms with the Governor who has been unable thus far to arrange for a mission to go to Poland or for himself to go to Moscow. There is still to be worked out the all important question of transit of supplies through Soviet territory. We have done all that we properly can to help the Governor on this.

5. The shipping situation, of course, affects UNRRA as it does all relief operations. You are familiar with this.

While we and the British are not satisfied, therefore, with the progress of UNRRA, we are both committed to trying to work it out.

POLICY TOWARD UNRRA
OPERATIONS IN THE BALKANS

General Picture of UNRRA Accomplishments

Some 1200 persons have been recruited, including an excellent Bureau of Supply and Health Division. As to finance, contributions of nearly \$1,800,000,000 have been provided for operating expenses and most of the members have paid their administrative quotas. As to operations, while UNRRA has not yet taken over direction of relief in any liberated area, the following facts may be noted: (1) it is running refugee camps in the Middle East for some 50,000 Greek, Yugoslav, Albanian and Italian refugees; (2) it has arranged with the military to care for displaced persons in Italy and to send supplies to Italy early this year to supplement the military relief program; (3) it has sent personnel into Greece to act for the military and is prepared to do the same in Albania and Yugoslavia; (4) it has arranged with SHAEF to attach UNRRA health and displaced persons personnel to the SHAEF G-5 missions; (5) it has arranged with the U.S. Typhus Commission for interchange of personnel on typhus teams; (6) it has concluded agreements with Norway, Belgium, the Netherlands, France and Luxembourg to send UNRRA missions to those countries for health, welfare and displaced persons activities; (7) it is prepared, as soon as they have the consent of the Soviets, to send supplies to Poland and Czechoslovakia, and WSA has promised a small amount of shipping for this purpose commencing this month; (8) UNRRA has made substantial progress with respect to the acquisition of supplies in the United States, the United Kingdom, Canada and the American republics; (9) an UNRRA mission is in Ethiopia; and (10) regional offices for the Far East have been opened at Sydney and Chungking.

Immediate Balkan Problems

An important difficulty in UNRRA operations in the Balkans has been the shipping shortage in general and the necessity hitherto of dependence on the military for shipping allocations. Arrangements are now being made for ships to be allocated to UNRRA for Northwestern Europe, and this arrangement may later be extended to the Balkans. UNRRA has made no plans for operations in the ex-enemy states, Rumania, Bulgaria or Hungary, or in Austria except as it may be desirable to handle, for the military,

the problem of displaced persons of Allied nationality.

As noted above, the operations in Greece have begun, and will develop as the military situation there clears up. An UNRRA--Yugoslav agreement, preliminary work on which was done at Cairo last spring and at Washington in the autumn, must await the negotiations, now about completed, between the Allied military authorities and the Yugoslavs for the military period. The plan is for UNRRA to begin operations in Yugoslavia (and also in Albania) at an early date, under the military, and to shorten the military period as much as possible.

Some progress has been made in the negotiations between the military and the Yugoslavs for relief in the military period, the chief difficulty having been Marshal Tito's unwillingness to agree to Allied personnel as observers to make sure that relief supplies are not distributed in a discriminatory manner. There seems to have been an agreement made for a certain number of observers, and relief supplies are, in any case, being sent in on an ad hoc basis even in the lack of a formal agreement. Some of these difficulties mentioned above may nevertheless extend over into the UNRRA period, since Marshal Tito seems to be frankly unfriendly to the program. For example, there has been a recent report that a member of his entourage has been urging him not to sell his country's independence "for a box of UNRRA chocolates." Marshal Tito's argument that the admission of Allied observers is a derogation of Yugoslav national sovereignty seems thoroughly unreasonable, but it is perhaps the best explanation he can find for his unwillingness to allow Allied observers of any kind to move about in Yugoslavia.

Policy Recommendations

It is the American view that the UNRRA should operate independently and with full responsibility and authority as an international organization at the earliest possible date, with the minimum of advice or influence by the British or American Governments, even though these Governments are the heaviest contributors. The British appear to favor keeping a guiding hand on UNRRA. They also favor integrating the work of voluntary relief or

philanthropic

philanthropic agencies into the UNRRA, whereas we prefer that such voluntary organizations should continue to operate independently, unless the UNRRA agreements with the respective countries specifically provide otherwise. It is of course desirable that there should be a coordination of effort, but particularly in Balkan countries these voluntary agencies, such as the Rockefeller Foundation, the Near East Foundation, and certain American-sponsored schools for mechanical and trade training, are extraordinarily well adapted to the needs of the region and staffed and organized for efficient service. Finally it is our view that UNRRA should be left a free hand for direct negotiation of its agreements with the various Governments, and in general should be made to feel that the success of its operations will depend on its own efforts and achievements.

RELATIONS BETWEEN UNRRA AND THE SOVIET GOVERNMENT

The most important problem to work out in connection with the relations between UNRRA and the Soviet Union is to obtain necessary permission and cooperation from the Soviet Government so that relief in Eastern Europe can go forward. This will require a decision by the Soviet Union (a) to admit UNRRA personnel to Poland and Czechoslovakia; (b) to permit transit of supplies through Soviet territory and the use of Soviet port and convoy facilities in connection therewith; (c) to receive an UNRRA mission in Moscow to work out the necessary arrangements. The Soviet Government has held up all of these matters since last June. UNRRA has recently applied for permission (from the respective Control Commissions) to send personnel to Rumania and Bulgaria to help relieve Jews and other victims of war, but to date it has not been able to make progress on this matter. All of this is due in part to faulty handling of relations on the part of UNRRA but primarily it is due to the inability of the U.S.S.R. to make up its mind as to whether it desires to be a recipient of relief from UNRRA or to continue to receive supplies through the Protocol. Decisions permitting the beginning of UNRRA operations in Eastern Europe are urgently required. If they are not obtained soon, the public repercussions may be so great in this country as to terminate any hope whatever of UNRRA's success.

RECORDED
UNCLASSIFIED

January 12, 1945

~~SECRET~~

THE TREATMENT OF GERMANY - SUMMARY

I. POLICY FOR THE PERIOD IMMEDIATELY FOLLOWING
THE CESSATION OF ORGANIZED RESISTANCE

It is recommended that the draft "Agreement on Control Machinery in Germany" submitted by the European Advisory Commission be accepted without reservation, and that the authority of the projected Control Council be made paramount throughout Germany.

It is recommended that immediate security measures include (1) expeditious disbandment and future prohibition of all German military and para-military forces, (2) seizure and destruction of all existing German arms, ammunition and implements of war, including airplanes, and the prohibition of further manufacture, (3) and the destruction of industrial plants and machinery incapable of conversion to peaceful uses.

It is recommended that the National Socialist system be destroyed through the dissolution of Party organizations, abrogation of Nazi laws and Nazi public institutions, and the elimination of active Nazis from public office and from positions of importance in private enterprise.

It is recommended that direct inter-allied military government supplant the central government of the Reich but that, in the interest of simplifying the tasks of the military, use be made of the German administrative machinery.

It is recommended that the Control Council assume authority over all German informational services and cultural activities and that schools be reopened as soon as objectionable text-books and teaching personnel can be replaced.

II. LONG-RANGE OBJECTIVES AND MEASURES

The attached paper also discusses our long-range objectives in Germany.

III. FRONTIER SETTLEMENTS

It is recommended that this Government adopt, as its basic principles in the settlement of territorial disputes,

(1) the

(1) the most reasonable prospect of general acceptance and stability, and (2) the maximum contribution to the orderly development of general international order.

It is recommended that: (1) the Danish-German frontier remain unchanged, (2) that the water-boundary between the Netherlands and Germany be moved to the main channel of the Ems Estuary and that further consideration be given to any Netherlands claims on German territory as compensation for war damage, (3) that the 1920-1940 boundary between Belgium and Germany be restored, (4) that Alsace-Lorraine be returned to France, (5) that the pre-1938 Austro-German frontier, with a slight rectification, be restored, (6) that the pre-Munich frontiers between Czechoslovakia and Germany be in principle restored, subject to any minor rectifications which the Czechoslovak Government might wish to propose, and (7) that Poland acquire East Prussia (except for the Koenigsberg area), the Free City of Danzig, German Upper Silesia, and Pomerania.

It is recommended that although this Government should not oppose a general transfer of the German minorities from neighboring states, it should, wherever possible, favor a selective transfer. Such action, if carried out gradually, in an orderly manner, and under international supervision, would contribute to better relations between the states concerned.

THE TREATMENT OF GERMANY

I. POLICY FOR THE PERIOD IMMEDIATELY FOLLOWING THE CESSATION OF ORGANIZED RESISTANCE

A. Control Machinery

1. The Department of State recommends that the draft "Agreement on Control Machinery in Germany" should be accepted without reservation.

This proposal provides for the exercise of supreme authority over Germany by the American, British and Soviet generals, each in his own zone of occupation and also jointly, in matters affecting Germany as a whole, in their capacity as members of a supreme organ of control designated as the Control Council. The functions of this Council would be (a) to ensure uniformity of action in the several zones of occupation, (b) to initiate plans and make agreements, within the powers granted by the respective Governments, for dealing with questions involving the whole of Germany, (c) to control and direct the central German administration, and (d) to direct the administration of the joint zone of Greater Berlin. Appropriate sub-agencies would be organized on a tripartite basis to carry out the administrative and supervisory functions of the Control Council.

2. The Department of State recommends that the directives given to the commanding generals should so define their duties that the Control Council's authority would be paramount throughout Germany and that the zones of occupation would become, in so far as feasible, areas for the enforcement of the Council's decisions rather than regions in which the commanders would possess a wide latitude of autonomous power.

This recommendation rests on two convictions: (1) that it is highly desirable, even at the expense of curtailing to some degree the freedom of action of the commander of the United States zone, to prevent any of the occupying powers from dealing as it pleases with its zone of occupation, and (2) that it is essential, in the interest of effective military government to maintain such parts of the normal administrative unity of Germany as will have survived the defeat. The problem, for example, of providing sufficient food for the German people to prevent epidemics and disorders would be seriously complicated if the Control Council could not direct the transportation and distribution of the total food supply within Germany. Should the surplus supplies of the

eastern

eastern zone be denied to the southern and northwestern zones, the United States and British Governments would be faced with the choice between delivering large quantities of foodstuffs from their own stores or allowing wholesale starvation.

B. Functions of Military Government

1. Security Measures

The Department of State recommends the adoption of the following policies with respect to immediate security measures:

a. Demobilization and disbandment of the German armed forces, including para-military organizations.

This recommendation would not exclude the detention of individuals and units of the Waffen SS and other Nazi military formations for security reasons or for employment in special services or for trial as war criminals.

b. Dissolution and prohibition of all military and para-military agencies including the General Staff, party military and quasi-military organizations, reserve corps, military academies and military training, civilian administrative units performing purely military functions, together with all clubs and associations which serve to keep alive the military tradition in Germany. -

c. Seizure and destruction of all German arms, ammunition and implements of war.

The recommendation for the destruction of these categories of war material, which are in general not convertible to peacetime purposes, is based on belief that the rearming of the European nations with surrendered German equipment would complicate the problem of restoring political stability, render future general disarmament more difficult, tend to make the countries acquiring the equipment look to Germany and to German technicians for spare parts and replacements, and might inaugurate an armaments race detrimental to the hopes for international peace and security.

d. Confiscation of military archives and military research facilities and vesting authority over them in the Control Council.

e. Immediate prohibition on the manufacture of arms, ammunition and implements of war.

f. Destruction of industrial plants and machinery incapable of conversion to peaceful uses.

g. Dismantlement

g. Dismantlement of aircraft industry and prohibition on manufacture of aircraft.

2. Political Actions

a. Destruction of the National Socialist System.

The Department of State recommends the following measures designed to destroy the Nazi tyranny in Germany:

(1) Dissolution of the National Socialist Party and its affiliated and supervised organs with the transfer to public agencies of such social services now performed by the Nazi groups as it may be found desirable to continue.

(2) Abrogation of the Nazi laws which provided the legal basis of the régime and which established discriminations on the basis of race, creed and political opinion.

(3) Abolition of Nazi public institutions, such as the People's Courts and the Labor Front, which were set up as instruments of Party domination.

(4) The elimination of active Nazis from public and quasi-public office and from positions of importance in private enterprise.

The Department of State believes it desirable to distinguish between the total membership of the Nazi Party, numbering probably more than 6 million, and those Germans, numbering about 2 million, who have been Party leaders at all levels of its organization. This latter group can be easily identified in a preliminary way by office-holding in the various Party organizations. So many Germans have joined the Party for so many different reasons that nominal membership is no serious index of political conviction. Selective expulsion of the proposed sort would effectively destroy the structure and influence of National Socialism and would immeasurably lighten the administrative burden of military government.

(5) The selection of personnel for labor reparation, in case certain of our Allies insist on that form of reparation, from the ranks of active Nazis and of Nazi organizations such as the SS rather than by an indiscriminate draft.

This recommended procedure would place the burden where it most justly belongs and would remove from Germany some of the most dangerous political influences during the period when an effort must be made to establish an acceptable government.

(6) The arrest

(6) The arrest and punishment of the principal political malefactors and of war criminals.

b. The Government of Germany

The Department of State recommends that, after the destruction of the Nazi régime, no central German government be recognized and that tripartite military government, as envisaged in the surrender instrument, exercise supreme power over Germany. The Department further recommends the use of German administrative machinery in so far as it can serve the purposes of the occupation authorities and does not perpetuate Nazi abuses and the use of German civil servants, not identified as active Nazis, in so far as they are efficient and obedient to the occupation authorities.

Direct military government will be desirable as a means of reinforcing the reality of defeat on the German mind. It will probably be necessary in any case because of internal confusion. Since there is little prospect that the Nazi and militaristic groups who should bear the onus of defeat will survive, it is politically undesirable to allow anti-Nazi groups immediately to take over political authority and thenceforth be identified as tools of the conqueror's military government.

The establishment of comprehensive military government would prevent the equally undesirable development of the importation into Germany of a substantially ready-made provisional government perhaps recognized by and functioning under special foreign auspices.

c. Future Change to Civilian Control. - The Department of State recommends that, as soon as military considerations cease to be paramount, the control machinery in Germany should be transferred to inter-allied civilian hands.

d. German Political Activity and Association. The Department of State recommends that, when security conditions permit, political parties opposing Nazi and other kinds of ultra-nationalistic ideologies be permitted to organize and to engage in public discussion.

This recommendation is based on the conviction that the German people will need information, public debate and political organization before they are prepared to decide their future form of government, and that there is advantage in the Germans beginning these activities while National Socialism is perhaps in greatest discredit under the immediate impact of defeat.

3. Control over Information and Cultural Activities.

a. Public Information. - The Department of State recommends that, under the direction and supervision of the Control Council, there be established throughout Germany a system of control

over

over all media for the dissemination of public information.

This proposal is designed to insure against the further dissemination of Nazi propaganda, to facilitate the Control Council's presentation of instructions and information to the German people, and, as security permits, to allow responsible Germans to carry on an orderly discussion of political reform.

The Department of State wishes to emphasize the importance of placing this control function under the authority of the Control Council rather than leaving it to the discretion of the zonal commanders.

b. Educational Policy. - The Department of State recommends a system of control over German education designed to eradicate Nazi doctrines and to inculcate democratic values. To this end it is recommended, as the first step, that the German schools, beginning at the elementary level, be reopened as soon as military considerations permit and when objectionable text-books and teaching personnel can be satisfactorily replaced. The Department believes that it should be the policy of military government to work as unobtrusively as possible through existing German educational machinery after Nazi influences have been removed, and likewise to leave the initiative of positive educational reform to the Germans themselves, subject to review by the Control Council. It would, therefore, oppose Allied imposition of new curricula and the introduction of foreign teachers.

The desirability of keeping changes in German education to a common procedure throughout the Reich points to the necessity of maintaining, at least temporarily, the national machinery of educational supervision. Maintenance of this machinery would simplify the problem of holding to a uniform policy as well as the task of systematic control. It is deemed injudicious to return education to a decentralized basis until more rational units of federal government can be worked out than have existed heretofore and until the need for close supervision is less insistent.

The Department believes it urgent to reopen the schools as promptly as possible in order that the younger children can be looked after and the youth can be kept from the streets and subject to discipline which may be otherwise lacking because of the break-up of families and the dissolution of the Nazi youth organizations.

In the Department's opinion the Control Council's role must be largely in terms of prohibiting certain things and in consenting to changes proposed by the Germans. A new direction of German education and a new positive content will necessarily be the work of German educators and the victors can do little more than encourage the adoption of a set of beliefs and objectives to take the place of the perverted concepts now being inculcated.

The problem for the victors, consequently, is (1) to determine what kind of teaching in Germany would be most conducive to our long-range aims of world security, and (2) to consider what means could be employed to foster that teaching.

The Department is well aware of the difficulties but sees no constructive alternative, as an ultimate objective, to a German school system promoting the psychological disarmament of the German people and reflecting a democratic outlook in which a humanitarian and international outlook will supersede the current ultra-nationalism.

This program is recommended as a contribution toward that end. The Department foresees, however, that no fundamental change in the German mentality can be effected by the schools alone. The hope for a transformation of educational values will depend less on what is done in the school room than on the whole experience of the German people in the occupation and post-war periods.

c. Religious Activity. - The Department of State recommends that the Nazi legislation and organizations for maintaining the Party's tyranny over German religion should be terminated and that full religious freedom, including the rights of teaching, publishing and conducting social service, should be established as quickly as security needs will permit.

II. LONG-RANGE OBJECTIVES AND MEASURES

The Department of State recommends that the measures applied during the period of military government should from the beginning be worked out and applied in the light of long-range objectives with respect to Germany and Germany's ultimate place in the projected world order.

The enduring interest of the United States is peace, and so far as Germany is concerned the basic objective of this Government must be to see to it that that country does not disturb the peace.

Security against a renewal of German aggression must be guaranteed during the foreseeable future by a rigorously enforced prohibition of a German military establishment and by a vigilant control of German war potential.

An indefinitely continued coercion of so many millions of technically resourceful people, however, would be at best an expensive undertaking. There is, moreover, no certainty that the victor powers will be willing and able indefinitely to apply coercion. In the long run, therefore, the best guaranty of security, and the least expensive, would be the assimilation of the German people into the world society of peace-loving nations.

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These considerations urge the search for a continuing policy which will prevent a renewal of German aggression and, at the same time, pave the way for the German people in the course of time to join willingly in the common enterprises of peace.

A. Security Controls

The Department of State believes that it would be premature at present to attempt to specify the nature of the long-term security controls to be established over Germany beyond the general principles of complete disarmament and control of war potential.

In determining the exact manner in which Germany's ability to make war is to be destroyed, the Department of State believes that the various proposals should be judged by their prospective effectiveness and the possibility of their continued enforceability. There are several ways in which Germany could be effectively made militarily impotent. The most obvious method would be the prohibition of a military machine through forbidding military training and the possession or acquisition of arms. Manifestly a Germany without soldiers and without weapons would be no menace to the peace of the world. Various kinds of intervention in German industry and commerce would likewise add further effective restraints.

With such latitude in the choice of measures afforded by the test of effectiveness, the crucial test is that of enforceability over a period of years or even decades.

There is involved in this second criterion the problem of devising controls which would be relatively inexpensive and simple in operation, particularly with respect to detecting German attempts at evasion. There is involved also the more dangerous problem of choosing a series of measures which the victor powers will be willing to maintain after war passions have cooled. Experience during the period between the two great wars suggests that the crucial issue is not so much the exact nature of the controls as the determination of the Allies to maintain them. Experience likewise indicates that once the process of giving up controls has begun, it is difficult to halt the disintegrating process short of war.

Since it believes that the more complex and the more numerous the controls the greater the danger of their being abandoned, the Department of State recommends that the controls over Germany should be as simple and as few in number as would be compatible with safety.

B. Political Reconstruction of Germany

1. The Ultimate Objective. - Germany's repudiation of militaristic and ultra-nationalistic ideologies will in the long-run

long-run depend on the psychological disarmament of the German people, tolerable economic conditions, and the development of stable political conditions.

The most plausible hope for lasting political reconstruction and orderly development lies in the establishment of democratic government despite the fact that serious difficulties will beset such an attempt. The Department of State therefore recommends that it be made the aim of United States policy to prepare the German people for self-government as soon as self-government is possible in terms of internal conditions and security considerations.

The successful establishment of a democratic régime will depend in considerable measure not only on a tolerable standard of living but also on a moderation of the ultra-nationalistic mentality now dominant. A democratic experiment will labor under a heavy burden because of its necessary submission to the will of the victors and it must, if it is to survive, be able to offer some claim to the loyalty and to the patriotism of the German people. In order to encourage a constructive fresh start in political life, the Department of State recommends that there be offered to the Germans the assurance that a democratic Germany which demonstrates its intention and ability to live at peace can earn an honorable place in the society of nations. In order to avoid raising an issue similar to that which, after 1919, was exploited by the nationalists to discredit democracy and international cooperation, the Department of State opposes writing into the peace settlement a war-guilt clause directed against the German people as a whole.

2. Partition. - The Department of State recommends that this Government oppose the forcible partition of Germany.

An imposed dismemberment of Germany would not obviate the necessity for enforcing the same security controls that should be set up if Germany is left intact. Because of the high degree of economic, political and cultural integration in Germany, it must be anticipated that partition would not only have to be imposed but also maintained by force. The victor powers, by imposing partition, would take on themselves a burdensome and never-ending task of preventing surreptitious collaboration between the partite states and of restraining the nationalistic determination to reunite which would, in all probability, be the response of the German people. The economic aspects of partition, finally, would create a serious dilemma. A political dismemberment which left the German economy substantially unified would have little significance as a security measure; the disruption of German economy, on the other hand, would carry with it an unnecessary decline of the European, as well as the German, standard of living.

3. Decentralization

3. Decentralization - The Department of State recommends that encouragement be given to a return to federal decentralization, including the division of Prussia into several medium-sized states, but it would oppose the imposition of a decentralization more sweeping than that acceptable to moderate groups.

Such an action, like an imposed partition, would provide a ready-made program for nationalistic agitators. A decentralization extensive enough to make the central government of the Reich harmless would, in all probability, render it unable to cope adequately with the social and economic problems which must be resolved in the interest of internal stability.

A return to wide provincial autonomy might again offer to undesirable elements an advantageous means of capturing the various state governments, as happened prior to 1933, when the National Socialists gained control of several of the smaller states and carried on their terroristic agitation in complete immunity from Reich interference.

Decentralization, even if successfully imposed, is not necessary as a security measure and would not of itself be an insurmountable barrier to unified national action if at some future time the German people wanted to organize their forces for new aggression. The military effectiveness of Germany under the cumbersome Bismarckian constitution might illustrate this observation. It remains to be remarked that the traditional democratic groups in Germany have generally favored a greater unification of the Reich.

4. Steps in Political Reconstruction - While the character of developments in Germany cannot be foreseen, the Department of State believes it desirable to formulate a tentative and general policy toward the political reconstruction of Germany. It therefore recommends that the process be begun, when military necessities permit, by the establishment of democratic self-government in local communities rather than by the reconstitution of a national federal government. Decision as to when local governments could be joined into provincial units and when the provincial units could form a Reich government would, under this plan, depend on the success with which the Germans took the several steps in building sound institutions and developing reliable political leaders.

The Department of State believes that, in this process of positive reconstruction, external influence should be limited to the encouragement of popular self-government and should not be exerted to determine the precise form of government to be established. At the same time it is a dictate of security that the victor powers, and after them the international organization, should reserve the right, and be prepared to intervene in Germany to prevent the re-emergence of dangerous nationalistic activities

and

and to hold Germany to the observance of the obligations imposed by the peace settlement and by the post-war security system.

III. FRONTIER SETTLEMENTS

The Department of State believes that in establishing the post-war boundaries of Europe it should be the policy of this Government to seek a solution of each dispute based on the merits of the specific problem and on the relation of that problem to the whole settlement. The Department believes the chief criteria to be (1) the most reasonable prospect of general acceptance and stability and (2) the maximum contribution to the orderly development of general international order.

A. Recommendations

In the light of such considerations, the Department of State submits the following recommendations with respect to the frontiers of Germany:

1. That the Danish-German frontier should remain unchanged.
2. That the water-boundary between the Netherlands and Germany should be moved from the western shore of the Ems Estuary to the main channel and that subsequent consideration be given to any Netherlands claims on German territory as compensation for damage to Netherlands soil.
3. That the Belgian-German frontier should be returned to the 1920-1940 line.
4. That Alsace-Lorraine should be returned to France.
5. That the present administrative boundaries be maintained as the frontier between Austria and Germany.

This recommendation would restore the pre-1938 frontier except for a small area in the Sonthofen district which was transferred to Bavaria for administrative convenience and which should remain in Bavaria unless there is convincing evidence that the inhabitants wish to return to Austrian rule.
6. That the pre-Munich frontiers between Czechoslovakia and Germany be in principle restored, subject to any minor rectifications which the Czechoslovak Government might wish to propose.
7. That Poland acquire East Prussia (except for the Koenigsberg area), the former Free City of Danzig, German Upper Silesia, and the eastern portion of Pomerania possessing an area of approximately 6,812 square miles.

The Department of State proposes this solution of an extremely difficult frontier problem as the one representing in the light of present circumstances the most equitable settlement and the one offering the best promise of international tranquillity in eastern Europe. It is realized, however, that there may well be strong pressure for the acquisition by Poland of a still larger portion of German territory. If this is the case it is not believed that it would be feasible for the United States to oppose such a proposal.

The solution just recommended would mean the addition for Poland of an area of about 21,000 square miles containing approximately 4,200,000 inhabitants. The Polish-German frontier north of Upper Silesia would be straightened and shortened by 130 miles. Poland's sea coast would be lengthened to some 200 miles with adequate port facilities in Gdynia and Danzig. The annexation of Upper Silesia would substantially strengthen Poland's industrial resources and would make possible a unified and rationalized operation of the greater Upper Silesian district.

Because of the importance of this question, a special study of it, prepared in the Department, is attached.

B. The Transfer of German Minorities

The cessions to Poland recommended above would bring under Polish sovereignty approximately 3,400,000 Germans in addition to more than 700,000 resident there before the present war. Both the Polish Government-in-exile and the Lublin Committee have expressed the desire to expel this German population. In addition the Government-in-exile of Czechoslovakia wishes to remove more than 1,500,000 Sudeten Germans.

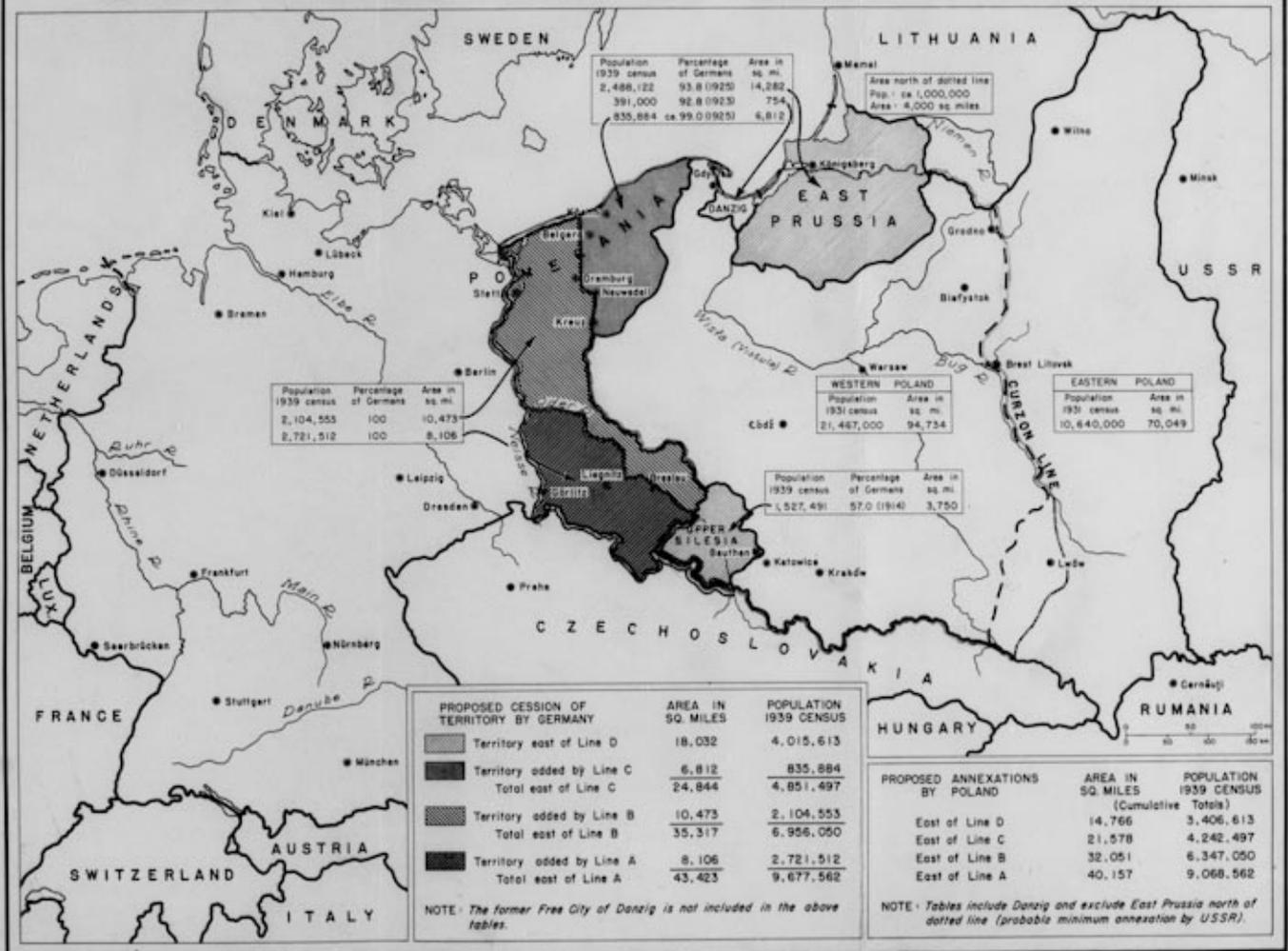
During the final stages of war, and during the early post-war period, it is the belief of the Department of State that an indiscriminate expulsion of so many people would add enormously to the confusion likely to exist in that area, threatening the public health of much of Europe and jeopardizing the peace and good order of the continent. Nevertheless, it is not considered that it would be expedient for the United States to oppose such general transfers if they are insisted upon by the Czechoslovakian and Polish governments having the support of the British and Soviet governments. The Department of State believes, however, that in so far as possible this government should endeavor to obtain agreement on selected transfer of those portions of the German minority from Poland and Czechoslovakia whose transfer would contribute to the improvement of relations between the countries concerned and to a greater stability in that part of Europe. The Department favors a policy whereby these transfers would be held to a minimum, would take place gradually in an orderly manner and under international auspices agreed upon by

the

the Principal Allies on the one hand and Poland and Czechoslovakia on the other.

GERMANY - POLAND : PROPOSED TERRITORIAL CHANGES

Line A' ———
Line B' ———
Line C' ———



From the Department of State, Division of Geography and Cartography, January 22, 1945 (770-1)

ECONOMIC POLICIES TOWARD GERMANY

SUMMARY

1. Our eventual objectives with respect to economic treatment of Germany should be (1) abolition of German self-sufficiency, and (2) elimination of the instruments for German economic aggression.

For a prolonged period of control and surveillance, however, economic policies with respect to Germany will have to be largely based upon other objectives, namely, (1) reduction of Germany's economic war potential, and (2) assisting the economic reconstruction and development of the victorious countries.

2. The following policies recommended for adoption in discussion with British and Russians:

- a. We should advocate allied acceptance of large responsibilities for guidance and reorientation of German economic life, including prevention of an unmanageably chaotic economic situation in the initial period after defeat.
- b. Economic disarmament should include prohibition of the manufacture of land and naval armament and all types of aircraft; destruction of specialized facilities for their manufacture; establishment of controls to detect any forms of surreptitious preparation for war.
- c. Consideration should be given to selective prohibitions upon the manufacture of key industrial items and of broader restraints on exports within the field of metals, metal products and chemicals.
- d. During the early post-defeat period, the occupation authorities should take no steps to provide a higher living standard than is required for prevention of disease and disorder. Agreement should be sought on definition of this minimum and the measures to be taken, if necessary, to assure such a minimum.
- e. We should favor conversion of remainder of German industry to peacetime production, particularly

reparation

reparation goods for rehabilitation of European countries.

- f. Payment for such current imports as are allowed by control authorities should be a first charge on German exports.
- g. We favor full restitution of identifiable looted property.
- h. We advocate establishment of machinery to assure inter-zonal essential goods.
- i. We should seek agreement with Britain and Russia regarding policies for control of large industrial firms and elimination of active Nazis from influential positions in industry and finance.

ECONOMIC POLICIES TOWARD GERMANY

1. Need for Multilateral Determination of Policies

It is essential, in the economic as in other fields, that policies with respect to Germany be directed toward the central aim of keeping her disarmed through an effective international security organization. A substantial measure of agreement must be obtained in advance on economic policies toward Germany, and such policies must be so framed as to minimize the danger of new European rivalries from this source.

2. Policy Recommendations

In the Department's view, our eventual objectives with respect to economic treatment of Germany should be (1) abolition of German self-sufficiency, and (2) elimination of the instruments for German economic aggression. These two objectives conform to the general economic foreign policy of the United States. More important, however, it is only through the kind of orientation of the German economy which is envisaged in these objectives that the basis for international security organization can be permanently assured.

These two objectives are closely related. Abolition of self-sufficiency requires the removal of all protection and subsidies to high-cost domestic production. Elimination of the instruments for German economic aggression requires the prohibition of all discriminatory trade controls, clearing agreements and international cartel arrangements.

The eventual objectives imply the assimilation - on a basis of equality - of a reformed, peaceful and economically non-aggressive Germany into a liberal system of world trade. During the period of military government and over a control period of much longer duration, economic policies with respect to Germany will have to be largely based upon other objectives, namely, (1) reduction of Germany's economic war potential, and (2) assisting the economic reconstruction and development of the victorious countries. Although these latter objectives must be over-riding, it is important that development of the German economy should not be so drastically restricted as to prevent the maintenance of a basic livelihood for the German people.

It is recommended that in discussion with the British and Russians we should adopt the policies given below as a basis for agreed action during the period of Allied control.

- a) We should go along with the British and Russians in accepting large responsibilities for the guidance and reorientation of German economic life. It is altogether unlikely that a "hands off" policy would be accepted and adhered to by all major powers. Consequently, we must be prepared to take all possible steps in the initial phases of occupation to prevent development of a chaotically unmanageable economic situation, since this is a prerequisite to the exercise of effective economic control.
- b) Economic disarmament should include prohibition of the manufacture of land and naval armament and all types of aircraft; destruction of specialized facilities used for the manufacture of these items; and establishment of permanent or semi-permanent controls to detect surreptitious preparation for rearmament, research on new weapons and stockpiling of key materials.
- c) In addition, consideration should be given to selective prohibitions during the control period upon the manufacture of a few key industrial items, such as synthetic gasoline, synthetic rubber and certain types of machine tools and precision apparatus, and general prohibitions or restrictions on certain categories of German exports, particularly in the field of metals, metal products and chemicals. Sweeping measures of economic impairment are unnecessary if effective security organization is maintained, and are unenforceable in the absence of such security organization. However, the heavy industry sector of the German economy could be substantially contracted during a control period in ways which will aid the recovery and industrial development of other European countries without crippling Germany's capacity to meet the basic needs of her population. Within a broad range, therefore, the problem is largely one of judging what measures will receive the support and contribute to the solidarity of the victors.

- d) With respect to treatment of the German population, no steps should be taken by the occupation authorities for the purpose of providing a higher standard of living than is required for the prevention of disease and disorder. Agreement should be sought on a uniform quantitative definition of this standard and on the measures which the victorious powers might be prepared to take if necessary to assure such a minimum. This agreed minimum should not be raised until it is agreed that political tendencies within Germany justify some relaxation; the needs of liberated countries should, in any event, receive priority.
- e) We should favor the conversion of the remainder of German industry to peacetime production, including particularly the production of reparation goods required to effect an early contribution to the rehabilitation of European countries. The reparation program should be of short duration; and should consist predominantly of payments in kind, with, perhaps, some labor services. Its size must depend upon the scope of the measures undertaken under (c) above. Extensive restrictions on heavy industrial exports imply a comparatively small reparation program, with emphasis on transfer of existing German capital equipment rather than of current German output.
- f) Payment for such current imports as the control authorities allow to Germany, and other similar, current expenses should become a first charge on German exports, ranking above reparation payments. Unless this principle is accepted, we run the danger of being called upon to pay for Germany's imports while other countries are extracting reparation payments from Germany.
- g) We should favor full restitution of identifiable looted property. Restitution should be handled at an inter-governmental level and should be returned to the government having jurisdiction over the place from which the property was looted.

- h) We should advocate the establishment of machinery to assure inter-zonal movement of foodstuffs, industrial materials and finished goods, in order to limit import requirements, foster production for reparation, and prevent large inter-zonal disparities in diet and employment.
- 1) We should attempt to reach agreement with Britain and Russia regarding policies for the control of large industrial firms and the elimination of active Nazis from positions of influence. We should advocate a policy more drastic than the British now favor, but less drastic than Russia might be inclined to apply.

REPARATION AND RESTITUTION POLICY TOWARD GERMANY

Summary

1. Nature of American Interest.

A mistaken reparation policy may not only have adverse effects on the future economic stability of Europe but may jeopardize the political and economic objectives of this country with respect to Germany. For this reason German reparation should be supported only to the extent that it does not conflict with more important objectives.

2. Policy Recommendations.

- a) Reparation should consist of the entire surplus above the output needed to maintain a minimum prescribed standard of living and to pay for relief, occupation costs and other prior charges. It should be made clear that the U. S. will not finance the transfer of reparation either directly or indirectly.
- b) To minimize interference with normal trade the reparation period should be short: if possible five years, and in any event not over ten.
- c) Reparation should be payable predominantly "in kind." Labor services within reasonable limits should not be opposed provided a distinction is made in the treatment accorded to formerly active Nazis and politically passive Germans, respectively.
- d) The principal basis of apportionment should be damage to non-military property exclusive of current output. A supplementary basis, admissible only at a lower weighting, should be occupation costs. The reparation settlement should be considered as clearing finally all claims against Germany arising out of the war.
- e) Germany should be obliged to restitute all identifiable stolen property. Gold and unique objects (but not other property) should be replaced with equivalents from German stocks if lost or destroyed.
- f) United Nations should have the option of retaining and disposing of German property within their territories, the proceeds to be applied against reparation claims.

January 16, 1945.

Reparation and Restitution Policy toward Germany

1. Nature of American Interest

It is dangerous to assume, because the reparation claims of this country are likely to be very small, that we have little interest in the subject of reparation. Not only can an ill-conceived reparation policy give rise to mischievous consequences in itself but, what is even more important, it may jeopardize the achievement of the political and economic objectives of this country vis-a-vis Germany. For these reasons the reparation settlement with Germany is an issue of major importance to the United States.

Accordingly, the guiding principle of U. S. policy in regard to reparation should be that the reparation claims of our Allies should be supported only if, and to the extent that, such claims do not conflict with the other elements of the settlement with Germany. Reparation policies must conform and be subordinate to the security and economic measures adopted with respect to Germany; these measures should not be modified or weakened to enable Germany to pay more reparation.

Conceived thus as a "residual", the reparation program will be determined, in its main outlines, by prior decisions with regard to industrial controls, export restrictions, territorial adjustments, etc. which may be imposed on Germany. For example, if chief reliance for economic security is placed on selective prohibitions and controls, Germany may be able (barring extreme war damage) to deliver a large volume of reparation goods out of current production. If, on the other hand, large sections of German industry are to be permanently dismantled, the bulk of reparation payments would necessarily take the form of transfers of existing German capital equipment, rather than of current output, and the total volume of reparation deliveries is likely to be comparatively small. Similarly, restriction of exports for commercial reasons, or important transfers of territory, would likewise affect the amount and form of reparation.

The

The following recommendations with regard to reparation are intended to be consistent with the proposals of the State Department for the economic treatment of Germany. ^{1/} They make no assumption with respect to territorial changes.

2. Reparation Policy Recommendations

The most important elements of the German reparation program will be (a) its "weight", (b) its duration, (c) its form, (d) the allocation of payments.

(a) In principle, the entire surplus above the output needed (1) to maintain a minimum prescribed standard of living, and (2) to pay for occupation costs, relief, and other prior charges, should be appropriated for reparation.

It would probably be desirable to make it clear to the other interested powers that the U.S. will not finance the transfer of reparation either directly by extending loans or credits to Germany, or indirectly by assuming the burden of supplying at its own expense essential goods or equipment to Germany.

In order to avoid difficulties with public opinion in the Allied countries, which is likely to regard any given amount of reparation as inadequate to compensate for the damage and suffering inflicted by Germany, as well as for other reasons, the statement of the reparation obligation in terms of a specific monetary amount should be avoided.

(b) It is essential for the early recovery of normal trade that the reparation program should be of relatively short duration. The uncompensated, one-way, transfers of reparation goods from Germany must necessarily interfere with the export trade of other countries. The longer reparation lasts, moreover, the more strongly

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^{1/} See Economic Policies Toward Germany, memorandum dated January 11, 1945.

is Germany likely to become entrenched in the markets of the claimant states; the more difficult, also, will be the readjustment of both paying and receiving countries at the end of the reparation period. The interference with normal trade may be relatively slight in the first two or three years after the war when trading conditions are in any case apt to be highly abnormal and the overall supply of goods may fall short of reconstruction needs and deferred demands. Beyond that time, however, the interference with normal trade will become progressively greater. It is recommended, accordingly, that the reparation period should be limited, if possible, to five years, and in any event should not exceed ten years.

(c) To avoid "transfer" difficulties, the reparation obligation should be payable preponderantly "in kind", i.e., in goods and services, rather than in foreign exchange. The goods should be such as Germany is able to deliver and the claimant countries are willing to receive, both conditions being necessary for "transferability".

United nations claiming reparation from Germany, in addition to being entitled to payments in kind, should have the option of retaining and disposing of all German property and rights within their territories and to apply the proceeds against their reparation claims.

The Soviet Government will probably demand, in satisfaction of part its reparation claim, the performance of labor services by German manpower in Russia. There is no compelling reason for the United States to oppose such claims within reasonable limits, provided that in the conscription of the labor force a distinction is made between formerly active Nazis and politically passive Germans, with minimum standards of treatment and a relatively short period of service for the latter.

(d) The principal basis for the apportionment of reparation among the claimant states should be the amount of damage to and loss of non-military property, exclusive of current output, caused by or incident to hostilities. As a supplementary basis of allocation, occupation costs (including for this purpose clearing

balances

balances accrued in Germany during the occupation period) should also be allowed as an admissible claim, but at a lower weighting than property losses. The reparation settlement should be considered as clearing finally all outstanding claims against Germany arising out of the war.

3. Restitution:

The following policy recommendations are made:

(a) In principle there should be an unlimited obligation on Germany to restore identifiable stolen property. In practice, however, official efforts to locate such property will have to be confined to a limited number of categories such as art treasures, securities, machinery, rolling stock, et cetera.

(b) Looted property should be returned by a Restitution Commission to the Government having jurisdiction over the territory where the property had its situs and not to the former owners individually. The Commission should not be burdened with the task of deciding disputes with respect to ownership, liens, etc. Such questions, whether intra-national, or involving two or more countries, should be adjudicated in the place from which the property was taken.

(c) All property transferred to Germany during the period of German occupation should be presumed to have been transferred under duress and accordingly treated as looted property.

The British Government has been pressing in the European Advisory Commission for the early establishment of a Restitution Commission to cope with the complex problems of restitution which will arise as soon as enemy territory is occupied to any appreciable extent. This Government has indicated its general approval of the British proposal, subject to certain reservations.

The French have also introduced a proposal for restitution into the European Advisory Commission.

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Their concept of "restitution", however, apparently goes far beyond the mere restoration of identifiable objects and would include the replacement of lost or destroyed objects with similar or equivalent goods found in Germany at the time of surrender. It is believed that such a broad application of the principle of replacement is undesirable. Claims for lost or destroyed property should be embraced in the reparation settlement; "replacement" should be confined to unique objects such as art treasures, and possibly gold.

4. German Foreign Holdings

"German" property in neutral and satellite countries can be divided into three categories:

1. Looted Property: This is not properly German property, and the principle of restitution has already been indicated.
2. Flight Capital. This is property which is and has been leaving Germany for refuge from post-hostilities Allied control. Efforts are now being made to have the neutrals prevent ingress of such property, and to segregate and control that which has already left Germany.
3. German Foreign Investment. Control over this property is essential to the control of the German economic system. Cooperative U.S. and U.K. efforts are being made to conduct a census of such property, to have it segregated, and make it available for such disposition as may be agreed on among the Allies.

A coordinated effort, particularly directed at the neutrals, to control these classes of property is being made. The United States, United Kingdom, and USSR, among others of the United Nations, have cooperated in the issuance and endorsement of the following documents: Declaration of January 5, 1943, declaring a policy of refusal to recognize Axis acts of dispossession, in whatever form; Gold Declaration of February 22, 1944, declaring a policy of refusal to purchase gold from nations which have not ceased gold purchases, directly or indirectly, from the Axis; Bretton Woods Resolution VI, calling on neutrals to take appropriate action with respect to loot, flight capital, and German foreign investment.

TREATMENT OF AUSTRIA - SUMMARY

I. The basic aim of American policy in Austria is its immediate separation from Germany and establishment of an independent Austrian state. This aim is expressed in the Moscow Declaration of November 1, 1943 (text attached in Appendix I), which promised Austria liberation from German domination and pledged the three powers to open the way for the Austrian people themselves to find that political and economic security which is the only basis for a lasting peace. Austria's strategic location in Central Europe makes both its future internal stability and its relations to neighboring states a matter of pressing concern to the international community and to the United States.

II. The United States favors restoration of the 1937 frontiers of Austria with the addition of the province of Bolzano from Italy and the exclusion of two small mountain communities in the Sonthofen area attached to Bavaria.

III. The aims of American policy, the Moscow Declaration, and the requirements of general security can best be achieved by the following steps:

A. Complete tripartite military occupation and government of Austria. (To assure us a full voice in Austria, the Department of State recommends that we occupy a zone equally with the British and Russians. It is clear that we cannot have an equal voice without equal participation in the actual occupation. The Department of State recommends that changes be made in the Soviet proposal for zonal occupation to enlarge the area of the City of Vienna to include the Gau of Vienna to extend tripartite division to the Innere Stadt of Vienna, and to include Ost-Tirol in the same occupation zone as the province of Kärnten).

B. Legal, administrative and economic separation from Germany, and denazification.

C. Treatment different from Germany, designed to foster:

1. Restoration

1. Restoration of self-government at local and national levels as rapidly as military exigencies and internal political conditions permit;

2. Revival of a sound Austrian economy within the framework of European reconstruction;

3. Prompt establishment of an independent Austrian state.

IV. It is in the interest of the United States that Austria develop that type of political and economic structure which will not place it in the position of a special ward of the international community or of any single power. The Austrian people should be free to determine their own form of government and the adjustment of their political and economic relations with their neighbors with the proviso that the new regime be democratic and that it accept such international responsibilities and obligations as the tripartite powers may see fit to impose.

APPENDIX I

MOSCOW DECLARATION ON AUSTRIA
November 1, 1943

The Governments of the United Kingdom, the Soviet Union and the United States of America are agreed that Austria, the first free country to fall a victim to Hitlerite aggression, shall be liberated from German domination.

They regard the annexation imposed on Austria by Germany on March 15, 1938 as null and void. They consider themselves as in no way bound by any changes effected in Austria since that date. They declare that they wish to see reestablished a free and independent Austria and thereby to open the way for the Austrian people themselves as well as those neighboring states which will be faced with similar problems, to find that political and economic security which is the only basis for lasting peace.

Austria is reminded, however, that she has a responsibility, which she cannot evade, for participation in the war at the side of Hitlerite Germany, and that in the final settlement account will inevitably be taken of her own contribution to her liberation.

ECONOMIC TREATMENT OF AUSTRIA

SUMMARY

The United States is committed to the political objective of a free and independent Austria. Stable and prosperous economic conditions in Austria would provide a strong underpinning for political independence and encourage support from the Austrian people for a separate Austrian sovereignty.

From the moment of occupation it will be necessary to commence the reconstruction of the Austrian economy. The tripartite military government should at once undertake the eradication of German economic influence in that country as well as the denazification of economic life. It must provide some substitute for German economic administration and should sequester all Reich German properties in Austria and administer them on behalf of the eventual Austrian Government. It should take steps to establish financial autonomy, including an exchange of currency and probably the payment of interest on the public debt. Within its capabilities it should attempt to revive civilian production in order to avoid large-scale unemployment and to satisfy essential requirements. Finally it should encourage the revival of Austria's foreign trade and if necessary bring in relief supplies of foodstuffs and perhaps materials for the rehabilitation of Austrian industry.

Most of the longer-range economic problems in Austria can be dealt with effectively only when an acceptable indigenous government comes to power. In the settlement of occupation costs Austria should bear the cost of all expenditures incurred in the country by the occupying forces and should be charged for the value of the relief imports. On the other hand, it should be credited for the amount of troop pay spent in the country. It is recommended that Austria should neither pay nor receive reparation. Payments by Austria would threaten its economic viability, while Allied claims to German reparation will be so large that Austria cannot be allotted a share. By the same token, Austria should not obtain any compensation from Germany for German currency, public debt, etc., held in Austria. The Allied powers should assist the eventual Austrian Government in a long-range program of economic and financial reconstruction, in particular by helping it to obtain foreign markets and credits. Austria should be admitted eventually to any world economic organizations that may be formed (including the World Fund and Bank). In addition the major Allied powers may have to make loans to Austria justified on political rather than commercial grounds.

SUMMARY

SUGGESTED UNITED STATES POLICY REGARDING POLAND

With regard to Poland, we should continue to maintain our announced policy which has for its objective the eventual establishment by the Polish people of a truly democratic government of their own choice. In the attainment of this end, we should endeavor to prevent any interim regime from being established which would exclude any major element of the population and threaten to crystallize into a permanent government before the will of the population could become manifest. In pursuance of this policy, we should not recognize the Provisional Government of Lublin, at least until more conclusive evidence is received that it does in fact represent the basic wishes of the Polish people. With the same objective in view, we should use our full influence to see that the Polish Peasant Party, the largest in the country, and its leader, Mikolajczyk, are given an opportunity to take a leading role in any interim arrangements which may be made pending full liberation and free elections. In order that the eventual elections may achieve the objective we seek, we should sponsor United Nations arrangements for their supervision.

With respect to the Polish frontier, we should use our influence to obtain a solution of this problem which would minimize future points of friction, possible irredentism and the number of minority groups which would have to be transferred as a part of the settlement in order that the solution would contribute to the fullest possible extent to the peace and future tranquility of Europe. In pursuance of this objective, we should support a frontier settlement which in the east would take the Curzon Line as a basis but would, if possible, include the Province of Lwow in Poland in order that this predominantly Polish city and the economically important oil fields to the southwest would remain within the frontiers of the Polish state. In the north, Poland should receive the bulk of East Prussia and, in the west, the only changes in the 1939 frontier we should support should be the inclusion of a small strip of Pomerania west of the so-called Polish Corridor and Upper Silesia. We should resist the exaggerated claims now being advanced by the Provisional Government of Lublin for "compensation" from Germany which would include the cities of Stettin and Breslau in Poland and make necessary the transfer of from eight to ten million Germans. In connection with the frontier settlement, we should, in so far as practicable and in collaboration with the other United Nations, be prepared to assist in the orderly transfer of minority groups provided the Polish Government so desires.

RECONSTRUCTION OF POLAND AND THE BALKANS:
AMERICAN INTERESTS AND SOVIET ATTITUDE

Summary

1. United States economic interests in the reconstruction of Poland and the Balkan states are general, the early return of trade to a multilateral basis and the achievement of European economic stability and prosperity. Politically, while this Government probably would not oppose predominant Soviet influence in the area, neither would it wish American influence to be completely nullified.

2. All of the nations require assistance in improving present primitive agricultural methods. All will probably require reconstruction of their railways, replacement of rolling stock, and rehabilitation of roadbed and bridges. Whether Poland will require extensive industrial reconstruction will depend on the future course of the war and whether the Germans "scorch" the area.

3. The United States will share in such reconstruction by Export-Import Bank credits, by technical aid especially to agriculture, and by participation in loans by the proposed International Bank. However, the possibilities of credit assistance to Rumania, Hungary, and Bulgaria may be considerably limited by their reparations obligations.

4. The Soviet attitude towards United States participation in this area is uncertain. She may feel so strong that American financial aid will not be unwelcome, although she would probably prefer to act as the intermediary or to see the loans made by the International Bank.

Reconstruction of Poland and the Balkans: American Interests
and Soviet Attitude

1. Interests of the United States.

Economic:

a. Interest in the early return of trade to a multilateral basis under the freest possible conditions. The pattern of Europe's future commercial policy will be strongly influenced, if not largely determined, by policies and procedures established during the period of reconstruction. Whether post-war conditions lead back to bilateralism, restriction and autarchy, or are resolved in a manner which will permit the progressive growth and liberalization of trade and investment will depend in no small measure on the ability of the wartorn countries to obtain outside (i.e., mostly American) help in reconstruction.

b. Interest in general European economic stability. This stability depends on the maintenance of sound economic conditions and reasonable prosperity in all parts of the Continent.

Political: It now seems clear that the Soviet Union will exert predominant political influence over the areas in question. While this Government probably would not want to oppose itself to such a political configuration, neither would it desire to see American influence in this part of the world completely nullified.

In the situation which is likely to prevail in Poland and the Balkan states after the war, the United States can hope to make its influence felt only if some degree of equal opportunity in trade, investment, and access to sources of information is preserved. American aid in the reconstruction of these areas would not only gain the good-will of the populations involved, but would also help bring about conditions which would permit the adoption of relatively liberal policies of this nature.

2. Types

2. Types of Reconstruction Needs.

The reconstruction needs of the areas under reference will, of course, vary from country to country. Poland is the only country that may require extensive industrial reconstruction. This will depend almost entirely on the future course of the war over Polish territory. If the extensive industrial installations in the west remain intact, Poland may be able to supply almost all of her reconstruction requirements from internal resources. Should these districts be "scorched", however, not only would the amount of damage be enormously increased, but there would also be destroyed, in whole or in great part, Poland's ability to repair the damage by herself.

All of the countries involved are likely to stand in need of reconstruction of their railway systems, owing to the large-scale, thoroughgoing looting of rolling stock by the retreating enemy, destruction of road-bed and bridges, etc.

The economies of both Poland and the Balkan states, particularly of the latter, are predominantly agricultural, and in the field of agriculture it is difficult to draw a sharp line between "reconstruction" and "development." Much of the agriculture in these countries is conducted by primitive methods, and improvement in this sector of the economy holds out the greatest hope for raising standards of living from their present very low level.

3. Possible Forms of American Participation.

The United States can share in the reconstruction of Poland and the Balkans in several different ways, prominent among which would be direct loans from the Export-Import Bank and participation in loans by the International Bank for Reconstruction and Development. Private American investment is unlikely in this area for some years to come at least.

Probably one of the most useful and at the same time least expensive forms in which the United States can aid in the reconstruction of Poland and the Balkan states is

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by making available to them technical assistance, especially in the field of agriculture.

4. The Soviet Attitude toward United States Participation.

The attitude of the Soviet Union toward American participation in the reconstruction of Poland and the Balkans is uncertain. It seems clear that, for security reasons, the Soviet Government is seeking to make sure that these countries will be oriented to the East, both politically and economically.

However, in the case of one or another of the border countries, Poland for example, the Russians might have grounds to feel at an early date that an Eastern political orientation was more or less assured in any case and that foreign loans to such countries could have no decisive influence in this respect. Furthermore, the Soviet Union will have some interest in seeing that her neighbors prosper under her tutelage.

The Soviet Union probably would like most to borrow herself the money that might be available for the border countries, and to finance from the resources available to her their reconstruction and development needs. The Soviet Union might prefer, in any case, to have the reconstruction and development of the border countries financed through the International Bank rather than through direct loans from the United States.

GENERAL BALKAN POLICY

It is the desire of this Government that the three principal Allies should consider the problems of South-eastern Europe in their relation to general European welfare and security. The distinctions between Allied and enemy states are gradually merging into a single problem as the "satellites" come under the administration of Allied Control Commissions, with some participation in the war against Germany in a status approaching co-belligerency.

An important aspect of this problem is the tendency of one or another of the principal Allies to exert a particular influence in a given country, or to come to an arrangement defining the regions where such influence would be admitted as paramount (See separate paper on American Policy toward Spheres of Influence). The mere dissociation of the United States from such arrangements does not constitute a policy unless an effort is made to impress upon the other principal Allies the need for restraint, if the several peoples are really to be left free to determine the kind of democratic institutions best suited to their needs.

In a recent consideration of these problems the Department agreed on certain basic principles by which the policy of this Government should be guided. They are:

1. The right of peoples to choose for themselves without outside interference the type of political, social, and economic systems they desire, so long as they conduct their affairs in such a way as not to menace the peace and security of others.
2. Equality of opportunity, as against the setting up of a policy of exclusion, in commerce, transit and trade; and freedom to negotiate, either through government agencies or private enterprise, irrespective of the type of economic system in operation.
3. The right of access to all countries on an equal and unrestricted basis of bona fide representatives of the recognized press and information agencies of other nations engaged in gathering news and other forms of public information for dissemination to the public in their own countries; and the right to transmit information gathered by them to points outside such territories without hindrance or discrimination.

4. Freedom for American philanthropic and educational organizations to carry on their activities in the respective countries on the basis of most favored-nation treatment.

5. General protection of American citizens and the protection and furtherance of legitimate American economic rights, existing or potential.

The United States should also be prepared to participate through recommendations in territorial settlements of questions involving general security.

Since each of the Balkan countries presents separate problems, the solution of which would carry forward the ideas expressed above, separate papers have been prepared discussing them.

There are two correlated questions which may shortly require attention, with reference to the whole Southern European region; namely, the project for a union of Bulgaria with Yugoslavia, and the agitation for an integral Macedonia. Both of these questions really involve consideration of the scheme for a Balkan federation. The British Government has just informed us that it would welcome such a grouping, to include both allied and enemy states, and possibly to include Turkey, but would not favor an exclusive union or federation involving only Yugoslavia and Bulgaria, since this would be unlikely to promote the larger grouping and would also isolate Greece and endanger her position. As regards Macedonia the British Government is willing to acquiesce in the formation of a Macedonian state as a federal unit in Yugoslavia provided only territories previously belonging to Yugoslavia are involved leaving the "Macedonia" parts of Bulgaria and Greece to these respective countries. The British have also communicated these views to the Soviet Government. The Department is now considering its reply to this communication. Our present thinking is generally in line with the British attitude.

AMERICAN POSITION ON ALLIED CONTROL
COMMISSIONS IN RUMANIA, BULGARIA AND HUNGARY

The United States is represented on the Allied Control Commissions established to control the execution of the armistice agreements with Rumania and Bulgaria. The Commissions are organized on the same general pattern as the Allied Commission in Italy with Russia playing the leading role which Great Britain and the United States have in Italy. The Commission for Rumania operates under statutes drawn up by the Soviet Governments. So far as the Department is aware, no similar statutes govern the operations of the Commission for Bulgaria. The organization of the Commission for Hungary is now under discussion at Moscow.

The United States Government has not taken exception to the Soviet view that the actual operation of the Commissions should be in the hands of the Soviet military authorities, at least in the period before the surrender of Germany. The Department believes strongly, however, that policy directives should not be issued to the local Governments by the Soviet authorities in the name of the Commissions without prior consultation with the American and British representatives. Otherwise the United States is in the public mind associated with actions of which it has no official knowledge.

Following Germany's surrender the United States would like to see the Control Commissions become genuinely tripartite in character, with all three Allied Governments having equal participation.

In Rumania, the Soviet Chairman of the Commission has accepted the principle of prior consultation with the American delegation before the issuance of directives. Notwithstanding this apparent improvement there is now before us a new example of the Soviet unilateral method; namely, the orders issued to the Rumanian Government to prepare lists of racial Germans in Rumania for deportation to Soviet Russia for labor service. This matter is now being taken up in Bucharest, and representations will also be made in Moscow, both as to the substance of the order, and as to the unilateral procedure adopted.

In the case of Bulgaria the Department has been informed that prior consultation does not take place. In the case of Hungary we have proposed a protocol to the armistice

clearly

clearly defining the rights of our representatives. At the present moment of negotiation it appears that our proposed text of this protocol may not be accepted, but the discussion now taking place at Moscow will doubtless result in more satisfactory provisions as regards our representation in Hungary, than had been proposed by the Soviet Government, and will probably serve also to remove some of the sources of complaint in Rumania and Bulgaria.

With respect to the second part of the armistice period the Department has taken no action regarding the Commission for Rumania. In the case of Bulgaria, on which our views were made clear during the discussion of armistice terms, the British and Soviet Governments have been informed that we reserve the right to reopen discussion of the matter at a later date. As for Hungary, we are seeking to have our equal participation stipulated in the armistice agreement period, failing which we shall make a similar reservation as in the case of Bulgaria.

In addition to its military representation on the Control Commissions, this Government has in Rumania and Bulgaria civilian "United States Representatives", who have the personal rank of Minister and who maintain informal relations with the Rumanian and Bulgarian Governments, respectively. The United Kingdom has similar representatives in Rumania and Bulgaria, and, according to present plans, both the United States and the United Kingdom will be so represented in Hungary.

The United States Representatives have no connection with the work of the Allied Control Commissions except in so far as they may be consulted by the American representatives on those Commissions on matters of American foreign policy. Both delegations have of course instructions for close cooperation in the protection of American interests.

Reparation Policy with reference to Rumania and Hungary

SUMMARY

I. The Armistice Terms for Rumania and Hungary fix the total reparations to be paid in each case at \$500,000,000, payable in kind over a period of six years.

II. In spite of American and British opposition, the Soviet Government has insisted that: 1. The amount of reparations be fixed in the Armistice Terms rather than left to future determination. 2. Reparations be valued on a 1938 basis rather than on the basis of prices prevailing at the time of delivery. 3. There be no restrictions on the right of reparation-receiving countries to re-export goods received on reparations account. 4. There be no special reparations section of the Allied Control Commission to supervise the execution of the reparations program.

III. In the Rumanian Armistice negotiations the discussion centered largely on point 1 and the United States signed the Armistice Agreement with an oral reservation that it did not consider that the reparations article established any precedent. In the Hungarian Armistice negotiations all four points have been discussed and the Soviet Government declined to recede on any of them. In view of the Soviet Government's unwillingness to agree to a reparations section of the Allied Control Commission which would supervise the execution of the Hungarian reparations program, Ambassador Harriman has been instructed to sign the Armistice Agreement only with a written reservation which may be made public.

IV. In spite of the fact that the Rumanian Armistice Terms contain no provision for labor services as reparations, the Soviet authorities in Rumania have announced and are understood to be implementing a program of drafting Rumanians of German descent for labor service in the Soviet Union. The Department is presently considering disassociating the United States Government from the Soviet action.

PRINCIPAL ALBANIAN PROBLEMS

Summary

The Albanian National Liberation Front (FNC) has formed a provisional "democratic government" to function until a constituent assembly can be elected to decide upon a permanent form of government. This authority appears to have established control over the entire country, which is now liberated. As a result of these developments, the problem of recognition by the principal Allies has now arisen. An American political mission, to be stationed temporarily in Italy, is now being organized. A British military mission, including political and economic experts, is only awaiting Foreign Office approval before entering Albania. It is desirable that the three Allied Governments should facilitate parallel and perhaps simultaneous action in the matter of recognition, by prior consultation regarding the qualifications of the existing Albanian provisional authority and the form of recognition to be granted. The United States Government, having affirmed, as have the British and Soviet Governments, the right of the Albanian people to choose their own form of government, should not favor the return of former King Zog to Albania, at least until an elected constituent assembly has decided upon a permanent government.

All practicable arrangements for expediting relief supplies for Albania should be supported, but our position in support of the principle of equitable distribution and against the use of relief supplies for political purposes should be maintained.

With reference to Southern Albania, a zone of potential Albanian-Greek conflict, this Government should favor the retention of the pre-war boundary, pending an objective examination of the respective claims.

This Government should uphold the principle of non-exclusion in Albanian economic affairs and be prepared to share in the extension of financial and technical assistance in order to lay the foundation for an independent and viable Albanian state.

PRINCIPAL BULGARIAN PROBLEMS

Allied Control Commission

Pursuant to Article 18 of the Armistice terms, an Allied Control Commission has been set up to govern Bulgaria pending the conclusion of a treaty of peace. The article by its terms gives the Soviet Union a large measure of control over Bulgaria during the period from the signing of the Armistice until the termination of hostilities against Germany. The Soviet Government expects such control to continue also after this period, but the United States has not accepted the Soviet position. We maintain, and have so advised the Soviet Government, that we wish to make the division of powers among the members of the Control Commission during the second period a matter of future discussion.

Thus far the Soviet rôle in the Control Commission has even exceeded the proportions assigned it by Article 18. Developments have reached a stage disquieting to ourselves and alarming to the British. The latter have communicated their grievances to Moscow in the form of a personal note from Mr. Eden to Mr. Molotov. Bearing in mind that the range of our complaints is not so wide as that of the British, we have taken a more moderate course, hoping to adjust some of the difficulties on the spot.

We are preparing an approach to Moscow designed principally to effect a modification of the present Soviet practice of making decisions and instituting measures in the name of the Allied Control Commission, without consultation with the American and British representatives. We also expect to effect the removal of restrictions on the movements of our representatives in Bulgaria, and better facilities for clearance of personnel and aircraft entering Bulgaria.

Conditions within Bulgaria

The country is ruled - aside from the Soviet Chairman of the Allied Control Commission - by a coalition government known as the "Fatherland Front", composed of representatives of the Communist Party and the Agrarian and Union-Zveno parties, in which it appears that the Communists are steadily gaining the ascendancy, aided covertly by Russian occupation authorities. Although the Regency ostensibly perpetuates the monarchical form of government, there have been reports that the safety of the queen Mother, and perhaps the boy-king, Simeon II, may be endangered.

Bulgarian

Bulgarian Relations with Greece and Yugoslavia

Bulgarian foreign relations are in effect under the supervision of the Control Commission, meaning, for practical purposes, the Soviet authorities. Thus far we have not learned much about these relations, but we consider certain public statements and other manifestations relating to Greece and Yugoslavia to be of great significance.

The Armistice and its accompanying Protocol provide for the delivery of reparation and restitution goods from Bulgaria to Greece, but no appreciable progress has been made as yet. Two Greek delegations arrived in Sofia, but neither of them could show proper credentials or authority, and a duly accredited official representative to the Allied Control Commission has not yet been sent to Sofia, due probably to the political difficulties in Greece. While the Soviet chairman of the Allied Control Commission has indicated a willingness to have a Greek representative at Sofia, there may well be opposition, on the part of the Russians, to deliveries from Bulgaria to Greece on any such scale as the Greeks demand. Bulgarian relations with Greece are further complicated by the reported incursions of Bulgarian irregular forces into Greek Thrace and Macedonia.

In marked contrast to her relations with Greece, Bulgarian relations with Tito's National Liberation Front in Yugoslavia are of a most friendly nature. Thus, Bulgarian atrocities in Serbia appear to have been forgiven by Tito and Bulgarian measures for Yugoslav relief have been announced, probably resulting from direct Yugoslav-Bulgarian negotiations sanctioned by the Soviet authorities in the name of the Allied Control Commission.

PRINCIPAL HUNGARIAN PROBLEMS

Summary

The long-range interest of the United States in the maintenance of peace and stability in central Europe may be involved in the issues now arising in connection with terms of armistice for Hungary, with the control of Hungary during the armistice period, and with the territorial settlement. The two most pressing problems are (1) the share which the United States will have in the work of the Allied Control Commission, and (2) the payment of reparation by Hungary.

It is possible that Soviet and American policy may not be in harmony if the Soviet Union uses its position as the power in actual control of the execution of the armistice to intervene in Hungarian domestic affairs, to dominate Hungary, or to pursue a severe policy on the reparation question which would cripple Hungarian economy and thus delay the economic recovery of Europe and the restoration of normal economic relationships based on equal treatment for all nations.

While American and British interests are more or less the same in these questions, we prefer an independent approach to the Russians and should seek agreement on solutions and procedures which take account of the interests of all these and of the other United Nations. It would be desirable to secure the agreement of the British and Soviet Governments to the following principles:

1. Participation of the American and British Governments in the execution of the armistice to the maximum degree consistent with leaving to the Soviet High Command decisions connected with the conduct of military operations; after Germany's surrender all three Governments should have equal representation and responsibility;
2. An Allied economic policy toward Hungary which will reconcile legitimate claims of Allied nations to reparation with the general interest in promoting the rapid economic recovery of Europe;
3. The desirability of reaching a settlement of the Hungarian-Rumanian frontier dispute and of encouraging an eventual settlement between Hungary and Czechoslovakia and perhaps between Hungary and Yugoslavia, by friendly mutual negotiation, which would take into account the Hungarian ethnic claims.

PRINCIPAL RUMANIAN PROBLEMS

Summary

The long-range interest of the United States in the maintenance of peace and stability in eastern Europe may be involved in the issues now arising in connection with the control of Rumania during the armistice period and with the eventual peace settlement. The fundamental problem is the degree to which the United States will acquiesce in the exercise by the Soviet Union of a dominant or exclusive influence in Rumania. The British seem to fear that present Soviet policies threaten Rumania's existence as an independent state and may block the British plans to restore their pre-war political and economic position in Rumania. Prominent Rumanians have made direct appeals to American representatives in Bucharest for an indication of the policy of the United States on the matter of possible Soviet domination of Rumania.

Under the armistice agreement, to which all three principal Allied Governments were parties, the Allied Control Commission operates under the general direction of the Soviet High Command. The Soviet authorities have taken a number of unilateral decisions, such as those involving the property of American-owned petroleum companies, on matters which the Department believes should have been made the subject of consultation and agreement among the three Allied Governments.

It would be desirable to secure the agreement of the British and Soviet Governments to the following principles:

1. Respect for the Rumanian people's right to independence and to the choice of their own government;
2. An Allied economic policy toward Rumania, under the armistice and the peace settlement, which will reconcile the legitimate claims of Allied nations to reparation with the general interest in promoting the rapid economic recovery of Europe;
3. The desirability of finding a solution of the Hungarian-Rumanian frontier dispute which will give some satisfaction to Hungary's legitimate claims and promote peaceful relations between the two states.

PRINCIPAL YUGOSLAV PROBLEMS

Summary

The Partisan organization appears in fact to be in effective control of the liberated parts of Yugoslavia. Its present armed strength, the presence of Soviet armies under a formal agreement with Marshal Tito, and the political support of the British and Soviet Governments, over a period of many months, have created a situation in which the Partisan leaders have taken advantage of their achievements in guerrilla warfare for the creation of a powerful political organization. Its active opponents, such as the Nationalist movement under such leaders as General Mihailovic, and the less coherent opposition groups such as the Croatian Peasant Party and the Slovenian clericals, for the time being are reduced to sullen impotence. All indications point to the intention of the Partisans to establish a thoroughly totalitarian regime, in order to maintain themselves in power.

The Tito-Subasic agreement, now awaiting the King's approval in London, would transfer the effective powers of government to the Tito organization, with just enough participation of the Government in exile to facilitate recognition by other governments. The Soviet and British Governments have firmly advocated an acceptance of this agreement. This Government has refused to exert influence on the King, and has pointed out that while the language of the agreement is in line with our ideas, the real test will be the good will of the new administration in its execution.

We have also placed on record our uncertainty as to what extent the proposed agreement, in the formulation of which both Mr. Churchill and Marshal Stalin seem to have had a part, may be related to the arrangements between the British and Soviet Governments defining their respective interests in Southeastern Europe.

If an effort is made to associate this Government with this Yugoslav arrangement, it is recommended: (1) that we should emphasize our complete independence of action in dealing with the Yugoslav situation, despite any commitments which may be or may have been made by the British and Soviet Governments; and (2) that we should make any endorsement of a new administration in

Yugoslavia contingent on freedom of movement and access to public opinion in Yugoslavia for our observers to survey the situation.

We could say frankly that Marshal Tito and his subordinates have not shown a disposition toward cooperation or even common civility in recent weeks. His refusal to cooperate in military plans is beyond the scope of this paper, but the attitude on questions of relief negotiations, censorship restrictions, refusal to grant travel facilities for Allied observers, the Partisan territorial demands, and propaganda policies, all show that the Partisan leadership is not disposed to work in loyal cooperation toward the general aims of the United Nations.

NOTE: The above summary and attached statement were based on the situation existing before King Peter had given any public indication of his attitude with respect to the Tito-Subasic agreement. It has just been announced that the King has refused to accept the agreement in its present form because of (1) the suggested form of the regency and (2) the provision that the Partisan Anti-Fascist Council of National Liberation would wield unrestricted legislative powers until the proposed constituent assembly had finished its work. The King feels that these provisions would transfer the power in Yugoslavia to a single political group, Marshal Tito's National Liberation Front.

At this writing we do not know whether negotiations on the agreement will continue (the King has indicated his approval of the agreement's basic proposals) or whether Marshal Tito will refuse to continue the conversations and request recognition of his organization as the de jure government of Yugoslavia.

SUMMARY OF ITALIAN PAPER

United States policy toward Italy is, briefly, to encourage the development of Italy into a democratic and constructive force in the future Europe and to assist Italy to become politically independent and economically self-supporting as quickly as possible. The steps which this Government has taken to date to implement these policies are recounted.

Major questions of policy which might be taken up with the British and Soviet Governments and their concurrence obtained are:

(1) Supersession of the Italian instrument of surrender (long and short terms) by a convention to terminate the state of war between Italy and the United Nations;

(2) Italian request for the participation in United Nations international bodies and conferences as an associated nation;

(3) Italian participation, as an associated nation, in the German surrender instrument;

(4) Italian Committee of National Liberation as a basis for representative government during the interim period;

(5) Italian national elections, after the Germans have been expelled, to determine the form of government and constitution which the Italian people desire;

(6) Italian participation in the war against Japan.

Questions which the British or Soviet Governments may raise concerning Italy requiring this Government to take a position are as follows:

(1) Allied support of the House of Savoy during the interim period;

(2) Territorial dispositions and reparations;

(3) Progress of defascistization in Italy;

(4) Use of Allied forces to support the Italian Government in the event of civil war.

FRANCE

Summary

1) Role in United Nations Councils

American interests require that every effort be made by this Government to assist France, morally as well as physically, to regain her strength and her influence, not only with a view toward increasing the French contribution to the war effort, but also with a view toward enabling the French to assume larger responsibilities in connection with the maintenance of peace. It is likewise in the interest of this Government to treat France in all respects on the basis of her potential power and influence rather than on the basis of her present strength.

2) Zone of Occupation in Germany

The President has already approved in principle five proposals forwarded by the French which are designed to place France on a footing of equality with the United States, United Kingdom and the Soviet Union with regard to German affairs. It is not known what zone the French will ultimately ask for, but they have expressed continued interest in the Rhineland and there is every likelihood that they will favor an occupation of the Rhineland over so long a period that it may easily become permanent.

3) Control Machinery for Germany

One of the French proposals approved by the President in principle is that the French will have an equal part in the control machinery for Germany.

4) Attitude Toward Future German Economy

Indications are that the French do not wish to see Germany reduced to economic misery since they believe that this would inevitably breed trouble. They do, however, favor the elimination of all German war industries and near war industries. General de Gaulle is also known to favor an international administrative and economic regime for the Ruhr.

MEMORANDUM

Subject: Rearming of French Forces.

Last August the British Embassy raised with the Department of State the question of equipping the armed forces of certain Western European Allies to enable them to maintain security in their own countries and to take part in the occupation of Germany. At that same time the British Chiefs of Staff placed the same proposal before the American Joint Chiefs of Staff. The British proposed that in view of the fact that French ground military units were presently furnished with American arms, that the United States should furnish arms and equipment to the French forces for the purposes indicated. The British, on the other hand, would furnish arms and equipment to the Belgians, Dutch, Norwegians and eventually the Danish. The British proposed that they furnish the French with air equipment. The American Joint Chiefs of Staff informed the Department of State that the British proposals, from a military point of view, were acceptable to them, but that the matter should be handled on a Government to Government level and not on a Combined Chiefs of Staff level.

The Joint Chiefs of Staff also indicated their view that the Soviet Government should be informed of the proposed action. Two memoranda (copies attached) on the subject were submitted to the President for his approval. That approval has now been received. The armament involved in these proposals is for post-European war delivery and is not involved in the present arrangements now under execution for the equipping of eight additional French divisions. The manner in which the equipment involved in the British proposal is to be supplied to the French Government is one to be worked out with the War Department and not at the level of the Joint Chiefs of Staff. As soon as the mechanical arrangements can be made with the War Department it is proposed to discuss the matter first with the French authorities at a Government and at the same time to inform both the British and the Soviet authorities of the action we have taken.

The manner in which payment may be made by the French Government for the supplies thus envisaged is to be determined in discussion with the French authorities.

The British Embassy has informed the Department of State that the Departments of the French Government concerned in this matter are considering the complicated question of how far the mutual aid agreements between the
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United Kingdom Government and the countries in question are applicable to the equipment and training of Allied forces for the post-hostilities period. The British Embassy states that when final conclusions have been reached the Department of State will be informed. The equipping and training by the United Kingdom Government of Belgian, Norwegian and Dutch forces are at present governed by mutual aid agreements in force between the United Kingdom and the Governments in question.

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MEMORANDUM TO THE PRESIDENT

Subject: Arming of French Forces.

In late August, the British Embassy approached the State Department, and the British Chiefs of Staff approached the Combined Chiefs of Staff, with reference to the adequate equipment of the forces of the Western European Allies, to enable them to maintain security in their own countries and to take part in occupying Germany. The question was asked whether the United States Government would be willing to re-equip a French Army for such purposes from American sources during the next few years, having in mind that present French land forces are provided with American munitions and materiel. British Chiefs of Staff suggested a continuance of British supply to Norway, Denmark, the Netherlands and Belgium.

The United States Chiefs of Staff, through Admiral Leahy, stated to the Department that there was no objection on military grounds to the division of responsibility proposed but that no commitments should be made that will be rigidly exclusive for the future.

The authority to deliver supplies for security or occupation forces is given by the Lend-Lease Act, and these munitions could be furnished on straight lend-lease or on credit under Section 3(c) of the Act. We could also furnish such supplies for cash, but cash purchases might use on dollars needed for civilian supply and reconstruction.

I recommend that we accept the British proposal, but suggest dealing directly with the French. Our present policy toward France is based on the belief that it is in the best interests of the United States that France resume her traditional position as a principal power capable of playing a part in the occupation of Germany and in maintaining peace in Europe. The recruiting and equipping of French land forces would be a natural corollary of this policy, and politically such a move could be portrayed as a further evidence of American friendship for France and a proof of our desire to see her as a strong nation. The furnishing of arms by the United States to France may provide this Government with a

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lever to exercise a certain measure of influence on French policy for a number of years. However, it must be borne in mind that France will make every effort to obtain arms from any source.

We are presently in the process of preparing a lend-lease agreement to be proposed to the French, and under that proposal these military supplies could be furnished on a straight lend-lease basis. However, unless the British are agreeable to furnishing comparable military supplies to Norway, Denmark, the Netherlands, and Belgium on a similar basis, we may have to reconsider the implementation of our proposal in order to standardize the terms of our arrangements with the French and those made by the British with the other four countries in question.

I recommend further that the Soviet Government be informed of what the British and the American Governments propose to do, and that it be pointed out that the arming of the Western European Allies is on a non-restrictive basis.

(The foregoing proposal and recommendation are not of course related to the equipment and maintenance of French ground forces by General Eisenhower for utilization in the present campaign against Germany for which the General has full authority.)

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~~TOP SECRET~~

December 27, 1944.

MEMORANDUM FOR THE PRESIDENT

Subject: Desire of British Government to Assist in Re-equipping the French Air Force

A communication has been received from the British Embassy relative to the desire of the British Government to make an immediate offer to the French authorities to assist in re-equipping the French Air Force. A copy of the communication in question is attached herewith.

As indicated in the British aide memoire, the specific proposal now advanced was considered by the Joint Chiefs of Staff. Admiral Leahy informed the Secretary of State that "from the military point of view there is no objection" to the British proposal whereby the British would undertake to equip certain French air units.

The "certain French air units" referred to in Admiral Leahy's letter are the same as those described in the attached aide memoire.

The British attach importance to proceeding with this matter as soon as possible and in view of the concurrence of the Joint Chiefs of Staff, it is recommended that we notify the British that we approve.

The question of our supplying equipment for French land forces, which was the main subject of Admiral Leahy's letter under reference, is being dealt with in a separate memorandum.

Enclosure:
From British Embassy

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FRENCH VIEWS ON THE TREATMENT OF GERMANY

General Observations

A very considerable proportion of the French population - possibly a majority - still holds that some Germans are not beyond salvation and that a purged and chastened Germany must eventually regain an important position in Europe. The most consistent exponents of this viewpoint have been the Socialists. However, the Socialists have few illusions about the Germans and regard a European federation as primarily designed to keep Germany in check. During the past year the attitude of the Socialists has hardened on the German problem.

The Communists, while generally avoiding comment on the German problem, have shown some tendency to distinguish between "good" and "bad" Germans.

The elements commonly referred to as Christian Democrats are probably in accord with Foreign Minister Bidault, whose view has been that Germany should not be enslaved but should be rendered incapable of waging another war.

General de Gaulle recently declared that for France, the German problem is "the center of the universe" and the country may be said to be unanimous in demanding effective security measures. There is still considerable division regarding the method of achieving this objective. Dismemberment has considerable support in political Conservative circles, and possibly among the rank and file of Frenchmen as well. The majority of prominent Frenchmen, however, appear to consider dismemberment impractical.

Even those Frenchmen who outspokenly oppose dismemberment appear willing to see extensive territorial transfers carried out. For instance, it is reliably reported that General de Gaulle was disposed to approve the potential cessation of Trans-Oder region to Poland. The separation of Austria from Germany is also taken for granted and the Provisional Government is committed to the restoration of the Sudetan areas to Czechoslovakia. Some sentiment has been expressed for additional frontier rectification in favor of the Czechoslovakians.

The French agree that Germany, whether dismembered or not, must be subjected to a long military occupation, coupled with rigid economic controls. The exact nature of

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these controls remains a subject of discussion and has not been greatly clarified by the so-called "Massigli Plan". Foreign Minister Bidault believes that industrial controls might be modeled after those used by the Germans in France and believes that German industries and university laboratories should remain indefinitely under Allied supervision. The Communists have been fulminating against the trusts, but are apparently inclined to leave German industry in German hands. The French Communist line at present appears to harmonize with that followed by the Soviet-sponsored "Free Germany Committee", which holds out the hope that the Germans may continue to run their own affairs once they have repudiated the Hitler regime.

While both Right and Left in France demand direct security measures in Germany, the Socialists are the most inclined to persist in their old faith that collective security, organized on both a European and a world scale, will in the long run be of equal importance in curbing German aggression. They are particularly attracted to the idea of a European federation.

With regard to the Rhineland and the Ruhr, virtually every Frenchman who has expressed an opinion favors special measures of some sort in that area. These views range from outright annexation of all or part of the area to measures of international economic control which single out this region from the rest of Germany. Recently, there has been increasing evidence of a desire to sever the Rhineland from main German state.

General de Gaulle's statements on the Rhineland have been growing increasingly frank. Latest information indicates that he prefers outright French annexation rather than French control of an autonomous state. He is believed to favor the establishment of an international control for the Ruhr.

Those who favor international rather than French control of the Rhineland believe that such a policy would commit other nations to the maintenance of French security. They are therefore against annexation by France, either outright or disguised.

Conclusions

Although a consistent French program for defeated Germany is still in process of gestation, the following tentative conclusions seem justified:

1) The French will contend that their security requires, as a minimum, a long occupation and effective economic controls, the nature of which remains to be defined.

2) A general dismemberment of the Reich will not be advocated by the French, although they would not be likely to oppose such dismemberment if it were suggested by other powers. The French will not sponsor the destruction of German industry and the reduction of Germany to an agrarian state.

3) The French seem prepared to approve the transfer of German territory east of the Oder to Poland and the U.S.S.R. and the possible cession of border areas to Czechoslovakia. Extensive territorial transfers in the east would tend to strengthen potential French claims in the west, for the principle of German sovereignty over German populations would thus be partially abandoned, and the French could match any strategic arguments which might apply to cession of territory to the Poles.

4) The present French Government apparently aims to secure the annexation of the Rhineland to France. French policy may, however, remain flexible until the three major powers have clarified their positions as regards Germany. Adapting themselves to circumstances, the French may consider it advisable to propose disguised rather than open annexation. Such a proposal would probably involve the creation of a Rhenish state or "mandated area", separated from Germany by political and economic barriers, and occupied by the French. The latter program might be accompanied by a demand for outright annexation of the Saar and perhaps some adjoining territory. As for the Ruhr, it appears likely that a share in international economic control of the area will satisfy the French.

5) The spirit of French policy toward Germany will be influenced by the distribution of party strength within France. The Provisional Government as now constituted represents what might be described as a moderate-conservative attitude in respect to the German settlement.

Strong

Strong Communist influence in the Government, if it should appear in the near future, would introduce a relatively unknown factor, since Communist policy toward Germany remains to be defined. Finally, a shift of power to the parties of the less extreme Left (notably the Socialists) would probably result in a more moderate French attitude, especially if an effective international security system is established.

Summary

CZECHOSLOVAKIA

The Czechoslovak Government's relations with the British and Soviet Governments are excellent, and present no problems. Czechoslovak-American relations (reviewed in Annex I) remain excellent, as they have been in the past.

The United States, Great Britain and the U.S.S.R. all favor restoration of independent Czechoslovakia with substantially its 1937 frontiers. Although we favor restoring Ruthenia to Czechoslovakia we would not oppose its incorporation in the U.S.S.R. if the Soviet and Czechoslovak Governments should decide this in agreement. Czechoslovakia is not expected to present any problems for American post-war policies concerning it (detailed in Annex II).

We have no questions to raise about Czechoslovakia now; nor have Great Britain or the U.S.S.R., as far as we know.

The Czechoslovak Government itself however has raised one question which will require decision by the British, Soviet and American Governments: It has informed them of its desire to expel to Germany all undesirable Sudeten Germans (possibly two million) in the expectation that the three occupying powers will facilitate the resettlement of these persons within Germany, without any change in the Czech-German 1937 frontier. The State Department is preparing a note in reply expressing sympathy with the Czechoslovak concern about the Sudeten Germans, but opposing any unilateral action to move them until an orderly solution can be worked out in agreement between the Governments of Czechoslovakia and the occupying powers responsible for the maintenance of order for military security in Germany. The Big Three may wish to forestall precipitate action by reaching agreement along the lines of the separate memorandum on

"Treatment

"Treatment of Germany", the last section of which deals with the broader question of the transfer of Germans from Poland, East Prussia and other areas as well as Czechoslovakia, who might altogether number near ten million.

Annex I: Review of United States Policy towards Czechoslovakia from 1933 to the Present.

Annex II: Post-war Policy Recommendations.

The subjects treated in this memorandum - credits to Russia and the 3-C negotiations - have been merged because current developments have merged them. The present summary is all that can be prepared today as several proposals are under discussion and no policy decisions have been made. Early next week it will be possible to decide whether to give the President a general background with alternative suggestions or whether it will be possible to report that definitive instructions have been sent to Harriman with respect to 3-C and to make inter-agency agreed recommendations to the President on postwar credits.

RUSSIAN REQUEST FOR FINANCING OF ACQUISITIONS
OF CAPITAL EQUIPMENT DURING AND AFTER THE WAR

Summary

1. The Russians have requested a \$6 billion credit at 2 1/4 % with amortization concluding in the thirtieth year to cover both immediate and true postwar acquisitions of industrial equipment.

2. The Department proposes to inform the Soviets through Ambassador Harriman that no long range industrial equipment can be put into production until agreement be reached on the terms of the lend-lease 3-C agreement which has been under discussion since May 1944, that we desire action on the 3-C agreement before signing the Fourth Protocol (but we should not stand too strongly on this point), and that consideration of postwar credits must be separated from the 3-C negotiations. The Department is now considering with Treasury and FEA proposed final terms.

3. With respect to true postwar credits the Department is considering with the Treasury the lending agency or authority under which such credits might be extended; the effect of extensions of credits to Russia on special terms upon general operations of the Export-Import Bank, the proposed Bretton Woods bank, and possible revival of private lending; the possibility of setting the Russian credit apart by some distinctive feature in order to avoid the establishment of restrictive precedents; and the amount of the credit.

4. The Department believes the U.S.S.R. will contract only such credits as it can service. Current Russian gold production of about \$200 million a year could service the \$6 billion credit on the terms proposed by the Soviets; about \$3 billion on usual Export-Import Bank credits.

5. Postwar credits to the U.S.S.R. can serve as a useful instrument in our overall relations with the U.S.S.R.

THE NEEDS OF GREAT BRITAIN FOR FINANCIAL AID
DURING PHASE III

Summary

1. At the end of 1945 the British will have foreign liabilities of \$14 to 15 billion, largely in short-term sterling obligations to members of the British Commonwealth. Their long-term foreign investments will be about \$10 billion, and their net gold and dollars a little over \$2 billion.

2. It has been estimated that in the first three post-war transitional years the U.K. will incur an additional indebtedness of from \$2 to 5 billion to pay for essential imports.

3. This need would be met in part by a limited liquidation of foreign long-term investments, a small reduction in gold and dollar balances, and an increase in short-term sterling indebtedness. The International Monetary Fund and Bank would help some, especially indirectly by their effect on general international trade, investment, and economic activity.

4. It is recommended that the President, if the Prime Minister raises the issue:

a. Request a frank statement of British financial needs in Phase III.

b. Call attention to the possibilities of credit under a 3-C Lend Lease agreement, to cover supplies such as foodstuffs and raw materials on order under lend lease, but not yet exported at the close of hostilities. Other financial aid would be made possible by the adoption of our program of financial legislation.

Discussions Concerning Post-War Trade Policy
(Article VII of the Mutual-Aid Agreements)

Summary

In Article VII we and the British and the Russians pledged ourselves to early agreed action to reduce trade barriers as part of a broad program to maintain high levels of employment and expand the production, consumption and exchange of goods.

The pledge on trade barriers was put in Article VII because it is essential to all the rest: to carry out our own and Britain's full employment programs, to assure the success of the Monetary Fund and International Bank, to make possible eventual repayment of the large loans we will need to extend, directly and indirectly, to the rest of the world.

Unless we and the British get together urgently, while the political and trade situation is favorable, on adequate measures in the field of commercial policy (including cartels and commodity arrangements), there is grave danger that our whole foreign economic program may be undermined. While satisfactory exploratory talks on a commercial-policy plan were held with the British (on the technical level) in late 1943, the British have not appeared eager to resume discussions.

We are convinced that unless you bring your strong personal influence to bear on the Prime Minister and urge him to get these discussions started promptly, on the ministerial level and on a more definitive basis than those held earlier, the British cabinet will continue to postpone these matters indefinitely. This would be fatal to all our hopes.

To date, the Russians have not accepted any of our invitations to conduct exploratory Article VII conversations. We are prepared to hold such exploratory talks immediately and when we are ready to have formal discussions with the British we will be in a position to schedule formal discussions with the Russians and others.

Recommendations

It is strongly recommended (1) that you point out to Mr. Churchill and Mr. Stalin your personal interest in, and the critical importance and urgency of, commercial-policy measures to implement Article VII; and (2) that you urge them to facilitate the necessary intergovernmental discussions preparatory to a United Nations international trade conference.

British Plan for a Western European Bloc

Summary

As a "hedge" against the possible failure of a World Security Organization the British are following the policy recommended by General Smuts of strengthening their position by drawing the nations of Western Europe into closer association with the Commonwealth. They have taken pains to affirm that such an arrangement would be within the framework of a World Security Organization, and to assure the Russians that the policy is not directed against them. They have also called attention to the fact that the Russians are following a similar line in Eastern Europe.

The Smuts idea was to offer France, Belgium, Holland, Norway, and Denmark something in the nature of dominion status in the Commonwealth. It would involve such steps as the creation of a common foreign policy; coordination of military strategy; combined boards for finance, transport, production, supplies, resources, and raw materials; a customs union; currency agreements; and a joint approach to civil aviation and colonial problems.

The Russians are opposed to the plan, seeing in it primarily an attempt by Britain to strengthen her sphere of influence as against Russia. It is the British claim, and they have so informed the Russians, that it is directed against Germany. Russian opposition has led the British to "pull in their horns", but they will undoubtedly try to achieve as many as possible of the objectives of the plan by one means or another as additional security insurance.

Recommendations

The policy has been widely criticized as a return to power politics. It would tend to divide Europe into two camps when unity, rather than division, is imperative. It would accordingly militate against the chances of Dumbarton Oaks. Its economic features would run counter to the principles of free access to foreign markets and raw materials.

The paramount need is to promote understanding between Great Britain and Russia. It is recommended that no support be given to the plan at this time, or to any proposal which would encourage the division of Europe into regional blocs.

British Plan for a Western European Bloc

On September 29, 1944, Eden informed the House of Commons that the Government had embarked on a policy of drawing the countries of Western Europe into a closer association with the British Commonwealth of Nations, thereby giving official approval to the ideas enunciated by General Smuts in 1943.

Eden emphasized that the plan was in no wise contrary to the principles of Dumbarton Oaks, that it was merely an "element in the general international system", and that it would be a buttress to strengthen the general world structure. He has also taken pains to assure the Russians that a Western Security bloc would not be directed against them but rather against a resurgent Germany, and through his Ambassador at Moscow has said that provided, in fact, regional arrangements are definitely made subordinate to a World Organization, he could not imagine that the Soviet Union would have any objection to their establishment either in the West or in the East of Europe.

Traditional British policy in Europe has been, of course, that of preventing any one state from dominating the continent. The weakness of Britain's geographical position has always been that some nation would unite the countries of Europe against her. To combat this danger, Britain has thrown her support first to one and then to another, thereby maintaining the balance of power necessary to her interests.

Heretofore there have always been several strong European powers providing the basic elements for this policy. At the end of the present war, however, this situation will have completely changed, in that Russia will be left as the sole great power on the continent -- a position unique in modern history. Britain accordingly fears that Russia will dominate the continent (including Germany) and she therefore finds herself in need of thoroughly revising her political thinking. There will

no longer

no longer be power to balance.

Far from holding the key as being the determining influence in the picture, therefore, Britain perforce assumes a secondary role, and must look to her security in other ways. She hopes to find it first in a strong and effective international organization backed by force. As the weakest of the three major powers, and as one occupying an exposed position, she could not logically adopt any other course, even if she did not already possess the sincere desire to create an organization capable of maintaining peace. However, to her the effectiveness of post-war cooperation between the great powers and of an international body such as is envisaged in the Dumbarton Oaks proposals remains to be seen, and it is not a characteristic of European politics to place sole reliance on untried methods and means. Furthermore, Britain entertains grave doubts as to the intentions of the Russians in the whole scheme of things and questions the sincerity of their expression of willingness to settle European problems through agreement between the parties concerned. The British are afraid that the Russians may play a lone hand -- which they will be in a position to do if they so desire. Britain would prefer to cooperate, but realizes she may have to compete.

In view of the circumstances it is not to be unexpected that the British will "hedge" against a possible unsuccessful outcome of international collaboration, and will attempt at the same time to strengthen their position by the old power politics system. We can hardly blame them for seeking any additional means of making themselves secure -- they who through bitter personal experience know the grim realities of war and the ever-present danger of it -- and, as previously indicated, they are already working to this end.

Since there will no longer be power to balance in Europe, Britain would logically turn to the United States as the greatest potential source of support in developing an adequate counterpoise to Russia. Without the assured support of the United States, any combination of powers which Britain might be able to assemble would still leave Russia preponderantly strong. The British know that we

have

have always regarded them as our first line of defense and that any threat to their security would most likely cause armed intervention on our part. However, they are also aware of our traditional antipathy to power politics, and naturally discount the possibility of getting from us an advance commitment to protect the security of the British Isles. In any event, she will at all times follow a policy of seeking such assistance as we will be willing to give.

The next best "hedge" would be to strengthen the bonds of the Commonwealth. Lord Halifax in his Toronto speech developed the thesis that the mother country and the Dominions should speak "with one voice" in international affairs. As desirable as this might be from the point of view of the mother country, there is but little chance of the Dominions' accepting the idea, judging from the reception which the speech had in the several capitals and the opposition expressed at the Prime Ministers' Conference last year. The interests of the Dominions are very often different from those of the mother country, and the inability of the mother country to defend them has been demonstrated. If anything, the political ties are becoming weaker rather than stronger. Here again, however, Britain will do what she can to strengthen herself in this way.

The policy of drawing the nations of Western Europe into close association with the British Commonwealth is in furtherance of this same end. General Smuts was the first prominent official to give expression to the idea, which he did in a speech before the Empire Parliamentary Association on November 25, 1943. Smuts recommended that the Western European nations align themselves with Britain -- for their own good as well as Britain's. The countries involved would be, at first, France, Belgium, Holland and, possibly, Norway and Denmark. The precise nature of the alignment has never been defined, and in fact most of the talk about it has been done in unofficial circles -- doubtless purposely so. It has nevertheless caused official repercussions in the countries concerned, as well as in Russia. Generally speaking, the idea appears to be to offer these countries something in the nature of dominion status in the British Commonwealth. It might properly be regarded as an extension of the Halifax thesis of "one

voice being the unison of many" -- the intention being to get more voices in the "unison". One exponent of the plan has said:

"Complete coordination of foreign policies is perhaps too much to expect. But the British Government should cultivate the habit of consulting as regularly with Paris, Brussels, the Hague, Copenhagen and Oslo as it already does with Ottawa, Canberra, Wellington and Pretoria. And in the one case as in the other such consultation will almost always result in an agreed policy."

In addition to establishing a common foreign policy it has been pointed out by those favoring the plan that in the field of strategy the war has shown how many other different forms of collaboration it is possible to achieve without an official abatement of sovereignty. They cite the Combined Chiefs of Staff now linking the American and British Forces as an example, and state that something like it might be reproduced in a more permanent form to insure the strategic unity of Western Europe. They also note the Combined Boards -- each dealing jointly with a specific problem - finance, transport, supplies, production, resources, raw materials, etc. They point out too that types of weapons might be standardized, as could instruction in staff colleges -- thereby building up a "staff mind".

The possibilities of collaboration in the economic field are discussed in more vague terms -- most probably because considerable opposition would doubtless develop both at home and abroad. The potentialities, however, are great. A customs union is suggested -- presumably an extension of Imperial Preference -- and one author states:

"The creation of such a union - a unified market of 115,000,000 people not counting any of their colonial dependencies - would be an immense benefit to its members and to the world at large."

Currency agreements are spoken of, and civil aviation is cited as a field in which the countries have a community

of interest. Mention is also made of the fact that these powers have common colonial problems, which might be treated on a regional scale.

One British commentator states:

"Such suggestions may sound revolutionary. But the Lancaster bomber and the assault craft and the duck and the doodle are all revolutionary. The environment of peaceful living in Europe has changed drastically in the last twenty years, and unless the nations are prepared to alter their habits as drastically, they will go the way of all those who have failed to adapt themselves to their environment - they will not survive."

The plan has had a varied reception in the countries concerned. Belgium seems to be the most enthusiastic about it; Holland less so, but still not unfavorably disposed. France is more cool to the idea, but she will probably not be averse to making bilateral agreements with Britain and the low countries if they can be made in such a way as not to weaken the security organization or appear to be directed against the Soviet Union. The Russians are suspicious of the move and Clark Kerr reported that Molotov was obviously "relieved" by his statement to him on November 28 that the object of any so-called "Western European Bloc" would in no wise be to form a counterpoise to the Soviet Union. Clark Kerr also assured him that in accordance with the established policy of his Government the Russians would at all times be kept fully informed of any developments along these lines. It is deemed most likely that he attempted to convey to Molotov the idea that the motive which impelled the British to adopt this policy in Western Europe was the same which led the Russians to take an interest in Finland, the Baltic States, Poland, and Rumania. Subsequent to this conversation, however, the Russian Ambassador in Paris told Caffery that his Government was opposed to the formation of a Western European bloc but had no objection whatever to France's being the principle nation among a group of free and prosperous European nations. This was just after de Gaulle's visit to Moscow.

Recommendations:

Recommendations:

The whole plan smacks of power politics, and would be widely interpreted as such. It would inevitably be regarded merely as an attempt by Britain to extend her sphere of influence. It would encounter strong opposition from Russia. It would tend to divide Europe into two camps -- at a time when we need unity rather than division. The clock would be turning backward instead of forward. The policy is indicative of a return to the old system of war and more war. It would accordingly militate against the success of a general security organization and would not further the tripartite collaboration so necessary to lasting peace. Furthermore, the economic features would place additional restrictions on trade and run counter to our announced principles of free access to foreign markets and raw materials.

The need of the moment is to promote understanding between Great Britain and Russia on all matters in dispute. We should do all we can in this connection, rather than assist in driving them apart. We should do nothing which might lessen the chances of Dumbarton Oaks. For these reasons it is recommended that no support be given to the plan at this time.

Attachments:

1. Paraphrase of communication given to Mr. Molotov on November 28, 1944; and of
 2. Mr. Molotov's reaction.
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Paraphrase of communication given to M. Molotov

There seems to have been a great deal of discussion lately both in British and in foreign press on what is described as a "Western European bloc". A number of these articles seem to suggest that it is His Majesty's Government's desire and intention to organise some closely integrated Western European system both on political and on economic lines and some have been hinted that this should be with the object of forming a sort of counterpoise to the Soviet Union, His Majesty's Government and United States. Some articles do not even mention the World Organisation at all.

You can assure M. Molotov that this is largely fantasy so far as actual policy of His Majesty's Government is concerned. Whether it will be inadvisable to devise a system for the organisation in Western Europe of regional defence against Germany for the one and only purpose of holding Germany down is a question that will doubtless have to be considered. You may recall that during Dumbarton Oaks discussions Sir A. Cadogan frankly said that it was our intention if possible to make use of paragraph 8 c of proposals in this sense and that no objection was raised either by the Soviet or by American representatives. In this sense Marshal Stalin, himself, encouraged us in 1941 to believe that such a system would be agreeable to him. Provided, in fact, that regional arrangements are definitely made subordinate to a World Organisation, we cannot imagine that the Soviet Union would have any objection to their establishment either in the West or in the East of Europe.

It is quite true that we have at various times been approached by Norwegian, Dutch and Belgian Governments on such matters, and recently M. Spaak conveyed to us a memorandum which appeared to go rather further than regional organisation defence against Germany and referred to economic alternatives as well. His Majesty's Government have not yet considered M. Spaak's memorandum though they have agreed to grant various facilities for training of Belgians disbanded in the United Kingdom and have undertaken to make transference of the necessary arms and equipment for a limited number of Belgian

divisions

divisions which may take part in eventual occupation of Germany. Nor have they given any final indication of their views to other Governments concerned. In particular they have not, as yet, even taken up the question of regional defence with the French Government.

To sum up, His Majesty's Government would put the establishment of a World Organisation first on their list of desiderata. It may prove in addition to be desirable to have some regional defence arrangement in West Europe for the purpose of elaborating a common defence policy against Germany and of deciding what the role of each state concerned is to be in the matter of armaments and disposition of forces. But all these matters will be discussed with the Soviet Government in detail if and when they arise in accordance with the settled policy of His Majesty's Government.

We are taking similar action with the Soviet Embassy here and are warning them against crediting exaggerated reports.

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Statement of M. Molotov's re-actions

I saw Mr. Molotov last night and spoke to him as instructed. I think that the statement was timely because it was clear that he had been watching the Press closely and I got the impression that he had been attaching more importance to it than it deserved.

He said that the question was one that could not but interest the Soviet Government. Judging by the newspapers talk about a bloc had been going on for some time, and judging by statements made by representatives of other governments, for instance Belgian and Norwegian, question had already been discussed. M. Spaak had spoken to M. Gusev about it. The French Government had been canvassing it also. He even recalled the speech made by General Smuts about a year ago. He was very grateful to you for the information I have given him. He hoped that you would keep him currently informed of any further developments.

He was obviously relieved by what I told him and he asked me to repeat the summing up in paragraph 5. I enquired if there was any specific point about which he felt any doubts. He replied that he would have to think the matter over a little and said that a recent message from the Prime Minister to M. Stalin had shown that Mr. Churchill had not yet considered it. Finally we agreed that it would probably be one for discussion at the next meeting of the three Heads of the Governments.

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