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SECRET

APPENDIX

DRAFT DIRECTIVE ON STATUS AND TREATMENT OF GERMAN MERCHANT SEAMEN AFTER THE SURRENDER OF GERMANY

1. This directive sets out the policy which should be followed by the Allied Commanders-in-Chief in giving effect to paragraph 4 of directive No. 31 on shipping and associated matters and supersedes Part III of the draft instructions accompanying that directive.

[In the event of the European Advisory Commission adopting the draft directive on control of German shipping and transport at Appendix III to E.A.C. (45) 29, the following should be substituted for the above paragraph:-

> "1. This directive sets out the policy which should be followed by the Allied Commanders-in-Chief in giving effect to subparagraph 3 (c) and paragraph 7 of the directive on control of German shipping and transport."]

2. Status

German merchant seamen, apart from such as are embodied members of the German armed forces, should be regarded as civilians and not subject to the treatment prescribed for members of the armed forces in the instrument of surrender or any proclamations, orders, ordinances or instructions issued thereunder. If anything were done in Germany after the surrender to suggest that this principle had been abandoned, there might be serious repercussions on the future status of merchant seamen and their ships under the rules of war.

3. Retention in custody.

The instrument of surrender provides that merchant

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seamen are to remain on board their ships pending instructions. The Commander-in-Chief in a zone may find it necessary to use some ships immediately with their existing crews (possibly under armed guard) but in most cases only small care and maintenance parties selected by the Allied security authorities should be retained on board. So far as practicable all other German seamen should be removed to temporary custody on shore for the purpose of security examination. Similar action should be taken with any German crews who may be found in Norway, Denmark or Holland in order to prevent incidents while they are awaiting repatriation. The fact that German seamen are not members of the armed forces is no obstacle to their temporary detention, since the Commanders-in-Chief of the zones will have, in addition to their normal powers as commanders of occupying forces, full authority under the instrument of surrender and any proclamations, orders, ordinances or instructions issued thereunder.

4. Security control.

Before any German seamen are permitted to serve in ships other than those on German inland waters, they will be subjected to security examination by the military intelligence branch of the Allied forces of occupation. It is important, therefore, that adequate preparation should be made for early security examination, and that special arrangements should be made for the immediate examination of any seamen required for care and maintenance parties. It is emphasised that conclusive security clearance of German seamen will be impossible. This fact must be borne in mind constantly in employing German seamen.

5. Restriction of employment.

There appears to be no need for any special restriction on the employment of German seamen in German waters when they

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have passed the security examination. German seamen should not, however, be allowed to serve in ships trading beyond the immediate neighbourhood of Germany until evidence of the general reliability of German crews has been obtained, because desertions may occur if they go even as far as Sweden or Finland. If, with the consent of the Governments concerned, German seamen are employed on voyages to ports or inland waters in neighbouring countries such as Belgium, Holland, Denmark and Poland, it will be for the authorities in those countries to impose any necessary restrictions on their movements.

6. Wages and conditions of service.

The wages and conditions of German merchant seamen, including their social insurance, should be, in the first instance, those in force at the time of the surrender, except that any bonuses on account of war risks or additional war-time duties, as distinct from supplements to meet increases in the cost of living, should be cancelled. If a rise in prices after the surrender makes it necessary to increase wages, the new rates for seamen should be determined by the German authorities in accordance with the general economic policy of the Control Council. If possible, any such adjustment should be made before German ships are permitted to put to sea. Responsibility for payment of the wages and allotments, etc., of German seamen, including those of men in temporary detention, should in all cases be placed on the German authorities, but in the first stage emergency advances in marks may have to be made by the Allied shipping authorities for the payment of German crews.

7. Direction to employment.

If it is necessary for German seamen to be directed to take work in German ships, whether for the purpose of trading in German waters or to deliver the ships in Allied ports, this should be done under existing German labour controls.

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8. De-Nazification of institutions.

All public and semi-public institutions which are concerned with the registration, supply, accommodation, insurance, welfare, training, etc., of German seamen should be freed from Nazi influence as soon as possible by the appropriate Allied authorities. It is important, however, that the authorities should carry out their task in such a way that there is always adequate provision for the essential needs of the German seamen still permitted to serve on board ships, since unrest and inefficiency may result if these are neglected. Such provision should, so far as possible, be made the responsibility of the Germans themselves. Under no circumstances, however, shall active Nazis or ardent sympathisers be retained for the purpose of administrative convenience or expediency.

9. Trade unions.

The Deutsche Arbeits Front (D.A.F.) in which are incorporated all remaining German labour organisations, such as the See-Berufsgenossenschaft, will be dissolved by decree of the Control Council and disbanded by local action in the zones in so far as this has not already been done.* In accordance with the general labour policy of the occupying Powers the formation of free trades unions of seamen should then be encouraged. ø

10. German seamen in neutral ports.

The German authorities should be made to assume responsibility for continuing the payment of wages, allotments, etc., in respect of seamen retained in the service of German ships in neutral ports, e.g., in Sweden or Spain, and arrangements should be made as soon as may be convenient for the repatriation of these seamen.

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* Directive No. 7
ø Directive No. 1, paragraph 6

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11. Surplus seamen.

If the handing over of certain German tonnage to be manned by Allied seamen results in the unemployment of a considerable number of German seamen, those who are surplus to the requirements of the shipping used in German waters should be regarded as part of the ordinary civilian manpower of the country available for direction to any work in which they may be needed. Their disposal is not a matter for the Allied shipping authorities in the ports, but these will have to inform the authorities responsible for manpower of the probable requirements for shipping.

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SECRET

2 June 1945

COPY NO. 41

STATE-WAR-NAVY COORDINATING COMMITTEE

MEMORANDUM TO HOLDERS

OF

SWNCC 124/D

Note by the Secretaries

Holders of SWNCC 124/D are requested to substitute the attached cover page to their copies and destroy the superseded cover page by burning.

Holders are further requested to substitute the IPCOG reference for the SWNCC reference at the bottom of each page.

CHARLES W. McCARTHY

ALVIN F. RICHARDSON

RAYMOND E. COX

Secretariat

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~~SECRET~~

COPY NO. 41

IPCOG 4/1

9 June 1945

Pages 9 to 11, Incl.

INFORMAL POLICY COMMITTEE ON GERMANY

PLANS FOR DISPOSAL OF GERMAN PRISONERS OF WAR AND DISARMED FORCES

Reference: a. IPCOG 4

Note by the Secretaries

1. The enclosure, a memorandum for the Department of State and the British Embassy from the Combined Chiefs of Staff, transmitting the text of a message (Appendix) to the Supreme Commander, Allied Expeditionary Force, is circulated for the information of the Informal Policy Committee on Germany.

2. In view of the action taken by the Combined Chiefs of Staff on this matter, no further action is required on reference a, and this item is hereby removed from the Agenda.

CHARLES W. McCARTHY

ALVIN F. RICHARDSON

RAYMOND E. COX

Secretariat

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D)
JCS Papers, Items 16 & 71
By JCR 1/29/73 NARS Date 6/8/79

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

~~SECRET~~

ENCLOSURE

6 June 1945.

MEMORANDUM FOR THE DEPARTMENT OF STATE:
BRITISH EMBASSY:

There is enclosed for your information SCAF 372*, a message from the Supreme Commander, Allied Expeditionary Force, and a copy of reply by the Combined Chiefs of Staff regarding the requirements of the United Nations for German personnel to carry out rehabilitation work outside Germany.

This interim action was taken in view of the pressing need for early disposal of the vast numbers of prisoners of war and disarmed German forces now in Allied hands. However, it is considered that the final solution of this problem rests with the governments concerned or the Reparations Commission. Accordingly, this reference is made for your information and for possible communication to the Allied Reparations Commission in Moscow.

For the Combined Chiefs of Staff:

(SIGNED)

A. T. CORNWALL-JONES,
Brigadier,

(SIGNED)

A. J. McFARLAND,
Brigadier General, U.S.A.,

Combined Secretariat.

Enclosure**

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* Appendix "D", IPCOG 4.
** See Appendix hereto

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

SECRET

APPENDIX

TEXT OF MESSAGE TO THE SUPREME COMMANDER, ALLIED EXPEDITIONARY FORCE FROM THE COMBINED CHIEFS OF STAFF

(Information copy to the Supreme Allied Commander, Mediterranean)

This is in reply to SCAF 372 repeated this date to SACMED. It is considered that in view of the agreement to establish an Allied Reparation Commission, which will consider reparation in kind as raised by your message, the final solution in connection with your inquiry rests with the governments concerned. However, as an interim measure, the following has been decided:

1. "Rehabilitation work outside of Germany" is interpreted to mean reconstruction within those European areas that lie within your present area of responsibility plus France, the United Kingdom, and Channel Islands.

2. United States and British needs for labor for rehabilitation and other purposes including those for the United Kingdom and Channel Islands, and inside Germany, will be given primary consideration when calculating number of German prisoners available for transfer from their respective sources within your area of responsibility. Minimum manpower needs for carrying out policies of Allied Military Government within Germany will be included in calculating U.S. and British needs for labor inside Germany.

3. All German prisoners of war transferred to any of the United Nations concerned will be transferred under the condition that they remain in the status of prisoners of war under the Geneva Convention. Before transferring any prisoners to countries not bound by Geneva Convention, you should report to the Combined Chiefs of Staff.

4. Such allocations of German manpower will be without prejudice to future reconsideration and readjustment to meet subsequent needs and demands.

5. No prisoners of war or members of German disarmed forces who fall within the category of war criminals or

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other categories of wanted German personnel or whose retention is desired on security grounds, will be released to other United Nations or if inadvertently released they shall be returned upon demand.

6. In the event of any Allied Government requesting transfer of prisoners of war on terms which involve continuing liability on U.S.A. or U.K. for any assistance, matter should be reported to the Combined Chiefs of Staff for decision.

It is desired that you procure from the interested United Nations, through those channels available to you, the information requested in your A and D, and subject to the conditions outlined above, allocate German prisoners accordingly. Should the estimated demands for labor of this kind exceed the total German personnel available, you will report the pertinent data to the Combined Chiefs of Staff for decision.

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TOP SECRET

TOP SECRET COPY NO. 41

IPCOG 4

17 May 1945

Pages 1 to 8, Incl.

INFORMAL POLICY COMMITTEE ON GERMANY

PLANS FOR DISPOSAL OF GERMAN PRISONERS OF WAR AND DISARMED FORCES

Reference: a. IPCOG 2/1

Note by the Secretaries

The enclosure, a proposed report to the Combined Chiefs of Staff by the Combined Administrative Committee, presented by the State Department member of IPCOG, is circulated for consideration of the recommendations contained therein by the Informal Policy Committee on Germany.

CHARLES W. McCARTHY

ALVIN F. RICHARDSON

RAYMOND E. COX

Secretariat

17 May

DECLASSIFIED BY: JCS DECLASSIFICATION BRANCH

DATE 12 23 '91

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TOP SECRET

E N C L O S U R E

PLANS FOR DISPOSAL OF GERMAN PRISONERS OF WAR AND DISARMED FORCES

Report by the
Combined Administrative Committee

THE PROBLEM

1. To consider SCAF 372 (Appendix "D"), a message from Supreme Headquarters, Allied Expeditionary Forces, and

a. To prepare an over-all plan for obtaining the information requested by General Eisenhower; and

b. To recommend action to give General Eisenhower immediate guidance on the most important points on which he requires advice.

FACTS BEARING ON THE PROBLEM

2. See Appendix "C".

DISCUSSION

3. Demands which may be made by certain European United Nations which are not now within the SHAEF area of responsibility may raise political, rather than purely military, questions. Therefore, "Rehabilitation work outside Germany" should be interpreted as referring only to those countries of the United Nations which lie within the SHAEF area of responsibility, plus the United Kingdom.

4. As the question of reparations in kind will be decided ultimately on the Governmental level, either by the Governments concerned or by the Allied Reparation Commission in Moscow, it is not possible to go beyond the formulation of an interim decision at this time.

CONCLUSIONS

5. SHAEF should procure, through channels immediately available to it, the necessary data concerning the requirements of each of the United Nations within the SHAEF area of responsibility, plus the United Kingdom, for prisoner of war labor for

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rehabilitation work outside Germany.

6. a. For the present, transfers should be limited to German prisoners of war and should be made only to those United Nations which are willing to accept and retain German prisoners in a prisoner of war status under the Geneva Convention.

b. These transfers should be on a temporary basis, pending possible future readjustments by the Governments concerned or by the Allied Reparation Commission.

c. War criminals, other categories of wanted personnel, or those persons retained on security grounds will not be transferred.

7. a. If United Nations total requests for prisoner of war labor fall short of the supply, SHAEF should be authorized to transfer such personnel to the United Nation concerned at such time as the user nation can accept delivery. However, should total requirements exceed the number of prisoners of war in custody, the pertinent data should be referred to the Combined Chiefs of Staff for decision.

b. United States and British needs, including those for the United Kingdom, should be given primary consideration when calculating the number of German prisoners available for transfer from their respective sources.

8. In the final analysis, the solution of this question rests with the governments concerned. Therefore, the interim measures taken should be reported to the Department of State and the British Foreign Office, respectively, for reference of the problem and the action taken to the Allied Reparation Commission in Moscow.

RECOMMENDATIONS

9. a. That the message in Appendix "A" be dispatched to SHAEF.

b. That the memorandum contained in Appendix "B" be dispatched through channels to the British Embassy, Washington, and the Department of State.

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APPENDIX "A"

MESSAGE TO SUPREME COMMANDER ALLIED EXPEDITIONARY FORCE:

This is in reply to SCAF 372. It is considered that in view of the agreement to establish an Allied Reparation Commission, which will consider reparation in kind as raised by your message, the final solution in connection with your inquiry rests with the governments concerned. However, as an interim measure, the following has been decided:

1. "Rehabilitation work outside of Germany" is interpreted to mean reconstruction within those European areas that lie within your present area of responsibility plus the United Kingdom.

2. United States and British needs including those for the United Kingdom will be given primary consideration when calculating number of German prisoners available for transfer from their respective sources.

3. All German personnel transferred to any of the United Nations concerned will be transferred under the condition that they remain in the status of prisoners of war under the Geneva Convention.

4. You should procure from each of the transferee nations an agreement to regard any allocations of such manpower as temporary, and without prejudice to future readjustment to meet subsequent needs and demands.

5. No prisoners of war or members of German disarmed forces who fall within the category of war criminals or other categories of wanted German personnel or whose retention is desired on security grounds, will be released to other United Nations or if inadvertently released they shall be returned upon demand.

It is desired that you procure from the interested United Nations, through those channels available to you, the information requested in your A, D, and E, and subject to the conditions outlined above, allocate German prisoners accordingly. Should the estimated demands for labor of this kind exceed the total German personnel available, you will report the pertinent data to the Combined Chiefs of Staff for decision.

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APPENDIX "B"

D R A F T

MEMORANDUM FOR THE SECRETARY OF STATE AND THE BRITISH AMBASSADOR:

1. There is inclosed for your information SCAF 372 and the interim action taken thereon by the Combined Chiefs of Staff regarding the requirements of the United Nations for German personnel to carry out rehabilitation work outside Germany.

2. The foregoing action was taken in view of the pressing need for early disposal of the vast numbers of prisoners of war and disarmed German forces now in Allied hands. However, it is considered that the final solution of this problem rests with the Governments concerned or the Reparation Commission. Accordingly, this reference is made for your information and for possible communication to the Allied Reparation Commission in Moscow.

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APPENDIX "C"

FACTS BEARING ON THE PROBLEM

1. a. In SCAF 372 General Eisenhower requests information regarding the requirements of the United Nations for German personnel to carry out rehabilitation work outside Germany.

b. Specifically, information is requested upon the following points:

(1) The numbers of Germans required for labor by each of the United Nations for rehabilitation work outside Germany.

(2) Their status during such employment, i.e. whether required as prisoners of war or civilian labor.

(3) The authority responsible for specifying the source or sources from which these demands are to be filled.

(4) The dates on which each user nation can accept deliveries of personnel increments and the size of such increments.

(5) Whether any of the United Nations holding prisoners of war are averse to the transfer of prisoners of war to another United Nation for use as prisoner of war labor.

c. Pending reply, SHAEF intends to release from prisoner of war camps those German personnel who may be discharged as part of the priority categories of labor mentioned in Eclipse Memorandum No. 17, together with such others as are urgently required for essential work.

2. a. Eclipse Memorandum No. 17, subject "Disbandment of German Armed Forces" provides that discharges of German personnel will be subject to the following priority calls upon such manpower:

One. Demands for such personnel to carry out essential labor for the Allied Forces in occupation.

Two. Demands from the Governments of Allied and liberated territories for labor for purposes of reconstruction.

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b. Subject to the foregoing the following priority categories of labor are established:

(1) Personnel for work in certain public utilities service.

(2) Personnel for work in transportation services.

(3) Personnel for work in certain classes of building trades.

(4) Agricultural workers.

(5) Such other specialist personnel as may be required by Zone Commanders.

3. Previous C.C.S. directives have authorized SHAEF to utilize certain German prisoners of war in agriculture, coal mining, and transportation (C.C.S. 844 Series).

a. The Combined Chiefs of Staff (C.C.S. 823 series) have also authorized the release from prisoner of war status and treatment as disarmed German Forces of those German prisoners in Allied custody who were not evacuated from Germany at the time of the cessation of hostilities.

b. The foregoing was subject to the proviso that the United Kingdom might require additional prisoners for labor outside Germany, that such personnel in the desired numbers might be declared British prisoners of war and therefore were not to be included in the category of disarmed troops.

4. It is not known to what extent German personnel will be desired or needed for rehabilitation work outside Germany by any of the other European United Nations concerned. However, it may be assumed that demands for substantial numbers of such personnel will be made.

5. An Allied Reparation Commission is to be established in Moscow. Its agenda includes, among others, questions of reparations in kind, such as the one under study.

6. Upon their being returned to Europe, German prisoners of war now held in the United States and in the various extra

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European holding countries of the British Commonwealth, will be available for such transfer to the interested European United Nations, if desired.

7. There will be a need for large numbers of German prisoner of war labor in the United Kingdom, and in support of the British and United States occupation forces on the continent, but the precise numbers to be so utilized are not yet firm.

8. SHAEF already has direct channels of communication with the competent authorities of the United Nations within its area of responsibility.

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TOP SECRET

APPENDIX "D"

From: Supreme Headquarters, Allied Expeditionary Forces, Main, Versailles, France.

To: War Department for Combined Chiefs of Staff.

Nr: S 87417 SCAF 372 8 May 1945

In order that plans may be completed for the early disposal of the vast numbers of prisoners of war and disarmed German forces in Allied hands, it is urgently necessary that information should reach this headquarters at an early date regarding the requirements of the United Nations for German personnel to carry out rehabilitation work outside Germany, as it is presumed that such demands will receive priority over discharge and/or repatriation of the German Wehrmacht.

Information upon the following specific points is therefore urgently requested:

A. The numbers of Germans required for labor by each of the United Nations for rehabilitation work outside Germany.

B. Their status during such employment, i.e., whether required as prisoners of war or civilian labor.

C. The authority responsible for specifying the source or sources from which these demands are to be filled.

D. The dates on which each user nation can accept deliveries of personnel increments and the size of such increments.

E. Whether any of the United Nations holding prisoners of war are averse to the transfer of prisoners of war to another United Nation for use as prisoner of war labor.

In the meantime, it is intended that after the announcement of VE-Day, prisoners of war whose release from prisoner of war camps has been authorized by your FACS 207* shall be discharged as part of the priority categories of labor mentioned in "Eclipse" Memorandum no. 17, together with such others as are urgently required for essential work.

CM-IN-7643 (8 May 45) DTG 08/1630B da

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* Quotation in C.C.S. 844/1; answer to SCAF 308 (Enclosure to C.C.S. 844).

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COPY NO. 41

IPCOG 3

10 May 1945

Pages 1 to 18, Incl.

INFORMAL POLICY COMMITTEE ON GERMANY

POST-DEFEAT FINANCE AND PROPERTY
DIRECTIVE FOR AUSTRIA

Note by the Secretaries

The enclosure, E.A.C.(45) 38, dated 17 April 1945, as amended by Corrigenda dated 24 April 1945 (Annex to Appendix), transmitted to the Secretary of State by the U.S. Delegate, E.A.C., is circulated herewith to the Informal Policy Committee on Germany.

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JCS Records Memo 16
By JCR NARS Date 6/8/72

CHARLES W. McCARTHY

ALVIN F. RICHARDSON

RAYMOND E. COX

Secretariat

10 May

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ENCLOSURE

E.A.C.(45)38
17th April 1945.

EUROPEAN ADVISORY COMMISSION

AUSTRIA: DRAFT POST-DEFEAT FINANCE AND PROPERTY DIRECTIVE

Memorandum by the United Kingdom Delegation

I submit for the consideration of the European Advisory Commission the draft of a directive which has been prepared to cover finance and property in Austria in the period after defeat. In general this directive follows the terms of the equivalent draft directive for Germany which I circulated to my colleagues on May 19th. Provision has been made, however, for handling the special problems which will arise in Austria, such as the absence in the early stages of central government and an Austrian central bank, and for the special measures in the field of finance and property which will be required to emphasise and give effect to the separation from Germany. In particular this draft directive includes instructions for the introduction of Allied Military Schilling currency into Austria and for the total conversion into A.M. Schillings of Reichsmark currency, bank balances, etc., in Austria.

2. In view of the terms of the enclosed directive I would ask that the following amendments should now be made in U.K. directive No. 21 on the Evacuation of Territory by the German Armed Forces, etc. (E.A.C.(44)26):-

Paragraph 3. Omit the last sentence and substitute:-

"In the case of forces withdrawing from Austria into Germany the provisions of 3 (a) and (b) above will be applied and as regards currency you will allow these troops to take with them only such reasonable amount of Reichsmarks as you may determine after consultation with the Allied authorities in Austria. (See directive on Finance and Property in Austria.)"

Paragraphs 15 (c) and 23 (c). Delete all after the words "from Austria" and substitute:-

"The provision of sub-paragraph (a) above will apply, except that only such reasonable amount of Reichsmarks as you may determine in consultation with the Allied authorities in Austria may be taken away. (See directive on Finance and Property in Austria.)"

W.S.

LANCASTER HOUSE,
LONDON, S.W.1.

12th April, 1945.

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~~S E C R E T~~

A P P E N D I X

DIRECTIVE NO. 41

FINANCE AND PROPERTY IN AUSTRIA

1. Separation from Germany

(a) Germany will for the purposes of this directive be considered to be a foreign country. You will take steps immediately the frontier between Austria and Germany has been re-established to set up such frontier controls as will ensure that for all monetary, financial and fiscal purposes this frontier is made an effective external boundary of Austria. (See the directive on the Establishment and Control of the Austro-German Frontier.) *

(b) All active Nazis and ardent sympathisers and all Reich Germans shall be removed immediately from financial institutions in Austria. In particular you should ensure that such removals have taken place before employing any financial organisation as an agency of your administration. In cases where the appointment of new officials or administrators is necessary you should see that only Austrian **, or at any rate non-German, persons acceptable to you are appointed.

2. Currency

(a) You will use A.M. Schillings and German coin for all your cash expenditure, and you will declare A.M. Schillings to be legal tender. A.M. marks should not be used.

(b) Any Reichsmark notes which you may receive as in-payments before the completion of the arrangements for replacing Reichsmarks by A.M. Schillings (see paragraph 5 below) should be paid in to Military Government banking accounts and may be reissued by the banks.

(c) A. M. Schillings will be used from the outset for pay of the troops, for expenditure by the Armed Forces, and for direct Military Government expenditure in cases where payment is not made through a bank. Indirect Military Government payments such as advances to banks and advances made through the banks to the Austrian civil authorities should, on the other hand, be made in Reichsmarks until the latter are wholly replaced by Schillings in accordance with paragraph 5 below; Schillings should only be used when the supply of Reichsmarks is insufficient. In order to economise the issue of notes, payments in Schillings should, as far as possible, be made by cheque.

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* Directive No. 32
** See Directive No. 38

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~~S E C R E T~~

3. Rates of Exchange

The rates of exchange at the outset will be X Schillings equal £1, Y Schillings equal £1, Z Schillings equal 1 Rouble and W Schillings equal 1 French franc. The rate between the Schilling and the Reichsmark will be announced at the outset, and will be the cross-rate between the rates mentioned above, and the rates in force in Germany between the Reichsmark on the one hand and the dollar, pound, rouble and French franc on the other at the time of the announcement of the Schilling rate.

4. The Financial Divisior of the Allied Commission for Austria will include in their functions the control of all currencies to be used by the Allied Military Forces, including receipt, shipment, storage, exchange and issue of all currencies. They will maintain all the accounts and records necessary to indicate the supply, control and movement of these currencies, as well as all financial data which may be useful in the determination of expenditures arising out of operations or activities involving participation of Allied Military Forces. Accounts and records will indicate in all cases in what currency receipts were obtained or disbursements made.

5. Replacing of Reichsmarks by Schillings

(a) You will arrange for the withdrawal of all Reichsmark and Rentenmark notes and for the abolition of the Reichsmark as a unit of account. You will see that this operation is carried out as soon as you consider that conditions permit, having regard to

(i) the availability of an adequate supply of A.M. Schillings,

(ii) the existence of effective barriers at all the frontiers of Austria, in particular that between Austria and Germany, and

(iii) administrative convenience.

(b) You should base your arrangements on the following measures:

(i) All debts (including bamk accounts) expressed in Reichsmarks will be converted into Schillings at the rate of exchange between the Reichsmark and the Schilling in force at the date when the conversion is announced.

(ii) All Reichsmark and Rentenmark notes held in Austria will be exchanged into Schillings through the medium of banks, etc., within a period which should be as short as practicable. At the end of this period Reichsmarks and Rentenmarks will cease to be legal tender and no further conversion will be effected except by specific licence. German coin will not be exchanged and will remain legal tender for the time being.

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6. Banking

(a) In order to give time to take stock of the banking situation you may find it necessary to declare a temporary closing of the banks which should be of no longer duration than seven working days. During this period you should obtain from the banks a statement of their cash position in relation to their immediate and other liabilities. If the banks are unable to meet their liabilities, you should impose restrictions to limit the withdrawal of deposits to minimum essential needs. If necessary, you will provide sufficient till money to ensure that the withdrawals which you permit can be made (see paragraph 2 (c)). A general moratorium should be regarded as a last resort and declared only in the event of general disorder or economic and financial collapse.

(b) (i) You will establish under your direct control an Authorised Banking Agency, which will, under your direction, perform such functions of a central bank as are necessary to maintain the banking and financial structure of the community. For this purpose you will utilise, if convenient, the premises and Austrian staff (Reich Germans and active Nazis and ardent sympathisers being removed) of the branches of the Reichsbank situated in Austria. The changed character of these branches should be clearly demonstrated by suitable inscriptions on their premises.

(ii) You will arrange for the Authorised Banking Agency to be put in funds by the Military Government by the supply of such notes as may be required (see paragraph 2 (c)). Such banking accounts as are required by the Military Government, including public revenue or disbursing accounts, and by the Allied Military Forces shoul be opened where practicable with the Authorised Banking Agency.

(c) The assets and liabilities in Austria of the Reichsbank will be taken over by the Authorised Banking Agency. You will as soon as practicable arrange for the accounts of private depositors with the Reichsbank to be transferred to other Austrian banks.

(d) Loans by the banks should be permitted only for purposes essential to the economic life of the country or for the fulfilment of specific requirements of the United Nations within the provisions of the terms of surrender and of your directives.

(e) (i) You will ensure that all necessary financial assistance is given through the normal banking channels to institutions, firms, etc., which are called upon to perform services for you, or which fulfil functions which you consider essential.

(ii) In quite exceptional cases in which you consider that a business must continue to function and the banks are not prepared to finance it on their own responsibility you may instruct the Authorised Banking Agency to make the necessary arrangements,

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(f) You will in due course require the banks to furnish you with statements of their assets and liabilities.

7. Dealings in real estate and securities

All transfer of or other dealings in real estate and securities will be prohibited except under licence and stock exchanges will be closed. You should keep the position under review and when you consider the time to be appropriate you should arrange for stock exchanges to be reopened, and permit the resumption of dealings in real estate and securities, either on a general basis, or in order to allow dealings in such bonds or internal state, etc., loans as may be serviced in Austria under the provisions of paragraph 12 (c) below.

8. Supplies, etc., required from Austria

(a) Having regard to separate directives which will be issued to you on supply matters, you will, in so far as they are available in Austria, obtain:-

(i) Supplies, stores, services (including labour) and accomodation for your Forces, and

(ii) any supplies which you may from time to time be directed are required by the United Nations to be exported from Austria,

by instructing such Austrian authorities as you may recognise to provide them. Such Austrian authorities should be encouraged to accept responsibility for settlement. In cases in which provision by Austrian authorities is impracticable and, in particular, pending the emergence of central Austrian authorities, you may resort to direct procurement. In such cases you should pay compensation yourself when this is necessary to obtain procurement or to prevent economic dislocation.

(b) No payment should be made to any Austrian authorities or to anyone in Austria in foreign exchange. (Any necessary exchange adjustment will be made later between Governments.)

(c) You may, if necessary, arrange for advances to be made to Austrian authorities to enable them to make settlement as described in (a) above.

9. Distribution of Supplies

All supplies imported shall be sold through normal channels for local currency and the proceeds credited to the Military Government account with the Authorised Banking Agency or to the Austrian Government when formed.

10. Relief

You will see that cash relief is provided for persons without means of subsistence. This should, as far as possible, be done under the existing relief and insurance schemes. Only in very exceptional circumstances will food be issued without payment. In so far as it is practicable you will ensure that the Austrian

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authorities keep separate accounts of relief payments made to Germans.

11. Costs of Occupation, Accounting, etc.

(a) You will not be concerned with the settlement of any costs of the occupation incurred inside or outside Austria, and all questions relating thereto will be reserved for inter-Governmental decision at a later date.

(b) The eventual Austrian Government will be required by the governments concerned to pay in due course in foreign exchange for any supplies imported into Austria and issued to the civil population. In order to provide the basis of this settlement you should ensure that from the earliest possible moment quantitative records are maintained showing separately supplies, stores, etc., shipped:-

(i) from the United States,
(ii) from the United Kingdom,
(iii) from the U.S.S.R.,
(iv) from France, and
(v) from other places (each country being shown separately).

Issues from United States, British, U.S.S.R. and French Army stocks will also be shown separately.

(c) You should ensure that quantitative records are maintained showing supplies, stores, etc., despatched:-

(i) to the United States,
(ii) to the United Kingdom,
(iii) to the U.S.S.R.,
(iv) to France, and
(v) elsewhere (each country being shown separately).

(d) Monthly summaries of the records of (b) and (c) should be rendered by you.

12. Public Finance

(a) Your general objective will be to assist in carrying out the policy of this and other directives with regard to Austria in a manner compatible with the establishment in Austria of a sound system of public finance, both central and local, which will enable Austria to develop successfully as an independent State. In particular, your policy should be directed to the avoidance of uncontrolled inflation.

(b) You will direct such Austrian authorities as you may recognise for this purpose to:

(i) collect taxes and other revenue in the usual way at not less than existing rates; but all discriminatory taxes and tax exemptions introduced under the Nazi regime will be abolished.

(ii) discontinue forthwith the collection of contributions of any kind for Nazi organisations. To the extent that any of their beneficial activities are continued

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on a temporary basis (see paragraph 8 of the Directive on the dissolution and disbandment of Nazi Organisations)* and the funds available are insufficient for this purpose you may authorise the provision of the necessary funds by the Austrian authorities but you will not permit the raising of funds by any other means.

(iii) meet all budgetary expenditure which you may approve. For this purpose you will permit them to use the taxes and revenue collected by the German authorities prior to the separation (see paragraph 16 (a) (i) below).

(c) If the service of the public debt in Austria has not already been resumed, you will forward your recommendations when you consider the conditions appropriate for resumption of service. Your aim should be, subject to any modifications of policy which you may recommend in the light of conditions on the spot, to arrange for such Austrian authorities as you may recognise;

(i) to pay interest on the holdings of bona fide Austrian residents of internal German Government loans and of internal loans of the former Austrian Government, and on amy loans issued after the separation from Germany.

(ii) to extend all maturing internal Reich Government obligations held by bona fide Austrian residents and to pay interest thereon at the previous rate (or, in the case of discounted paper, the rate appropriate to the discount theroon).

(d) (i) You will maintain such control of the banking system and of other financial institutions as is necessary to ensure the maximum flow of purchasing power into savings and bank deposits.

(ii) In order to tap the resources so received by banks and other financial institutions, you may empower the Authorised Banking Agency to accept from them special interest-bearing deposits, transferable upon the books of the Authorised Banking Agency between banks and financial institutions. Neither the Authorised Banking Agency nor the Military Government shall, pending consideration of your recommendations, issue negotiable securities or evidences of indebtedness.

(iii) These funds will be available to the Military Government and to the Austrian Government when formed to meet the current budget deficit.

(e) To the extent that the current budget deficit cannot be met by current revenue and by the tapping of banks' resources you may make advances to such central authorities as you may recognize through the Authorised Banking Agency; but this form of deficit financing should be confined to the narrowest limits which are practicable.

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* Directive No. 7

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13. Trading with the Enemy

You will revoke the application of the Trading with the Enemy Legislation in force at the date of separation regarding trade with any of the United Nations and will apply it to all financial and commercial dealings with those countries with which all or any of the United Nations are still engaged in active hostilities, including those territories in the occupation of such countries. In particular and without prejudice to the above, no trade whatever shall be permitted with any such countries and territories. You will withdraw all lists which have the effect of prohibiting or restricting trade with persons whose names have been placed thereon because of their relations with the United Nations and will apply similar prohibitions on trade with any persons whose names appear on lists to be furnished to you.

14. Exchange Control Policy

Your object will be to ensure the utmost economy in net foreign exchange expenditure, consistent with the general policy of the United Nations.

(a) You will establish a system of foreign exchange payments, divorced from the German system, which you will control through the Authorised Banking Agency. As far as practicable you will in the first instance use the existing administrative machinery and personnel after Reich Germans and active Nazis and ardent sympathisers have been removed.

(b) As from the date of separation, the German clearing system will not apply to Austria. In order to deal with transactions which are already in train at that date you may arrange for the Authorised Banking Agency to receive payments from Austrian debtors and to make payments to Austrian creditors for such classes of debts and on such conditions as you may determine in consultation with the Allied authorities in Berlin.

(c) No immediate payment will be made in foreign exchange for any approved transaction between Austria and any of the United Nations countries, settlement being deferred till a later stage. Records of all imports and exports will be kept (see paragraphs 8 and 11).

(d) Pending such arrangements as the United Nations may make with neutral and satellite countries, Austria will only be able to make payments to them within the limits of her available foreign exchange. Payments in respect of goods for which import licences have been granted should be permitted but should the requirements exceed Austria's foreign exchange availabilities, you should report the position at once.

(e) Pending the recommendations which you will make under paragraph 16 (b)(ii), payments between Austria and Germany will be suspended.

(f) You will ensure -

(i) that no payment in Schillings or Reichsmarks is made by any person in Austria to any person resident abroad;

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except that you may permit sums due from persons in Austria to persons abroad which are not allowed to be transferred to be paid to a blocked account in Austria.

(ii) that any amounts held or received in foreign exchange by any person resident in Austria and any foreign exchange in the hands of authorities or agencies of the former German Reich, are sold against local currency to the Authorised Banking Agency or to such other banks as you may authorise; and

(iii) that no person resident in Austria may accept from any person resident outside Austria payment in Schillings or Reichsmarks in respect of exports from Austria.

(g) In so far as foreign exchange is available for this purpose, you will establish a limit, which should not represent more than pocket cash, for the foreign exchange which persons leaving Austria may take with them; provided that -

(i) this will be without prejudice to any special arrangements which may be made for the liquidation of cash and credit balances belonging to prisoners of war, forced labourers, etc., on their repatriation;

(ii) you may, if you find it advisable, fix a slightly higher limit for nationals of the United Nations;

(iii) Austrian nationals who are allowed to leave Austria temporarily may take with them reasonable amounts of foreign exchange to cover travelling expenses;

(iv) neutrals who are not permanently resident in Austria and who have entered Austria after the cessation of hostilities may take with them on leaving as much of the same foreign exchange as they are certified to have brought into Austria;

(v) German civilians required to leave Austria and German troops withdrawn from Austria may be allowed to take with them such reasonable amount of Reichsmarks as you may determine after consultation with the Allied authorities in Germany. You will see that a record is kept of the total quantity of Reichsmarks thus transferred.

(h) (i) Except as provided in (g), no foreign notes or coin may be exported from Austria.

(ii) No German notes or coin or Allied Military notes (including A.M. Schillings) may be imported into or exported from Austria except under your authority.

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15. Property* in Austria of Nazi Organisations and of active Nazis and ardent sympathisers

(a) Pending further directives as to its disposal all dealings with the property of the Nazi Party, Nazi organisations, their branches or subsidiary institutions shall be prohibited, except as you permit in accordance with paragraph 12 (b)(ii) or otherwise, and all bank accounts and securities held in Austria by or on behalf of such organisations shall be blocked. The necessary steps shall be taken to render unapproved dealings invalid. At a time suitable to you, you should obtain particulars of all property held in Austria by or on behalf of Nazi organisations.

(b) You will prohibit all dealings with the property of persons who, by reason of their being Reich Germans or of their being active Nazis or ardent sympathisers, have been imprisoned or detained by you; and of persons who have been dismissed or suspended from office under the provisions of this or of any other of your directives. All bank accounts of such persons will be blocked, subject to withdrawals on a hardship basis on such conditions as you may determine. As regards persons who have been suspended from office, the above prohibitions will normally apply only during the period of their suspension.

16. German Property in Austria

(a) Treatment of the property of the German Reich, its subdivisions, municipalities and any agencies thereof.

(i) All bank accounts and securities held in Austria by or on behalf of agencies of the German Reich shall be placed at the disposal of the Military Government, and all sums due from residents in Austria to agencies of the German Reich shall be made payable to the Military Government.

(ii) You will require the existing administration to continue, in the interests of Austria, the management of property situated in Austria (excluding war material controlled under separate directives in respect of disarmament) belonging to the German Reich, or German states, municipalities, and agencies thereof.

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* Where the context does not otherwise require, the term "property" in this directive is to be interpreted in the widest sense and includes not merely real and personal property but also industrial, literary and artistic property, interests in business concerns, debts (including bank balances) negotiable instruments, interests under any contracts, in deceaseds' estates or under wills or settlements.

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(iii) You will prohibit the existing administration and individual officials from accepting or acting on directions received from outside Austria except under your specific authority. This prohibition should not apply to prevent officials from acting on instructions already received from Germany relating to the proper management of the property in so far as they are not inconsistent with the severance of relations with Germany.

(iv) You will prohibit the existing administration and individual officials from parting with or disposing of any State, municipal, etc., property or subjecting it to any assignment, pledge, mortgage or lien without your authority and such dealings shall be rendered invalid. This prohibition should not apply to the measures required under sub-paragraph (i) above, nor to payments necessary to meet the normal expenses of Government.

(b) General directions as to freezing and blocking of German property in Austria.

(i) All property in Austria of persons resident in Germany is to be frozen and all persons in Austria holding or managing such property are to be prohibited from dealing with it in any way except under your direction and subject to the provision in sub-paragraph (iv) below. This requirement should not prohibit such persons from making the normal payments necessary for the preservation, management or conduct of the property or business.

(ii) If payment is made of sums due from residents in Austria, to residents in Germany, other than sums due to agencies of the Reich or to persons whose property is being administered by Military Government, such sums will be paid to non-transferable blocked accounts in the name of the creditor with such banks in Austria as you may approve for this purpose, pending arrangements to be made with the Allied authorities in Germany for the transfer of any such sums. Sums which accrued due prior to the date of separation from Germany should be kept in separate accounts from those arising after that date. Payment to such blocked accounts shall constitute valid discharge of the debt.

You will, in consultation with the Allied authorities in Germany, make recommendations as to the time when payments between Austria and Germany should be allowed to start, the classes of payment to be allowed and the limits to be imposed on such payments. In so doing you will endeavour to prevent any movement of capital in either direction between the two countries. In general, the provisions of paragraph 14 above should apply to Austro-German payments, but the recent economic identity of the two countries will make special treatment necessary in many cases.

(iii) All bank accounts and securities held in Austria by or for account of residents in Germany shall be blocked pending further directives, except in cases referred to in sub-paragraph (c)(2) below.

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(iv) Subject to transport considerations, German officials and other persons withdrawn from Austria in accordance with the provisions of the directive on the evacuation of territory by the German Armed Forces, Officials and Civilian Population, may take with them essential personal effects, tools of trade and such Reichsmark currency as may be allowed them under paragraph 14 (g)(v) above. All other property will be left behind and will be frozen in accordance with subparagraph (i) above.

(c) Separation of Austrian portion of businesses (other than banks) directed from Germany.

Your objects will be to ensure that:-

(i) all the permissible activities of such companies, partnerships and organisations required for the maintenance of the Austrian economy or for the implementation of your directives are continued;

(ii) the business carried on in Austria is effectively separated from the German business enterprise of which it has previously been a part.

The Austrian management of such businesses shall be prohibited from acting on any instructions which may be received from or on behalf of the German controlling interests. Austrian branches and subsidiaries shall be cut off from their German parent houses and pending the formation of an Austrian Government you will take no steps to reconstitute them as fresh legal entities in Austria. You may however take such interim steps as are necessary to enable those of them whose activities are not objectionable to carry on business under non-German administrators approved by you and in order that, in so far as they continue to function, they may be financed, you may:

(1) authorise the making of advances to them by banks in Austria on such conditions as you think fit and to the extent required to maintain economic activities approved by you;

(2) permit any administrator whom you may appoint (see above) to draw on an account held in Austria by or for account of a resident in Germany provided you are satisfied that such use of the account is necessary for the normal conduct of the business in Austria and that, prior to the separation it was, or was intended to be, so employed.

Where, in your opinion, the continuance of any such business is necessary to the fulfilment of your task or to the Austrian economy but the powers of legal administrators are insufficient to enable it to be carried on, you are authorized to vest in the administrators appointed by you such powers over the business in Austria as may be required, including powers to enter into contracts in relation to that business and to mortgage, pledge or assign any property attributable thereto. You will hold the administrators responsible to yourself for the proper conduct of the business under the powers which you have vested in them.

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(d) The provisions of paragraph (c) will also apply to the Austrian branches of banks directed from Germany (other than the Reichsbank, for which see paragraph 6 (c) above), except that such branches may not accept new deposits or make fresh advances nor may they be granted advances to enable them to carry on. If, taken as a unit and not severally, they are not solvent or liquid, they will be closed. Depositors who are in difficulty as a result of the freezing of their balances should obtain any necessary advances from other banks.

17. Property situate outside Austria held by persons in Austria

(a) You will prohibit any person in Austria from dealing in any way with any property situate outside Austria (including property held in Germany), which at the date of the cessation of hostilities was owned or controlled by, due to or held or managed for persons inside Austria, except under your sanction. You will call for returns of all such property.

(b) You will call for the surrender to the Authorised Banking Agency there to be held to your order, of all documents of title in Austria (or outside Austria to the order of persons in Austria, including any documents of title which although the property of an organisation constituted in Germany would nevertheless be deliverable to, or to the order of, an Austrian branch), relating to property situated in the territory of the United Nations. Unless you receive instructions to the contrary, these directions shall not apply to documents of title actually held (i) in the territory and under the control of one of the United Nations or (ii) in an Axis satellite country with whom hostilities have ceased.

(c) The following special provisions are to be imposed relating to gold and silver held outside Austria to the order or persons inside Austria. You will provide that:

(i) All such gold and silver (if not already transferred to accounts in the name of the Reichsbank under German decrees issued under the directions of the Allied authorities in Berlin) is to be transferred to accounts in the name of the Authorised Banking Agency. No instructions to the holders in relation to gold or silver so held shall be valid unless authorised by you.

(ii) Nothing is done to melt down or otherwise change the form of such gold or silver and that no instructions are given to this effect.

(iii) All persons holding documents relating to such gold and silver, including weight and number lists, and assay chips, shall preserve them.

18. Property inside Austria of Persons in Austria

You will prohibit any person or authority inside Austria from removing outside Austria any property situated therein or from transferring, selling or pledging any such property to any person outside Austria. Provided that this prohibition shall not

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(i) apply to such exports in the normal course of trade as are permitted under your authority;

(ii) prevent the employment outside Austria of any shipping or transport units which you may allow;

(iii) prevent the removal in so far as you may authorise it of essential personal effects and the tools of his trade of any civilian required or permitted by you to leave Austria; other property, including valuables, is to be left behind. (For provisions relating to the foreign currency which may be taken see paragraph 14 (g) above.)

19. Special Directions relating to Gold and Silver in Austria

(a) Your aim will be to enforce the surrender of all gold and silver. To this end you will:

(i) prohibit any change in ownership of any gold or silver in coin or bullion form, its removal to any other place from where it then is, or its being melted down or otherwise changed in form. No such gold or silver shall be encumbered in any way and any act purporting to encumber it after the date of the cessation of hostilities shall be declared void. All documents, such as weight and number lists, and assay chips relating to such gold and silver shall be preserved. An exception to the foregoing provisions shall be legal tender silver coin in the hands of the public (but not coin in the hands of banks): such coin may remain in circulation pending further directions, but it shall not be melted down or be exported.

(ii) obtain from all persons or authorities owning, holding or having custody of any gold or silver full information about its amount, ownership and location. You will, as soon as possible, verify the existence and amount of all large stocks of such gold and silver, and take them into custody or, if you are satisfied that this is a sufficient precaution, put them under seal.

(iii) when the information called for under subparagraph (ii) is available, bring under closer control all such frozen gold and silver, with the exception of any which is held on behalf of any Allied or Neutral State or any genuine Allied or Neutral person by collecting it and having it stored to your order pending further directives which may be sent to you.

(b) As a measure of control over articles which may have been looted, the provisions of sub-paragraph (i) will apply to collections of gold and silver coin of antiquarian value worth more than (the equivalent of) R.M. 2,000; but the provisions of subparagraph (iii) will not apply to them.

(c) Small amounts of gold and silver may, if you think it proper in order to avoid hardship, be issued for approved industrial purposes (including dentistry); but none should be issued for the manufacture of jewellery.

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(d) Further directions will be given to you at a later date on the ultimate disposition of the gold and silver frozen in accordance with this directive and as to any further steps to be taken in regard to silver coin in circulation.

20. Property of the United Nations and United Nations Persons

(a) You will issue a Proclamation:

(i) requiring all persons holding or managing property of any of the United Nations or of United Nations persons to continue so to act regarding themselves as agents for the absent owner and holding them personally responsible for its proper administration until such time as you relieve them and requiring them to account fully therefor when called upon;

(ii) prohibiting any person holding or managing such property from parting with it or subjecting it to any charge or lien except as you (or some person appointed by you) may sanction or direct; this requirement should not prohibit such persons from making the normal payments necessary for the preservation, management or conduct of the property or business;

(iii) rendering invalid any transactions which contravene the provisions of (i) or (ii) above and subjecting any person who contravenes, or seeks to contravene, those provisions to penalties;

(iv) staying any current proceedings against such property (e.g. by way of liquidation).

(b) You will in due course require all persons holding or managing such property to make returns in such form as you may decide. You will obtain from the Allied authorities in Berlin, copies of any returns of such property which the German authorities may have been called upon to submit in so far as these returns relate to property situate in or held or managed by persons in Austria.

(c) Where it appears desirable and practicable you should take over the custody of the property of United Nations Governments or United Nations persons and supervise its administration. If you consider it necessary for the proper maintenance and conduct of such property you should appoint new agents for the purpose.

(d) Pending further instructions you should not release property which is subject to your directions or control.

21. Property of any Country (other than Germany) at War with the United Nations, or of Residents in such a Country

(a) In the case of property in Austria belonging to a Government of any country which is at war with the United Nations (other than Germany) and has not concluded an Armistice, and to persons resident in any such country, and in the case of any other country in respect of which you may be given special directions, you will issue a Proclamation:-

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(i) prohibiting any person or authority in Austria who holds or manages any such property (including debts and moneys due) from realising, parting with, or in any way assigning or mortgaging it without your sanction and imposing on persons concerned in its management a personal responsibility for its safe custody until you may otherwise decide. You may allow normal payments necessary for the preservation, management or conduct of any such property or business but you should not allow its sale or alienation save in exceptional circumstances under your specific authority and in such circumstances the proceeds are to be paid to an account opened in the name of the Custodian;

(ii) rendering invalid titles to any such property dealt with in contravention of the provisions of (i) above; and

(iii) imposing penalties for any contravention or attempt at contravention.

(b) As soon as practicable you will issue a further Proclamation calling upon all persons holding or managing such property to make returns in a suitable form to you or to some organisation or person acting on your behalf.

(c) Your object should be to ensure the proper control, preservation and administration of the property and to prevent any benefit therefrom accruing to the enemy.

(d) Except where you are otherwise directed paragraphs (a) to (c) above will not apply to the property of the Governments of, or residents in, countries which have concluded an Armistice with the United Nations. Where however you are notified that special action is required you will issue such Proclamations as may be necessary to ensure that persons in Austria holding or managing such property comply only with directions which have been approved by you or by the appropriate Allied authorities and not with directions from their former principals which have not been approved. If necessary to ensure compliance with the terms of surrender you will apply the full Proclamations referred to in paragraphs (a) and (b) above to this property. You will furnish a report on such property.

(e) You will be issued with further instructions at a later date as to the release or other disposal of the property referred to in this paragraph.

22. Property of absent Austrians and Neutrals

Provided that action required by the provisions of the foregoing paragraphs 16 to 21 is not thereby in any way delayed or hampered you should take such steps as you may find possible to ensure the preservation of the property of Neutral and Austrian persons (regarding the former as of greater urgency) who are not resident in Austria and are not legally represented. You may authorise suitable persons to manage such property in the interests of the absent owner until such time as he make appropriate arrangements for himself. So far as the provisions of this directive are concerned, persons managing such property (whether under your authority or not) will be subject to the same conditions as though the owner were resident in Austria.

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23. General

(a) Communications. You will take the appropriate measures to prevent the despatch or receipt of communications intended to evade any of the requirements of this Directive and to impose penalties on persons attempting to despatch such communications.

(b) Records. You will require all persons in Austria, including all officials of the German Reich, (i) to preserve intact and unaltered all documents and records relating to any of the classes of property dealt with in this directive and (ii) to provide you with all information you may require including their location, their method of preparation and their contents. You will impose penalties for any breach of these requirements.

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ANNEX TO APPENDIX

E.A.C.(45)38

24th April, 1945.

EUROPEAN ADVISORY COMMISSION

AUSTRIA: DRAFT POST-DEFEAT FINANCE AND PROPERTY DIRECTIVE

Corrigenda

It is requested that the following amendments may be made in the United Kingdom draft directive No. 41 circulated with E.A.C. (45)38 on 17th April:-

(a) Page 4, paragraph 11, sub-paragraph (b)(iv):-

for "(iv) to France, and"

substitute "(iv) from France, and"

(b) Page 12, paragraph 20, subparagraph (a)(iii) line 3:-

delete "liable".

2. The above amendments will be taken into account in preparing the Russian version of the draft directive which will be issued shortly.

(Sgd.) E. P. DONALDSON,

Secretary General.

LANCASTER HOUSE,
LONDON, S.W.1.

24th April, 1945.

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IPCOG 2/3

7 June 1945

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COPY NO. 41

INFORMAL POLICY COMMITTEE ON GERMANY

THE USE OF GERMAN LABOUR AS REPARATION

Note by the Secretaries

The enclosure, a memorandum from the British Embassy, Washington, D. C., on the above subject, is circulated for the information of the Informal Policy Committee on Germany.

CHARLES W. McCARTHY

ALVIN F. RICHARDSON

RAYMOND E. COX

Secretariat

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DATE 1973

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ENCLOSURE

MEMORANDUM

THE USE OF GERMAN LABOUR AS REPARATION

1. His Majesty's Government consider that no objections should be raised to the use of German labour as reparation, although they themselves will probably seek such labour as they require only from among German prisoners of war.

2. His Majesty's Government were at first attracted by the idea of selecting German reparation labour only from among ardent Nazis such as members of the S.S. and the Gestapo, but on further consideration they very much doubt whether it would be practicable to make a selection on this basis from prisoners of war in our hands. Moreover, many countries may well prefer not to have to deal with a labour force composed entirely of active ex-Nazis.

3. His Majesty's Government attach importance to the point that no fresh impressment of German labour should be undertaken after a given period, and that this period should be the shortest possible, perhaps no more than six months from the cessation of partisan hostilities. They consider that there is little hope of settled conditions in Germany while the threat of deportation hangs over its citizens, and experience in occupied Europe suggests that this threat is one of the strongest incentives to the establishment of a resistance movement.

4. A point of considerable difficulty is whether an attempt should be made to reach any agreement between countries employing German labour on conditions of employment. They realise that it would be difficult to keep check on the observance of such an agreement, but they incline to the view that once labour is recognised as a form of reparation, all countries which make use of it should sign a declaration regarding the conditions under which such labour would be employed. This declaration would lay down certain minimum standards as to food, lodging, medical treatment, work, pay and period of service.

BRITISH EMBASSY
WASHINGTON, D. C.
May 27, 1945.

IPCOG 2/3

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

~~SECRET~~ ~~SECRET~~ COPY NO. 41

IPCOG 2/1

4 May 1945

Pages 10 to 18, Incl.

INFORMAL POLICY COMMITTEE ON GERMANY

INSTRUCTIONS FOR UNITED STATES REPRESENTATIVE ON THE REPARATION COMMISSION

Reference: a. IPCOG 2

Note by the Secretaries

The enclosure, a revision of reference a as approved at the IPCOG meeting of 4 May 1945, is circulated for information and guidance.

DECLASSIFIED E.O. 11652, Sec. 3(E) and 5(D) JCS Regrading Memo 1/27/71 NARS Date 6/15/72 By JCR 6-71

CHARLES W. McCARTHY

ALVIN F. RICHARDSON

RAYMOND E. COX

Secretariat

IPCOG 2/1 4 May

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

SECRET

E N C L O S U R E

1. It was agreed at the Yalta Conference that Germany must pay in kind for the losses caused by her to the Allied Nations in the course of the war. The primary purpose of the Reparation Commission should be the formulation of a general program for the exaction of substantial reparation and the establishment of the policies under which this program is to be implemented.

2. It is and has been fundamental United States policy that Germany's war potential be destroyed, and its resurgence as far as possible be prevented, by removal or destruction of German plants, equipment and other property.

While cooperating with the other powers in implementing the basic purposes of the Yalta Agreement, the U.S. representative will bear in mind that whatever plan is formulated by the Reparation Commission (hereinafter referred to as the Reparation Plan) should be in conformity with the economic and security objectives of this country with respect to Germany. The position of the United States on the various issues involved in this respect is summarized in the following paragraphs.

3. In determining the size and character of reparation in accordance with points a and b of paragraph 2 of the Reparation Protocol and the allocation thereof among the various claimant nations the following principles are advocated by this Government:

a. The Reparation Plan should assist in the elimination of industrial capacity in Germany considered to be dangerous to the security of the United Nations.

b. The Reparation Plan should aid in strengthening and developing on a sound basis the industries and trade of the

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

devastated non-enemy countries of Europe and of other United Nations, and in raising the living standards of these countries.

c. The reparation burden should be distributed in so far as practicable so as to impose equality of sacrifice upon, and result in an equal general standard of living for the German populations of each of the zones under the control of the respective occupying nations.

d. This Government opposes any reparation plan based upon the assumption that the United States or any other country will finance directly or indirectly any reconstruction in Germany or reparation by Germany.

e. The Reparation Plan should not maintain or foster dependence of other countries upon the German economy.

f. The Reparation Plan should not be of such a nature as to promote or require the building up of German economic capacity.

g. To the maximum extent possible, reparations should be taken from the national wealth of Germany existing at the time of collapse, with primary emphasis upon the removal of industrial machinery, equipment and plants, particularly the shipbuilding, metallurgical, machine tool producing, electrical machinery, and chemical industries (including all industries producting oil and oil products, synthetic nitrogen and synthetic rubber), ships, rolling stock, patents, copyrights, and German foreign exchange assets including investments abroad. Capacity for the production of component parts that enter into the production of the industries noted above should also be eligible for removal. Reparation in kind should not include arms, ammunition, and implements of war. (This Government favors the inclusion of

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

German ocean-going merchant tonnage in the shipping pool until the end of the war against Japan and its division on some fair basis thereafter, and negotiations with other governments are in progress on this subject.)

h. To the extent that for political reasons it may become necessary in the negotiations to agree that reparations be collected in the form of deliveries of goods from current production over a period of years, such goods should be of such a nature and in such amounts as not to require the maintenance of the German war potential or the continued dependence of other countries on Germany after reparations cease. Accordingly, recurring reparations, over a period of years, should be:

(1) As small as possible in relation to the reparations to be paid in the form of industrial plants and equipment; and

(2) Primarily in the form of raw materials and natural resources, and to the smallest extent possible in the form of manufactured products.

i. The removal of plants and equipment shall take place regardless of the fact that they are owned in whole or in part, directly or indirectly, by United Nations nationals. Where plants or equipment which are owned in whole or in part by a United Nation national are to be so removed arrangements shall be made, if practicable and desired by the government of such national, for the owner to retain his interest in such plant and equipment after removal. If not practicable or so desired, Germany shall furnish to the government of such national adequate reparation to cover the interest of such national.

j. It will be inevitable that the German standard of living will be adversely affected by the carrying out of the

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Reparation Plan. However, the reparation exactions should be held within such limits as to leave the German people with sufficient means to provide a minimum subsistence standard of living without sustained outside relief; but under no condition should this limitation operate to require the retention in Germany of means to support basic living standards on a higher level than that existing in any one of the neighboring United Nations.

k. The Reparation Plan should not put the United States in a position where it will have to assume responsibility for sustained relief to the German people.

4. It was agreed at Yalta that reparation in kind is to be exacted from Germany, partly through the "use of German labor." In negotiations on labor reparation with the other powers in the Reparation Commission, the United States representatives will be guided by the following principles:

a. The United States will not accept reparation in the form of labor services.

b. Both compulsory and voluntary labor services furnished as reparation should be used outside of Germany only for reconstruction and repair of war damage and not for current production operations except for fuel and food.

c. This Government is strongly of the view that persons other than those specified in d below as deserving of punishment should not be called upon to perform compulsory labor service outside Germany.

d. Compulsory labor service should be required only from war criminals and individuals definitely determined by appropriate process to be members of the Gestapo, the S.S., the Sicherheitsdienst der S.S., leaders of the S.A., or leading collaborators, supporters of and participants in

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

the Nazi party or administration.

e. Agreement should be sought along the following lines with regard to compulsory labor service:

(1) Except for persons tried for specific crimes, and convicted and sentenced to lifetime punishment, the period of compulsory labor service should be limited to a definite span of years.

(2) The standard of living and conditions of employment should conform to humane standards.

(3) The Reparation Commission or Agency should periodically survey the living and working conditions of compulsory workers and the uses made of their services.

f. Apart from persons deserving of punishment as defined above, German labor for reparations should be recruited only on a voluntary basis.

g. The net value of the services of both types of labor shall be included as reparations.

5. The first charge on all approved exports for reparation or otherwise (other than removals of existing plant and equipment) shall be a sum necessary to pay for approved imports. Accordingly, to the extent necessary to pay for such minimum German imports as may be determined to be essential, recipient countries should be required to pay for German exports, except removals of existing plant and equipment. Imports for which payment will be sought shall include supplies imported by the occupying forces for displaced persons and German civilians.

6. Without the approval of an appropriate Allied body there shall be no re-export to third countries of goods received on reparation account.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

7. In order to prevent the treatment as war booty or as reimbursement for occupation costs of exports from Germany which should properly be considered as reparations deliveries, agreement should be sought on the scope of war booty and reimbursement for occupation costs. Agreement should also be sought on the scope of restitution in relation to reparation.

8. The governments participating in the Reparation Commission will retain control over the disposition of German property located within their respective borders. These nations will seek agreement with other countries in which German assets are located designed to eliminate continued German control of such assets and prevent their eventual return to Germans.

9. The United States will expect to assert a claim for reparations before the Reparation Commission in accordance with the principles of the Yalta Protocol in order to preserve its rights to its proper share of payment for losses caused to it by Germany in the course of the war. Pending the furnishing of a more exact claim at a later date the United States representative shall reserve the right to claim delivery of reparations in a total amount to be determined. The United States will desire to receive as much as feasible of its share of reparations in the form of foreign exchange assets including German investments abroad.

10. As an interim program, pending the formulation of more definitive arrangements, this Government would favor formulation of an immediate program by the Reparation Commission along the following lines:

a. During the initial period following the collapse of Germany each of the four occupying powers--Great Britain, Russia, France and the United States--may remove from its

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zone of occupation in Germany plants, equipment and materials (including current output) of such a nature and not in excess of such amounts as may be determined by the Reparation Commission. It shall be our policy to press for inclusion in such an initial removal schedule the categories of plant, equipment and materials (excluding ocean-going merchant tonnage) described in paragraphs 30, 31 and 32 of the "Directive to the Commander in Chief of the United States Forces of Occupation Regarding the Military Government of Germany" and in paragraph 3 g above.

b. The decision as to whether or not the removal of particular plants, equipment or materials out of a zone in Germany is consistent with the purposes of occupation would be made by the commander of such zone, subject to the following conditions:

(1) There would be constant consultation between zone commanders.

(2) In making a decision as to removal the zone commander would be responsible for carrying out any relevant agreed policies which may be formulated from time to time by the Control Council.

(3) The Control Council would have an opportunity to consider any particular removal and could veto it.

(4) Regular reports should be made to the Control Council of transfers for reparation account and the Control Council should keep appropriate Allied agencies currently informed.

c. During this initial period any one of the four occupying powers could allow, if it so desired, any other United Nation entitled to reparations in the form of removals from Germany to take out of its zone plants, equipment and

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materials of such a nature and not in excess of such amounts as may be determined by the Reparation Commission. Such removals would be subject to the policy and conditions specified in sub-paragraphs a and b above.

d. Records should be kept of all deliveries made on reparations account under such interim arrangements and such deliveries should be made without prejudice to the final allocation of reparation shares. The Reparation Commission should determine the principles for valuation of such deliveries.

11. The Reparation Plan should include provision for the early establishment of a reparation agency including representatives of such governments as have suffered devastation or substantial damage. This agency, after detailed study of Germany's capacity to pay and examination of claims to reparation by the various claimant nations, shall develop a long term plan for the delivery of reparations. This plan shall set forth a description of the reparations to be delivered and their physical allocation to the various claimant nations. It shall contain a time schedule indicating the rate at which deliveries are to be made to the several governments over a stated period of years. The reparation agency should be given continuing responsibility for drawing up at regular intervals detailed schedules of the amounts and kinds of reparations items to be delivered and should have authority to determine the allocation of specific items among claimant governments.

In lieu of the establishment of the reparations agency referred to above the Reparation Plan may provide that the Reparation Commission, appropriately expanded by the addition of representatives of other claimant governments, may be continued in existence and utilized for the same purpose.

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The occupation authorities should be responsible for the execution of the plan within Germany. In the execution of the plan, the Control Council should have the authority to withhold from transfer as reparations specific items the removal of which in its judgment would reduce the available economic means below the minimum required to meet the other purposes of the occupation. After review by the Control Council and in the absence of agreement, the zone commander if he believes that any specific item should be retained within his zone may with the specific determination of his government that such item is essential for the purposes of the occupation withhold the removal of such item. The zone commander may, of course, withhold the removal of such items pending such determination.

The long term plan referred to above should not be approved by the U.S. representatives on the Reparation Commission or Agency until it has been submitted to and approved by the United States Government.

The Control Council should advise the Reparation Agency (or Commission) from time to time as deliveries are made. The Reparation Agency (or Commission) should keep a record of all such deliveries, and should place appropriate values on the respective amounts delivered.

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RESTRICTED

25 June 1945

41

COPY NO. ____

INFORMAL POLICY COMMITTEE ON GERMANY

MEMORANDUM FOR THE HOLDERS OF IPCOG 2 SERIES

Holders of IPCOG 2, IPCOG 2/1, IPCOG 2/2 and IPCOG 2/3 are requested to downgrade their copies from TOP SECRET to SECRET.

CHARLES W. McCARTHY
ALVIN F. RICHARDSON
RAYMOND E. COX
Secretariat

DECLASSIFIED BY: JOS DECLASSIFICATION BRANCH
DATE 1/5/73

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

SECRET

SECRET

COPY NO. 41

IPCOG 2

3 May 1945

Pages 1 to 9, Incl.

INFORMAL POLICY COMMITTEE ON GERMANY

INSTRUCTIONS FOR UNITED STATES REPRESENTATIVE
ON THE REPARATION COMMISSION

Note by the Secretaries

The enclosure, a study on the above subject, revised as directed at the IPCOG meeting on 3 May 1945, is circulated for final approval by the Informal Policy Committee on Germany.

CHARLES W. McCARTHY

ALVIN F. RICHARDSON

RAYMOND E. COX

Secretariat

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D)
JCS Regrading Memo 11-7-71
By JCR 1/29/71 NARS Date 6/8/73

IPCOG 2
3 May

SECRET

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

SECRET

ENCLOSURE

1. It was agreed at the Yalta Conference that Germany must pay in kind for the losses caused by her to the Allied Nations in the course of the war. The primary purpose of the Reparation Commission should be the formulation of a general program for the exaction of substantial reparation and the establishment of the policies under which this program is to be implemented.

2. It is and has been fundamental United States policy that Germany's war potential be destroyed, and its resurgence as far as possible be prevented, by removal or destruction of German plants, equipment and other property.

While cooperating with the other powers in implementing the basic purposes of the Yalta Agreement, the U.S. representative will bear in mind that whatever plan is formulated by the Reparation Commission (hereinafter referred to as the Reparation Plan) should be in conformity with the economic and security objectives of this country with respect to Germany. The position of the United States on the various issues involved in this respect is summarized in the following paragraphs.

3. In determining the size and character of reparation in accordance with points a and b of paragraph 2 of the Reparation Protocol and the allocation thereof among the various claimant nations the following principles are advocated by this Government:

a. The Reparation Plan should assist in the elimination of industrial capacity in Germany considered to be dangerous to the security of the United Nations.

b. The Reparation Plan should aid in strengthening and developing on a sound basis the industries and trade of the

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

devastated non-enemy countries of Europe and of other United Nations, and in raising the living standards of these countries.

c. The reparation burden should be distributed in so far as practicable so as to impose equality of sacrifice upon, and result in an equal general standard of living for the German populations of each of the zones under the control of the respective occupying nations.

d. This Government opposes any reparation plan based upon the assumption that the United States or any other country will finance any reconstruction in Germany or reparation by Germany.

e. The Reparation Plan should not maintain or foster dependence of other countries upon the German economy.

f. The Reparation Plan should not be of such a nature as to promote or require the building up of German economic capacity.

g. To the maximum extent possible, reparations should be taken fromthe national wealth of Germany existing at the time of collapse, with primary emphasis upon the removal of industrial machinery, equipment and plants, particularly the shipbuilding, metallurgical, machine tool producing, electrical machinery, and chemical industries (including all industries producing oil and oil products, synthetic nitrogen and synthetic rubber), ships, rolling stock, patents, copyrights, and German foreign exchange assets including investments abroad. Capacity for the production of component parts that enter into the productiom of the industries noted above should also be eligible for removal. Reparation in kind should not include arms, ammunition, and implements of war. (This Government favors the inclusion of

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German ocean-going merchant tonnage in the shipping pool until the end of the war against Japan and its division on some fair basis thereafter, and negotiations with other governments are in progress on this subject.)

h. To the extent that for political reasons it may become necessary in the negotiations to agree that reparations be collected in the form of deliveries of goods from current production over a period of years, such goods should be of such a nature and in such amounts as not to require the maintenance of the German war potential or the continued dependence of other countries on Germany after reparations cease. Accordingly, recurring reparations, over a period of years, should be:

(1) As small as possible in relation to the reparations to be paid in the form of industrial plants and equipment; and

(2) Primarily in the form of raw materials and natural resources, and to the smallest extent possible in the form of manufactured products.

i. The removal of plants and equipment shall take place regardless of the fact that they are owned in whole or in part, directly or indirectly, by United Nations nationals. Where plants or equipment which are owned in whole or in part by a United Nation national are to be so removed arrangements shall be made, if practicable and desired by the government of such national, for the owner to retain his interest in such plant and equipment after removal. If not practicable or so desired, Germany shall furnish to the government of such national adequate reparation to cover the interest of such national.

j. It will be inevitable that the German standard of living will be adversely affected by the carrying out of the

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Reparation Plan. However, the reparation exactions should be held within such limits as to leave the German people with sufficient means to provide a minimum subsitence standard of living without sustained outside relief; but under no condition should this limitation operate to require the retention in Germany of means to support basic living standards on a higher level than that existing in any one of the neighboring United Nations.

k. The Reparation Plan should not put the United States in a position where it will have to assume responsibility for sustained relief to the German people.

4. It was agreed at Yalta that reparation in kind is to be exacted from Germany, partly through the "use of German labor". In negotiations on labor reparation with the other powers in the Reparation Commission, the United States representative will be guided by the following principles:

a. The United States will not accept reparation in the form of labor services.

b. Both compulsory and voluntary labor services furnished as reparation should be used only for reconstruction and repair of war damage, not for current production operations.

c. This Government is strongly of the view that persons other than those specified in d below as deserving of punishment should not be called upon to perform compulsory labor service outside Germany.

d. Compulsory labor service should be required only from war criminals and individuals definitely determined by appropriate process to be members of the Gestapo, the S.S., the Sicherheitsdienst der S.S., leaders of the S.A., or leading collaborators, supporters of and participants in

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the Nazi party or administration.

e. Agreement should be sought along the following lines with regard to compulsory labor service:

(1) Except for persons tried for specific crimes, and convicted and sentenced to lifetime punishment, the period of compulsory labor service should be limited to a definite span of years.

(2) The standard of living and conditions of employment should conform to humane standards.

(3) The Reparation Commission or Agency should periodically survey the living and working conditions of compulsory workers and the uses made of their services.

f. Apart from persons deserving of punishment as defined above, German labor for reparations should be recruited only on a voluntary basis.

g. The net value of the services of both types of labor shall be included as reparations.

5. The first charge on all approved exports for reparation or otherwise (other than removals of existing plant and equipment) shall be a sum necessary to pay for approved imports. Accordingly, to the extent necessary to pay for such minimum German imports as may be determined to be essential, recipient countries should be required to pay for German exports, except removals of existing plant and equipment. Imports for which payment will be sought shall include supplies imported by the occupying forces for displaced persons and German civilians.

6. Without the approval of an appropriate Allied body there shall be no re-export to third countries of goods received on reparation account.

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7. In order to prevent the treatment as war booty or as reimbursement for occupation costs of exports from Germany which should properly be considered as reparations deliveries, agreement should be sought on the scope of war booty and reimbursement for occupation costs. Agreement should also be sought on the scope of restitution in relation to reparation.

8. The governments participating in the Reparation Commission will retain control over the disposition of German property located within their respective borders. These nations will seek agreement with other countries in which German assets are located designed to eliminate continued German control of such assets and prevent their eventual returu to Germans.

9. The United States will expect to assert a claim for reparations before the Reparation Commission in accordance with the principles of the Yalta Protocol in order to preserve its rights to its proper share of payment for losses caused to it by Germany in the course of the war. Pending the furnishing of a more exact claim at a later date the United States representative shall reserve the right to claim delivery of reparations in a total amount to be determined. The United States will desire to receive as much as feasible of its share of reparations in the form of foreign exchange assets including German investments abroad.

10. As an interim program, pending the formulation of more definitive arrangements, this Government would favor formulation of an immediate program by the Reparation Commission along the following lines:

a. During the initial period following the collapse of Germany each of the four occupying powers--Great Britain, Russia, France and the United States--may remove from its

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zone of occupation in Germany plants, equipment and materials (including current output) of such a nature and not inexcess of such amounts as may be determined by the Reparation Commission. It shall be our policy to press for inclusion in such an initial removal schedule the categories of plant, equipment and materials (excluding ocean-going merchant tonnage) described in paragraphs 30, 31 and 32 of the "Directive to the Commander in Chief of the United States Forces of Occupation Regarding the Military Government of Germany" and in paragraph 3 g above.

b. The decision as to whether or not the removal of particular plants, equipment or materials out of a zone in Germany is consistent with the purposes of occupation would be made by the commander of such zone, subject to the following conditions:

(1) There would be constant consultation between zone commanders.

(2) In making a decision as to removal the zone commander would be responsible for carrying out any relevant agreed policies which may be formulated from time to time by the Control Council.

(3) The Control Council would have an opportunity to consider any particular removal and could veto it.

(4) Regular reports should be made to the Control Council of transfers for reparation account and the Control Council should keep appropriate Allied agencies currently informed.

c. During this initial period any one of the four occupying powers could allow, if it so desired, any other United Nation entitled to reparations in the form of removals from Germany to take out of its zone plants, equipment and

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materials of such a nature and not in excess of such amounts as may be determined by the Reparation Commission. Such removals would be subject to the policy and conditions specified in sub-paragraphs a and b above.

d. Records should be kept of all deliveries made on reparations account under such interim arrangements and such deliveries should be made without prejudice to the final allocation of reparation shares. The Reparation Commission should determine the principles for valuation of such deliveries.

11. The Reparation Plan should include provision for the early establishment of a reparation agency including representatives of such governments as have suffered devastation or substantial damage. This agency, after detailed study of Germany's capacity to pay and examination of claims to reparation by the various claimant nations, shall develop a long term plan for the delivery of reparations. This plan shall set forth a description of the reparations to be delivered and their physical allocation to the various claimant nations. It shall contain a time schedule indicating the rate at which deliveries are to be made to the several governments over a stated period of years. The reparation agency should be given continuing responsibility for drawing up at regular intervals detailed schedules of the amounts and kinds of reparations items to be delivered and should have authority to determine the allocation of specific items among claimant governments.

In lieu of the establishment of the reparations agency referred to above the Reparation Plan may provide that the Reparation Commission, appropriately expanded by the addition of representatives of other claimant governments, may be continued in existence and utilized for the same purpose.

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The occupation authorities should be responsible for the execution of the plan within Germany. In the execution of the plan, the Control Council should have the authority to withhold from transfer as reparations specific items the removal of which in its judgment would reduce the available economic means below the minimum required to meet the other obligations of the occupation. After review by the Control Council and in the absence of agreement, the zone commander if he believes that any specific item should be retained within his zone may with the specific determination of his government that such item is essential for the purposes of the occupation withhold the removal of such item.

The long term plan referred to above should not be approved by the U.S. representative on the Reparation Commission or Agency until it has been submitted to and approved by the United States Government.

The Control Council should advise the Reparation Agency (or Commission) from time to time as deliveries are made. The Reparation Agency (or Commission) should keep a record of all such deliveries, and should place appropriate values on the respective amounts delivered.

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TOP SECRET

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COPY NO. 41

IPCOG 1/5

23 May 1945

Pages 73 to 74, Incl.

INFORMAL POLICY COMMITTEE ON GERMANY

DIRECTIVE TO COMMANDER-IN-CHIEF OF U.S. FORCES OF OCCUPATION REGARDING THE MILITARY GOVERNMENT OF GERMANY

Reference: a. IPCOG 1/3

Note by the Secretaries

Enclosure "A", a message from the Joint Chiefs of Staff to General Eisenhower which was approved informally by the Informal Policy Committee on Germany, and Enclosure "B", General Eisenhower's reply, are circulated for the information of the Informal Policy Committee on Germany.

CHARLES W. McCARTHY

ALVIN F. RICHARDSON

RAYMOND E. COX

Secretariat

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D)
JCS Regrading Memo 11-24-71
By CR NARS Date 6-[illegible]-73

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

TOP SECRET

ENCLOSURE "A"

TOPSEC to Eisenhower from the Joint Chiefs of Staff:

16 May 1945 PARAPHRASE

As an integral part of the program for elimination of Germany's war potential there is agreement here on the necessity for destruction or removal of the synthetic oil industry. However, question of permitting production and the necessary repairs including cannibalization to permit production of synthetic oil in Germany, as a temporary measure, now under discussion on a governmental level here. Pending determination of that question and receipt of further instructions, you are authorized, pursuant to paragraphs 30 and 34 of the directive to you regarding the Military Government of Germany, which was forwarded to you by special air courier on 15 May, to produce synthetic oil in Germany, including cannibalization to permit such production, and to make necessary repairs.

End

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DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

TOP SECRET

ENCLOSURE "B"

For Joint Chiefs of Staff, signed Eisenhower:

19 May 1945

PARAPHRASE

To satisfy minimum theater requirements and to determine sources and quantities petroleum products available, survey now in progress to determine total quantity petroleum products required.

A temporary measure use of some synthetic production appears necessary for above purpose. Until survey can be digested request no irreparable action be directed.

End

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Source 327 Serie
Gen. 1 Mil Govt Germany

~~TOP SECRET~~ TOP SECRET

COPY NO. 41

IPCOG 1/4

11 May 1945

Pages 42 to 72, Incl.

ENCLOSURE "A"

INFORMAL POLICY COMMITTEE ON GERMANY

DIRECTIVE TO COMMANDER-IN-CHIEF OF U.S. FORCES OF OCCUPATION REGARDING THE MILITARY GOVERNMENT OF GERMANY

References: a. JCS 1067 Series
b. SWNCC 2 Series
c. IPCOG 1 Series

Note by the Secretaries

The enclosure, a revision of IPCOG 1 as approved by the President on 11 May 1945, is circulated for information and guidance.

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~~TOP~~ SECRET

April 26, 1945

DIRECTIVE TO COMMANDER IN CHIEF OF U.S. FORCES OF OCCUPATION REGARDING THE MILITARY GOVERNMENT OF GERMANY

1. The Purpose and Scope of this Directive:

This directive rescinds JCS 1067 and is issued to you as Commanding General of the United States forces of occupation in Germany. As such you will serve as United States member of the Control Council and will also be responsible for the administration of military government in the zone or zones assigned to the United States for purposes of occupation and administration. It outlines the basic policies which will guide you in those two capacities after the termination of the combined command of the Supreme Commander, Allied Expeditionary Force.

This directive sets forth policies relating to Germany in the initial post-defeat period. As such it is not intended to be an ultimate statement of policies of this Government concerning the treatment of Germany in the post-war world. It is therefore essential that, during the period covered by this directive, you assure that surveys are constantly maintained of economic, industrial, financial, social and political conditions within your zone and that the results of such surveys and such other surveys as may be made in other zones are made available to your Government, through the Joint Chiefs of Staff. These surveys should be developed in such manner as to serve as a basis for determining

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changes in the measures of control set forth herein as well as for the progressive formulation and development of policies to promote the basic objectives of the United States. Supplemental directives will be issued to you by the Joint Chiefs of Staff as may be required.

As a member of the Control Council you will urge the adoption by the other occupying powers of the principles and policies set forth in this directive and, pending Control Council agreement, you will follow them in your zone. It is anticipated that substantially similar directives will be issued to the Commanders in Chief of the U.K., USSR and French forces of occupation.

PART I

General and Political

2. The Basis of Military Government

a. The rights, power and status of the military government in Germany are based upon the unconditional surrender or total defeat of Germany. The Text of the Instrument of Unconditional Surrender is at Appendix "A". You will assure that the policies set forth in that Instrument are carried out in your zone of occupation even though the defeat of Germany is not followed by a formal signing of the Instrument.

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b. Subject to the provisions of paragraph 3 below, you are, by virtue of your position, clothed with supreme legislative, executive, and judicial authority in the areas occupied by forces under your command. This authority will be broadly construed and includes authority to take all measures deemed by you necessary, appropriate or desirable in relation to military exigencies and the objectives of a firm military government.

c. You will issue a proclamation continuing in force such proclamations, orders and instructions as may have heretofore been issued by Allied Commanders in your zone, subject to such changes as you may determine. Authorizations of action by the Supreme Commander, Allied Expeditionary Force, may be considered as applicable to you unless inconsistent with this or later directives.

3. The Control Council and Zones of Occupation:

a. The four Commanders-in-Chief, acting jointly, will constitute the Control Council in Germany which will be the supreme organ of control over Germany in accordance with the agreement on Control Machinery in Germany at Appendix "B". For purposes of administration of military government, Germany has been divided into four zones of occupation. The agreed protocols on zones are at Appendix "C".

b. The authority of the Control Council to formulate policy and procedures and administrative relationships with respect to matters affecting Germany as a whole will be paramount throughout Germany. You will carry out and support in your zone the policies agreed upon in the Control Council. In the absence of such agreed policies you will act in accordance with this and other directives of the Joint Chiefs of Staff.

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c. The administration of affairs in Germany shall be directed towards the decentralization of the political and administrative structure and the development of local responsibility. To this end you will encourage autonomy in regional, local and municipal agencies of German administration. The German economic structure shall also be decentralized. The Control Council may, however, to the minimum extent required for the fulfillment of purposes set forth herein, permit centralized administration or establish central control of (a) essential national public services such as railroads, communications and power, (b) finance and foreign affairs, and (c) production and distribution of essential commodities.

d. The Control Council should adopt procedures to effectuate, and you will facilitate in your zone, the equitable distribution of essential commodities between the zones. In the absence of a conflicting policy of the Control Council, you may deal directly with one or more zone commanders on matters of special concern to such zones.

e. Pending the formulation in the Control Council of uniform policies and procedures with respect to inter-zonal travel and movement of civilians, no civilians shall be permitted to leave or enter your zone without your authority, and no Germans within your zone shall be permitted to leave Germany except for specific purposes approved by you.

f. The military government personnel in each zone, including those dealing with regional and local branches of the departments of any central German administrative machinery, shall be selected by authority of the Commander of that zone except that liaison officers may be furnished by the Commanders of the other three zones. The respective Commanders-in-Chief shall have exclusive jurisdiction throughout the whole of

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Germany over the members of the armed forces under their command and over the civilians who accompany them.

g. The Control Council should be responsible for facilitating the severance of all governmental and administrative connections between Austria and Germany and the elimination of German economic influences in Austria. Every assistance should be given to the Allied Administration in Austria in its efforts to effectuate these purposes.

4. Basic Objectives of Military Government in Germany:

a. It should be brought home to the Germans that Germany's ruthless warfare and the fanatical Nazi resistance have destroyed the German economy and made chaos and suffering inevitable and that the Germans cannot escape responsibility for what they have brought upon themselves.

b. Germany will not be occupied for the purpose of liberation but as a defeated enemy nation. Your aim is not oppression but to occupy Germany for the purpose of realizing certain important Allied objectives. In the conduct of your occupation and administration you should be just but firm and aloof. You will strongly discourage fraternization with the German officials and population.

c. The principal Allied objective is to prevent Germany from ever again becoming a threat to the peace of the world. Essential steps in the accomplishment of this objective are the elimination of Nazism and militarism in all their forms, the immediate apprehension of war criminals for punishment, the industrial disarmament and demilitarization of Germany, with continuing control over Germany's capacity to make war, and the preparation for an eventual reconstruction of German political life on a democratic basis.

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d. Other Allied objectives are to enforce the program of reparations and restitution, to provide relief for the benefit of countries devastated by Nazi aggression, and to ensure that prisoners of war and displaced persons of the United Nations are cared for and repatriated.

5. Economic Controls:

a. As a member of the Control Council and as zone commander, you will be guided by the principle that controls upon the German economy may be imposed to the extent that such controls may be necessary to achieve the objectives enumerated in paragraph 4 above and also as they may be essential to protect the safety and meet the needs of the occupying forces and assure the production and maintenance of goods and services required to prevent starvation or such disease and unrest as would endanger these forces. No action will be taken in execution of the reparations program or otherwise which would tend to support basic living conditions in Germany or in your zone on a higher level than that existing in any one of the neighboring United Nations.

b. In the imposition and maintenance of such controls as may be prescribed by you or the Control Council, German authorities will to the fullest extent practicable be ordered to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and for any breakdowns in those controls will rest with themselves and German authorities.

6. Denazification:

a. [A Proclamation dissolving the Nazi Party, its formations, affiliated associations and supervised organi-]

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zations, and all Nazi public institutions which were set up as instruments of Party domination, and prohibiting their revival in any form, should be promulgated by the Control Council. You will assure the prompt effectuation of that policy in your zone and will make every effort to prevent the reconstitution of any such organization in underground, disguised or secret form. Responsibility for continuing desirable non-political social services of dissolved Party organizations may be transferred by the Control Council to appropriate central agencies and by you to appropriate local agencies.

b. The laws purporting to establish the political structure of National Socialism and the basis of the Hitler regime and all laws, decrees and regulations which establish discriminations on grounds of race, nationality, creed or political opinions should be abrogated by the Control Council. You will render them inoperative in your zone.

c. All members of the Nazi party who have been more than nominal participants in its activities, all active supporters of Nazism or militarism and all other persons hostile to Allied purposes will be removed and excluded from public office and from positions of importance in quasi-public and private enterprises such as (1) civic, economic and labor organizations, (2) corporations and other organizations in which the German government or subdivisions have a major financial interest, (3) industry, commerce, agriculture, and finance, (4) education, and (5) the press, publishing houses and other agencies disseminating news and propaganda. Persons are to be treated as more than nominal

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participants in Party activities and as active supporters of Nazism or militarism when they have (1) held office or otherwise been active at any level from local to national in the party and its subordinate organizations, or in organizations which further militaristic doctrines, (2) authorized or participated affirmatively in any Nazi crimes, racial persecutions or discriminations, (3) been avowed believers in Nazism or racial and militaristic creeds, or (4) voluntarily given substantial moral or material support or political assistance of any kind to the Nazi Party or Nazi officials and leaders. No such persons shall be retained in any of the categories of employment listed above because of administrative necessity, convenience or expediency.

d. Property, real and personal, owned or controlled by the Nazi party, its formations, affiliated associations and supervised organizations, and by all persons subject to arrest under the provisions of paragraph 8, and found within your zone, will be taken under your control pending a decision by the Control Council or higher authority as to its eventual disposition.

e. All archives, monuments and museums of Nazi inception, or which are devoted to the perpetuation of German militarism, will be taken under your control and their properties held pending decision as to their disposition by the Control Council.

f. You will make special efforts to preserve from destruction and take under your control records, plans, books, documents, papers, files, and scientific, industrial and other information and data belonging to or controlled by the following:

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(1) The Central German Government and its subdivisions, German military organizations, organizations engaged in military research, and such other governmental agencies as may be deemed advisable;

(2) The Nazi Party, its formations, affiliated associations and supervised organizations;

(3) All police organizations, including security and political police;

(4) Important economic organizations and industrial establishments including those controlled by the Nazi Party or its personnel;

(5) Institutes and special bureaus devoting themselves to racial, political, militaristic or similar research or propaganda.

7. Demilitarization:

a. In your zone you will assure that all units of the German armed forces, including para-military organizations, are dissolved as such, and that their personnel are promptly disarmed and controlled in accordance with policies and procedures set forth in the Instrument of Unconditional Surrender or in other directives which may be issued to you. Prior to their final disposition, you will arrest and hold all military personnel who are included under the provisions of paragraph 8.

b. The Control Council should proclaim, and in your zone you will effectuate, the total dissolution of all military and para-military organizations, including the General Staff, the German Officers Corps, the Reserve Corps and military academies, together with all associations which might serve to keep alive the military tradition in Germany.

c. You will seize or destroy all arms, ammunition and implements of war and stop the production thereof.

d. You will take proper steps to destroy the German war potential, as set forth elsewhere in this directive.

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8. Suspected War Criminals and Security Arrests:

a. You will search out, arrest, and hold, pending receipt by you of further instructions as to their disposition, Adolf Hitler, his chief Nazi associates, other war criminals and all persons who have participated in planning or carrying out Nazi enterprises involving or resulting in atrocities or war crimes.

b. All persons who, if permitted to remain at large would endanger the accomplishment of your objectives will also be arrested and held in custody until trial by an appropriate semi-judicial body to be established by you. The following is a partial list of the categories of persons to be arrested in order to carry out this policy:

(1) Officials of the Nazi Party and its formations, affiliated associations, and supervised organizations, down to and including Local Group Leaders (Ortsgruppenleiter) and officials of equivalent rank;

(2) All members of the political police, including the Gestapo and Sicherheitsdienst der S.S.;

(3) The officers and non-commissioned officers of the Waffen S.S. and all members of the other branches of the S.S.;

(4) All General Staff Corps officers;

(5) Officials of the police holding a rank, or equivalent positions of authority, above that of Lieutenant;

(6) Officers of the SA holding commissioned rank;

(7) The leading officials of all ministries and other high political officials down to and including urban and rural buergermeister and officials of equivalent rank, and those persons who have held similar positions, either civil or military, in the administration of countries occupied by Germany;

(8) Nazis and Nazi sympathizers holding important and key positions in (a) National and Gau civic and economic

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organizations; (b) corporations and other organizations in which the government has a major financial interest; (c) industry, commerce, agriculture, and finance; (d) education; (e) the judiciary; and (f) the press, publishing houses and other agencies disseminating news and propaganda. It may generally be assumed in the absence of evidence to the contrary that any persons holding such positions are Nazis or Nazi sympathizers;

(9) All judges, prosecutors and officials of the People's Court (Volksgerichtshof), Special Courts (Sondergerichte) and other extraordinary courts created by the Nazi regime;

(10) Any national of any of the United Nations or associated states who is believed to have committed offenses against his national law in support of the German war effort;

(11) Any other person whose name or designation appears on lists to be submitted to you by the J.C.S. or whose name may be so notified to you separately.

If in the light of conditions which you encounter in Germany, you believe that it is not immediately feasible to subject certain persons within these categories to this treatment, you should report your reasons and recommendations to your government through the Joint Chiefs of Staff. If you believe it desirable, you may postpone the arrest of those whose cases you have reported, pending a decision communicated to you by the J.C.S. In no event shall any differentiation be made between or special consideration be accorded to persons arrested, either as to manner of arrest or conditions of detention, upon the basis of wealth or political, industrial, or other rank or position. In your discretion you may make such exceptions as you deem advisable for intelligence or other military reasons.

9. Political Activities:

a. [No political activities of any kind shall be countenanced]

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unless authorized by you. You will assure that your military government does not become committed to any political group.

b. You will prohibit the propagation in any form of Nazi, militaristic or pan-German doctrines.

c. No German parades, military or political, civilian or sports, shall be permitted by you.

d. To the extent that military interests are not prejudiced and subject to the provisions of the three preceding subparagraphs and of paragraph 10, freedom of speech, press and religious worship will be permitted. Consistent with military necessity, all religious institutions will be respected.

10. Public Relations and Control of Public Information:

As a member of the Control Council, you will endeavor to obtain agreement for uniform or coordinated policies with respect to (a) control of public information media in Germany, (b) accrediting of foreign correspondents, (c) press censorship, and (d) issuance of official news communiques dealing with Control Council matters. U.S. policies in these matters will be sent to you separately and you will be guided by these in your negotiations on the Control Council.

11. German Courts:

a. All extraordinary courts, including the Volksgerichtshof (People's Court) and the Sondergerichte (Special Courts), and all courts and tribunals of the Nazi Party and of its formations, affiliated associations and supervised organizations will be abolished immediately.

b. All ordinary criminal, civil and administrative courts, except those previously re-established by order of the military government, will be closed. After the elimination of all Nazi features and personnel you will permit those which are to exercise jurisdiction within the boundaries of your zone to resume operations under such regulations, supervision and control as you may

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consider appropriate. Courts which are to exercise jurisdiction over territory extending beyond the boundaries of your zone will be reopened only with the express authorization of the Control Council and under its regulation, supervision and control. The power to review and veto decisions of German courts shall be included within the power of supervision and control.

12. Police:

With the exception of the Reichskriminalpolizei (criminal Police) all elements of the Sicherheitspolizei (Security Police), e.g., Geheimestaatspolizei (Gestapo), and the Sicherheitsdienst der S.S. will be abolished. Criminal and ordinary police will be purged of Nazi personnel and utilized under the control and supervision of the military government.

13. Political Prisoners:

Subject to military security and the interests of the individuals concerned, you will release all persons found within your zone who have been detained or placed in custody on grounds of race, nationality, creed or political opinions and treat them as displaced persons. You should make provision for the review of convictions of alleged criminal offenses about which there may be substantial suspicion of racial, religious or political persecution, and in which sentences of imprisonment have not been fully served by persons imprisoned within your zone.

14. Education:

a. All educational institutions within your zone except those previously re-established by Allied authority will be closed. The closure of Nazi educational institutions such as Adolf Hitler Schulen, Napolas and Ordensburgen, and of Nazi organizations within other educational institutions will be permanent.

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b. A coordinated system of control over German education and an affirmative program of reorientation will be established designed completely to eliminate Nazi and militaristic doctrines and to encourage the development of democratic ideas.

c. You will permit the reopening of elementary (Volksschulen), middle (Mittelschulen) and vocational (Berufsschulen) schools at the earliest possible date after Nazi personnel has been eliminated. Textbooks and curricula which are not free of Nazi and militaristic doctrine shall not be used. The Control Council should devise programs looking toward the reopening of secondary schools, universities and other institutions of higher learning. After Nazi features and personnel have been eliminated and pending the formulation of such programs by the Control Council, you may formulate and put into effect an interim program within your zone and in any case may permit the reopening of such institutions and departments which offer training which you consider immediately essential or useful in the administration of military government and the purposes of the occupation.

d. It is not intended that the military government will intervene in questions concerning denominational control of German schools, or in religious instruction in German schools, except insofar as may be necessary to insure that religious instruction and administration of such schools conform to such Allied regulations as are or may be established pertaining to purging of personnel and curricula.

15. Arts and Archives:

Subject to the provisions of paragraph 6 above, you will make all reasonable efforts to preserve historical archives, museums, libraries and works of art.

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PART II

ECONOMIC

General Objectives and Methods of Control

16. You will assure that the German economy is administered and controlled in such a way as to accomplish the basic objectives set forth in paragraphs 4 and 5 of this Directive. Economic controls will be imposed only to the extent necessary to accomplish these objectives, provided that you will impose controls to the full extent necessary to achieve the industrial disarmament of Germany. Except as may be necessary to carry out these objectives, you will take no steps (a) looking toward the economic rehabilitation of Germany, or (b) designed to maintain or strengthen the German economy.

17. To the maximum extent possible without jeopardizing the successful execution of measures required to implement the objectives outlined in paragraphs 4 and 5 of this directive you will use German authorities and agencies and subject them to such supervision and punishment for non-compliance as is necessary to ensure that they carry out their tasks.

For this purpose you will give appropriate authority to any German agencies and administrative services you consider essential; provided, however, that you will at all times adhere strictly to the provisions of this directive regarding denazification and dissolution or elimination of Nazi organizations, institutions, principles, features, and practices.

To the extent necessary you will establish administrative machinery, not dependent upon German authorities and agencies, to execute or assure the execution of the provisions of paragraphs 19, 20, 30, 31, 32, 39 and 40 and any other measures necessary to an accomplishment of your industrial disarmament objectives.

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18. In order to decentralize the structure and administration of the German economy to the maximum possible extent, you will

a. ensure that the action required to maintain or restore essential public utilities and industrial and agricultural activities is taken as far as possible on a local and regional basis;

b. on no account propose or approve in the Control Council the establishment of centralized administration of controls over the German economy except where such centralization of administration is clearly essential to the fulfilment of the objectives listed in paragraphs 4 and 5 of this directive. Decentralization in administration should not be permitted to interfere with attainment of the largest practicable measure of agreement on economic policies in the Control Council.

19. You will institute or assure the maintenance of such statistical records and reports as may be necessary in carrying out the objectives listed in paragraphs 4 and 5 of this directive.

20. You will initiate appropriate surveys which may assist you in achieving the objectives of the occupation. In particular you will promptly undertake surveys of supplies, equipment and resources in your zone. You will endeavor to obtain prompt agreement in the Control Council to the making of similar surveys in the other zones of occupation, and you will urge appropriate steps to coordinate the methods and results of these and other future surveys conducted in the various zones. You will keep the Control Council, United States Representative on the Reparation Commission and other appropriate authorities, currently apprised of the information obtained by means of intermediate reports or otherwise.

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German Standard of Living

21. You will estimate requirements of supplies necessary to prevent starvation or widespread disease or such civil unrest as would endanger the occupying forces. Such estimates will be based upon a program whereby the Germans are made responsible for providing for themselves, out of their own work and resources. You will take all practicable economic and police measures to assure that German resources are fully utilized and consumption held to the minimum in order that imports may be strictly limited and that surpluses may be made available for the occupying forces and displaced persons and United Nations prisoners of war, and for reparation. You will take no action that would tend to support basic living standards in Germany on a higher level than that existing in any one of the neighboring United Nations and you will take appropriate measures to ensure that basic living standards of the German people are not higher than those existing in any one of the neighboring United Nations when such measures will contribute to raising the standards of any such nation.

22. You will urge upon the Control Council that uniform ration scales be applied throughout Germany, that essential items be distributed equitably among the zones, that net surpluses be made available for export to Allied countries, and that imports be limited to the net deficits of Germany as a whole.

Labor, Health, and Social Insurance

23. You will permit the self-organization of employees along democratic lines, subject to such safeguards as may be necessary to prevent the perpetuation of Nazi or militarist influence under any guise or the continuation of any group hostile to the objectives and operations of the occupying forces.

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24. You will permit free collective bargaining between employees and employers regarding wage, hour and working conditions and the establishment of machinery for the settlement of industrial disputes. Collective bargaining shall be subject to such wage, hour and other controls, if any, as may be instituted or revived by your direction.

25. Subject to the provisions of paragraph 48 of this directive you are authorized to direct German authorities to maintain or reestablish non-discriminatory systems of social insurance and poor relief.

26. You are authorized to direct the German authorities to maintain or re-establish such health services and facilities as may be available to them.

Agriculture, Industry and Internal Commerce

27. You will require the Germans to use all means at their disposal to maximize agricultural output and to establish as rapidly as possible effective machinery for the collection and distribution of agricultural output.

28. You will direct the German authorities to utilize large-landed estates and public lands in a manner which will facilitate the accomodation and settlement of Germans and others or increase agricultural output.

29. You will protect from destruction by the Germans, and maintain for such disposition as is determined by this and other directives or by the Control Council, all plants, equipment, patents and other property, and all books and records of large German industrial companies and trade and research associations that have been essential to the German war effort or the German economy. You will pay particular attention to research and experimental establishments of such concerns.

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30. In order to disarm Germany, the Control Council should

a. prevent the production, acquisition by importation or otherwise, and development of all arms, ammunition and implements of war, as well as all types of aircraft, and all parts, components and ingredients specially designed or produced for incorporation therein;

b. prevent the production of merchant ships, synthetic rubber and oil, aluminum and magnesium and any other products and equipment on which you will subsequently receive instructions;

c. seize and safeguard all facilities used in the production of any of the items mentioned in this paragraph and dispose of them as follows:

(1) remove all those required for reparation;

(2) destroy all those not transferred for reparation if they are especially adapted to the production of the items specified in this paragraph and are not of a type generally used in industries permitted to the Germans (cases of doubt to be resolved in favor of destruction);

(3) hold the balance for disposal in accordance with instructions which will be sent to you.

Pending agreement in the Control Council you will take these measures in your own zone. You will not postpone enforcement of the prohibitions contained in subparagraphs a and b and the instructions in subparagraph c without specific approval of your government through the Joint Chiefs of Staff except that, in your discretion, you may permit the production of synthetic rubber and oil, aluminum and magnesium, to the minimum extent necessary to meet the purposes stated in paragraphs 4 and 5 of the directive pending action by the Joint Chiefs of Staff upon such recommendation for postponement as you may make.

31. As an additional measure of disarmament, the Control Council should

a. prohibit initially all research activities and close all laboratories, research institutions and similar technical organizations except those considered necessary to the protection of public health;

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b. abolish all those laboratories and related institutions whose work has been connected with the building of the German war machine, safeguard initially such laboratories and detain such personnel as are of interest to your technological investigations, and thereafter remove or destroy their equipment;

c. permit the resumption of scientific research in specific cases, only after careful investigation has established that the contemplated research will in no way contribute to Germany's future war potential and only under appropriate regulations which (1) define the specific types of research permitted, (2) exclude from further research activity any persons who previously held key positions in German war research, (3) provide for frequent inspection, (4) require free disclosure of the results of the research and (5) impose severe penalties, including permanent closing of the offending institution, whenever the regulations are violated.

Pending agreement in the Control Council you will adopt such measures in your own zone.

32. Pending final Allied agreements on reparation and on control or elimination of German industries that can be utilized for war production, the Control Council should

a. prohibit and prevent production of iron and steel, chemicals, non-ferrous metals (excluding aluminum and magnesium), machine tools, radio and electrical equipment, automotive vehicles, heavy machinery and important parts thereof, except for the purposes stated in paragraphs 4 and 5 of this directive;

b. prohibit and prevent rehabilitation of plant and equipment in such industries except for the purposes stated in paragraphs 4 and 5 of this directive; and

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c. safeguard plant and equipment in such industries for transfer on reparation account.

Pending agreement in the Control Council, you will put such measures into effect in your own zone as soon as you have had an opportunity to review and determine production necessary for the purposes stated in paragraphs 4 and 5 of this directive.

33. [The Control Council should adopt a policy permitting the conversion of facilities other than those mentioned in paragraphs 30 and 32 to the production of light consumer goods,] provided that such conversion does not prejudice the subsequent removal of plant and equipment on reparation account and does not require any imports beyond those necessary for the purposes specified in paragraphs 4 and 5 of this directive. Pending agreement in the Control Council, you may permit such conversion in your zone.

34. Subject to the provisions of paragraphs 30 and 32, the Control Council should assure that all feasible measures are taken to facilitate, to the minimum extent necessary for the purposes outlined in paragraphs 4 and 5 of this directive

a. repairs to and restoration of essential transportation services and public utilities;

b. emergency repair and construction of the minimum shelter required for the civilian population;

c. production of coal and any other goods and services (excluding goods specified in paragraphs 30 and 32 unless measures to facilitate production are specifically approved by this Government through the Joint Chiefs of Staff) required for the purposes outlined in paragraphs 4 and 5 of this directive.

You will assure that such measures are taken in your own zone pending agreement in the Control Council.

35. In your capacity as zone commander and as member of the Control Council you will take steps to provide for the equitable interzonal distribution and the movement of goods and services essential to the purposes set forth in paragraphs 4 and 5 of this directive.

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36. You will prohibit all cartels or other private business arrangements and cartel-like organizations, including those of a public or quasi-public character such as the Wirtschaftsgruppen providing for the regulation of marketing conditions, including production, prices, exclusive exchange of technical information and processes, and allocation of sales territories. Such necessary public functions as have been discharged by these organizations shall be absorbed as rapidly as possible by approved public agencies.

37. It is the policy of your government to effect a dispersion of the ownership and control of German industry. To assist in carrying out this policy you will make a survey of combines and pools, mergers, holding companies and interlocking directorates and communicate the results, together with recommendations, to your government through the Joint Chiefs of Staff. You will endeavor to obtain agreement in the Control Council to the making of this survey in the other zones of occupation and you will urge the coordination of the methods and results of this survey in the various zones.

38. With due regard to paragraph 4 a, the Control Council should adopt such policies as are clearly necessary to prevent or restrain inflation of a character or dimension which would definitely endanger accomplishment of the objectives of the occupation. The Control Council, in particular, should direct and empower German authorities to maintain or establish controls over prices and wages and to take the fiscal and financial measures necessary to this end. Pending agreement in the Control Council you will assure that such measures as you consider necessary are taken in your own zone. Prevention or restraint of inflation shall not constitute an additional ground for the importation of supplies, nor shall it constitute an additional ground

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for limiting removal, destruction or curtailment of productive facilities in fulfillment of the program for reparation, demilitarization and industrial disarmament.

Power, Transportation and Communications

39. Both as member of the Control Council and zone commander you will take appropriate steps to ensure that

a. power, transportation and communications facilities are directed in such a way as to carry out the objectives outlined in paragraphs 4 and 5 of this directive;

b. Germans are prohibited and prevented from producing, maintaining or operating all types of aircraft.

You will determine the degree to which centralized control and administration of power, transportation and communications is clearly necessary for the objectives stated in paragraphs 4 and 5 and urge the establishment of this degree of centralized control and administration by the Control Council.

Foreign Trade and Reparation

40. The Control Council should establish centralized control over all trade in goods and services with foreign countries. Pending agreement in the Control Council you will impose appropriate controls in your own zone.

41. Both as member of the Control Council and as zone commander you will take appropriate steps to ensure that

a. the foreign trade controls are designed to carry out the objectives stated in paragraphs 4 and 5 of this directive;

b. imports which are permitted and furnished to Germany are confined to those unavoidably necessary to the objectives stated in paragraphs 4 and 5;

c. exports to countries other than the United Nations are prohibited unless specifically authorized by the Allied governments.

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42. Both as member of the Control Council and as zone commander you will adopt a policy which would forbid German firms to participate in international cartels or other restrictive contracts and arrangements and order the prompt termination of all existing German participations in such cartels, contracts and arrangements.

43. You will carry out in your zone such programs of reparation and restitution as are embodied in Allied agreements and you will seek agreement in the Control Council on any policies and measures which it may be necessary to apply throughout Germany in order to ensure the execution of such programs.

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PART III

FINANCIAL

44. You will make full application in the financial field of the principles stated elsewhere in this directive and you will endeavor to have the Control Council adopt uniform financial policies necessary to carry out the purposes stated in paragraphs 4 and 5 of this directive. You will take no steps designed to maintain, strengthen or operate the German financial structure except in so far as may be necessary for the purposes specified in this directive.

45. The Control Council should regulate and control to the extent required for the purposes set forth in paragraphs 4 and 5 the issue and volume of currency and the extension of credit in Germany and in accordance with the following principles:

a. United States forces and other Allied forces will use Allied Military marks and Reichsmark currency or coins in their possession. Allied Military marks and Reichsmark currency and coin now in circulation in Germany will be legal tender without distinction and will be interchangeable at the rate of 1 Allied Military mark for 1 Reichsmark. Reichskreditkassenscheine and other German military currency will not be legal tender in Germany.

b. The Reichsbank, the Rentenbank or any other bank or agency may be permitted or required to issue bank notes and currency which will be legal tender; without such authorization no German governmental or private bank or agency will be permitted to issue bank notes or currency.

c. The German authorities may be required to make available Reichsmark currency or credits free of cost and in amounts sufficient to meet all the expenses of the forces of

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occupation, including the cost of Allied Military Government and including to the extent that compensation is made therefor, the cost of such private property as may be requisitioned seized, or otherwise acquired, by Allied authorities for reparations or restitution purposes.

Pending agreement in the Control Council you will follow these policies in your own zone.

You will receive separate instructions relative to the currency which you will use in the event that for any reason adequate supplies of Allied Military marks and Reichsmarks are not available, or if the use of such currency is found undesirable.

You will not announce or establish in your zone, until receipt of further instructions, any general rate of exchange between the Reichsmark on the one hand and the U.S. dollar and other currencies on the other. However, a rate of exchange to be used exclusively for pay of troops and military accounting purposes in your zone will be communicated separately to you.

46. Subject to any agreed policies of the Control Council, you are authorized to take the following steps and to put into effect such further financial measures as you may deem necessary to accomplish the purposes of your occupation:

a. To prohibit, or to prescribe regulations regarding, transfer or other dealings in private or public securities or real estate or other property.

b. To close banks, but only for a period long enough for you to introduce satisfactory control, to remove Nazi and other undesirable personnel, and to issue instructions for the determination of accounts to be blocked under sub-paragraph 48 e below.

c. To close stock exchanges, insurance companies, and similar financial institutions for such periods as you deem

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appropriate.

d. To establish a general or limited moratorium or moratoria only to the extent clearly necessary to carry out the objectives stated in paragraphs 4 and 5 of this directive.

47. Resumption of partial or complete service on the internal public debt at the earliest feasible date is deemed desirable. The Control Council should decide the time and manner of such resumption.

48. Subject to any agreed policies of the Control Council,

a. You will prohibit:

(1) the payment of all military pensions, or other emoluments or benefits, except compensation for physical disability limiting the recipient's ability to work, at rates which are no higher than the lowest of those for comparable physical disability arising from non-military causes.

(2) the payment of all public or private pensions or other emoluments or benefits granted or conferred:

(a) by reason of membership in or services to the former Nazi party, its formations, affiliated associations or supervised organizations,

(b) to any person who has been removed from an office or position in accordance with paragraph 6, and

(c) to any person arrested and detained in accordance with paragraph 8 during the term of his arrest, or permanently, in case of his subsequent conviction.

b. You will take such action as may be necessary to insure that all laws and practices relating to taxation or other fields of finance, which discriminate for or against

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any persons because of race, nationality, creed or political opinion, will be amended, suspended, or abrogated to the extent necessary to eliminate such discrimination.

c. You will hold the German authorities responsible for taking such measures in the field of taxation and other fields of public finance, including restoration of the tax system and maintenance of tax revenues, as will further the accomplishment of the objectives stated in paragraphs 4 and 5.

d. You will exercise general supervision over German public expenditures in order to ensure that they are consistent with the objectives stated in paragraphs 4 and 5.

e. You will impound or block all gold, silver, currencies, securities, accounts in financial institutions, credits, valuable papers, and all other assets falling within the following categories:

(1) Property owned or controlled directly or indirectly, in whole or in part, by any of the following:

(a) The German Reich, or any of the Lander, Gaue or provinces, any Kreis, Municipality or other similar local subdivision; or any agency or instrumentality of any of them including all utilities, undertakings, public corporations or monopolies under the control of any of the above;

(b) Governments, nationals or residents of other nations, including those of territories occupied by them, at war with any of the United Nations at any time since 1 September 1939;

(c) The Nazi Party, its formations, affiliated associations and supervised organizations, its officials, leading members and supporters;

(d) All organizations, clubs or other associations prohibited or dissolved by military government;

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(e) Absentee owners, of non-German nationality including United Nations and neutral governments and Germans outside of Germany;

(f) Any institution dedicated to public worship, charity, education or the arts and sciences which has been used by the Nazi Party to further its interests or to cloak its activities;

(g) Persons subject to arrest under provisions of paragraph 8, and all other persons specified by military government by inclusion in lists or otherwise.

(2) Property which has been the subject of transfer under duress or wrongful acts of confiscation, disposition or spoliation, whether pursuant to legislation or by procedure purporting to follow forms of law or otherwise.

(3) Works of art or cultural material of value or importance, regardless of the ownership thereof.

You will take such action as will insure that any impounded or blocked assets will be dealt with only as permitted under licenses or other instructions which you may issue. In the case particularly of property blocked under (1)(a) above, you will proceed to adopt licensing measures which while maintaining such property under surveillance would permit its use in consonance with this directive. In the case of property blocked under (2) above, you will institute measures for prompt restitution, in conformity with the objectives stated in paragraphs 4 and 5 and subject to appropriate safeguards to prevent the cloaking of Nazi and militaristic influence.

49. All foreign exchange transactions, including those arising out of exports and imports, shall be controlled with the aim of preventing Germany from developing a war potential and of

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achieving the other objectives set forth in this directive. To effectuate these purposes the Control Council should

a. Seek out and reduce to the possession and control of a special agency all German (public and private) foreign exchange and external assets of every kind and description located within or outside Germany.

b. Prohibit, except as authorized by regulation or license, all dealings in gold, silver, foreign exchange, and all foreign exchange transactions of any kind. Make available any foreign exchange proceeds of exports for payment of imports directly necessary to the accomplishment of the objectives stated in paragraphs 4 and 5 of this directive, and authorize no other outlay of foreign exchange assets except for purposes approved by the Control Council or other appropriate authority.

c. Establish effective controls with respect to all foreign exchange transactions, including:

(1) Transactions as to property between persons inside Germany and persons outside Germany;

(2) Transactions involving obligations owed by or to become due from any person in Germany to any person outside Germany; and

(3) Transactions involving the importation into or exportation from Germany of any foreign exchange asset or other form of property.

Pending agreement in the Control Council, you will take in your zone the action indicated in subparagraphs a, b and c above. Accordingly, you will in your zone reduce to the possession and control of a special agency established by you, within your Command, all German foreign exchange and external assets as provided in subparagraph a. You will endeavor to have similar agencies

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for the same purpose established in the other zones of occupation and to have them merged as soon as practicable in one agency for the entire occupied territory. In addition you will provide full reports to your government with respect to all German foreign exchange and external assets.

50. No extension of credit to Germany or Germans by any foreign person or Government shall be permitted except that the Control Council may in special emergencies grant permission for such extensions of credit.

51. It is not anticipated that you will make credits available to the Reichsbank or any other bank or to any public or private institution. If, in your opinion, such action becomes essential, you may take such emergency actions as you may deem proper, but in any event, you will report the facts to the Control Council.

52. You will maintain such accounts and records as may be necessary to reflect the financial operations of the military government in your zone and you will provide the Control Council with such information as it may require, including information in connection with the use of currency by your forces, any governmental settlements, occupation costs, and other expenditures arising out of operations or activities involving participation of your forces.

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IPCOG 1/3

11 May 1945

Pages 40 and 41

COPY NO. 41

INFORMAL POLICY COMMITTEE ON GERMANY

DIRECTIVE TO COMMANDER IN CHIEF OF U.S. FORCES OF OCCUPATION REGARDING THE MILITARY GOVERNMENT OF GERMANY

References: a. IPCOG 1
b. IPCOG 1/1(Revised)
c. IPCOG 1/2

Note by the Secretaries

The enclosure, a reconsideration of reference a by the Joint Chiefs of Staff which recommends certain amendments to IPCOG 1, has been approved by the Informal Policy Committee on Germany.

DECLASSIFIED E.O. 11652, Sec. 3(E) and 5(D) By JCR NARS Date 6/8/73

CHARLES W. McCARTHY
ALVIN F. RICHARDSON
RAYMOND E. COX
Secretariat

IPCOG 1/3 11 May

TOP SECRET

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ENCLOSURE

10 May 1945

MEMORANDUM FOR THE SECRETARY OF WAR:
SECRETARY OF THE NAVY:

Subject: Directive to Commander in Chief of U.S. Forces of Occupation regarding the military government of Germany.

The Joint Chiefs of Staff recommend that the Secretary of War and the Secretary of the Navy inform the Secretary of State as follows:

"The Joint Chiefs of Staff have reconsidered the military implications of the proposed directive to the Commander in Chief, United States Forces of Occupation regarding the military government of Germany contained in IPCOG 1. The Joint Chiefs of Staff perceive no objections to the directive from a military point of view provided the following amendments are made in lieu of those contained in the letter dated 2 May 1945:

"a. Delete the period at the end of the last sentence, paragraph 30, and add the following: 'except that, in your discretion, you may permit the production of synthetic rubber and oil, aluminum and magnesium, to the minimum extent necessary to meet the purposes stated in paragraphs 4 and 5 of the directive pending action by the Joint Chiefs of Staff upon such recommendation for postponement as you may make.'

"b. Delete the period and add the following words to the last sentence of paragraph 32: 'as soon as you have had an opportunity to review and determine production necessary for the purposes stated in paragraphs 4 and 5 of this directive.'

"c. After the word 'services' in paragraph 34 c, add the words '(excluding goods specified in paragraphs

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30 and 32 unless measures to facilitate production are specifically approved by this Government through the Joint Chiefs of Staff).' Also delete the words 'reparation, for your forces and, subject to the provisions of paragraph 21 of this directive, for the German people' and substitute the words 'the purposes outlined in paragraphs 4 and 5 of this directive.'"

For the Joint Chiefs of Staff:

/s/ WILLIAM D. LEAHY
Fleet Admiral, U.S. Navy,
Chief of Staff to the
Commander in Chief of the Army and Navy.

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3 May 1945

Pages 38 to 39, Incl.

INFORMAL POLICY COMMITTEE ON GERMANY

DIRECTIVE TO COMMANDER-IN-CHIEF OF U.S. FORCES OF OCCUPATION REGARDING THE MILITARY GOVERNMENT OF GERMANY

Reference: a. IPCOG 1

Note by the Secretaries

The comments of the Joint Chiefs of Staff on the military implications of the "Directive to Commander-in-Chief, U.S. Forces of Occupation regarding the Military Government of Germany" (IPCOG 1) forwarded to the Secretaries of War and the Navy through SWNCC, are circulated for consideration by the Committee.

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~~Letter~~ JCS memo 16-71
By JCL 1/29/71, NARS Date 6/8/73

CHARLES W. McCARTHY

ALVIN F. RICHARDSON

RAYMOND E. COX

Secretariat

IPCOG 1/2
3 May

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