


091 GERMANY - MISCELLANEOUS
SWNCC

RETURN TO MISCELLANEOUS SECTION

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LIST OF PAPERSFILE NO. 091 GERMANY, MISCELLANEOUS

NO.	FROM	DATE	TO	SYNOPSIS
16	Sec. McCarthy (Filed 321 Specialists, German Scientists)	10/13/45	JCS	Memo re: Exploitation of German Specialists in Science and Tech. in the U. S.
17	Sec. of War	11/2/45	Sec. of State	Letter re: Installation of two transmitters in the American Occupation Zone in Germany.
(SUBJECT * REOPENING OF CIVILIAN COMMUNICATIONS FOR AUSTRIA AND GERMANY - INTERDEPARTMENTAL COMMITTEE FOR THE RESUMPTION OF COMMUNICATIONS FOR LIBERATED AREAS - Filed 311 Communications, Miscellaneous)				
18	Sec. of State	12/14/45	Sec. of War	Re: Allocation of supplies for Germany and Austria.
19	Gen. McFarland (Filed 321 Specialists, German Scientists)	12/20/45	SWNCC	Memo re: Interim procedure for coordinated exploitation of German scientists and technicians in the United States.
20	Gen. Hilldring	12/17/45	WDSCA	RE: Haven for persecutees in U. S. Zone of Occupation.
21	Sec. of War	12/19/45	Mr. Acheson	Letter re: Problem faced by Mi. Govt. in the U.S. Zone in Germany deciding whether or not asylum and care to be given persons fleeing eastern European countries with claims of active persecution or fear there of etc.
22	Mr. Patterson	12/12/46	Sec. of State	Re: Drafting of peace treaty with Germany
23	Sec. of War	17 Mar 47	Sec. of State	Re: Request War Dept. arrange maintain existing radio links between Bucharest, Budapest and Sofia and the U.S. army Station of Frankfurt.

LIST OF PAPERS

FILE UNDER NO. 091 GERMANY (MISCELLANEOUS)

Serial No.	From	Date	To	Synopsis
1				Extract from Minutes of 6th Meeting
2	Gen. Maxwell	1/13/45	Col. McCarthy	Utilization of German Resources in the War Effort.
3	W.E. Whitson	1/15/45	Mr. McCloy	Memo enclosing paper "Breaking the German Will to Resist"
4	Mr. Grew	2/14/45	Mr. Forrestal	Letter re German civilian hospitals
5	Mr. Stimson	2/21/45	Sec of State	Proposal of German Government to return to U.S. control U.S. currency taken from Allied POW.
6	Mr. Stimson	2/22/45	Sec State	Re markings on German civilian hospitals
7	Col. Whitson	2/27/45	Col. Gerhardt	Letter re Arrangements for Allied POW in Germany.
8	Col. McCarthy	3/13/45	JCS	Memo requesting cooperation of JCS to work with SWNCC sub-committee in preparing report on Sub-Division of Berlin Area.
9	Mr. Dunn	3/21/45	Mr. Stimson	Letter re marking of German Civilian Hospitals.
10	Mr. Stimson	3/31/45	Sec of State	Letter re note from Swiss Minister concerning German POW.
11		5/5/45		MEMO for information No. 4 (Control of German Foreign Relations and the Disposition of Enemy Diplomatic and Consular Property and Records)
12	Col. McCarthy	5/16/45	Sec JCS	Memo re JCS 1067/9
13		7/4/45		Correspondence re: Reports of Coal Production in the Ruhr and Saar.
14	J.D. Hickerson	8/1/45	Sec of State	Memo encl. Memo fr JCS to SWNCC, re: German Protest against Alleged Attacks on Ships and Trains Marked with the Red Cross.
15	Col. McCarthy <i>Filed 321 Specialists German Scientists</i>	9/19/45	Mr. Matthews, Gates, McCloy	Memo re: Exploitation of German Specialists in Science and Technology in the United States, --letter from JCS, same subject, attached. <i>Miss Whitehead has Informal Clearance</i>

CONFIDENTIAL

VLC/mlw
OCS/4371

*691 Germany
Miss.*

17 MAR 1947

The Honorable
The Secretary of State

Dear Mr. Secretary:

Reference is made to your letter of 14 February 1947 requesting that the War Department arrange to maintain the existing radio links between Bucharest, Budapest and Sofia and the United States Army Station of Frankfurt, Germany.

In the absence of adequate commercial facilities, I recognize the necessity of maintaining the communications for the present with military personnel. I have therefore directed that the necessary military personnel be made available for this purpose on a temporary basis.

In view of the drastic reduction in the Army's military and civilian ceilings, I would appreciate your consideration of the possibility of utilizing State Department funds for the hire of civilians to accomplish this mission as early as possible.

Sincerely yours,

(Signed) ROBERT P. PATTERSON

SWNCC SECRETARIAT

Secretary of War

- State Member
- Army Member
- Navy Member
- Ass't State Member
- Ass't Army Member
- Ass't Navy Member
- Executive Secretary
- Ass't Exec. Secretary
- State Adm. Assistant
- Army Adm. Assistant
- Navy Adm. Assistant
- File

CC: S/W
OCS
O&T
TAG

3674

MAR 19 1947



WAR & NAVY COORDINATING COMMITTEE

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*891 German
Misc.*

12 DEC 1946

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The Honorable

The Secretary of State

Dear Mr. Secretary:

In connection with the drafting of the peace treaty with Germany, I request that you consider the inclusion of a provision dealing with the responsibility for service connected torts in occupied territory and settlement of claims based thereon. Specifically, I recommend consideration of the insertion of the substance of the following claims provision:

"The Government of the Reich hereby relinquishes all claims for indemnity, national and individual, of every kind, on behalf of itself, its citizens, nationals, or employees, that may have arisen or may arise in consequence of or in connection with the entry into and occupation of German territory by the armed forces of the United States, and the Government of the Reich agrees that such claims of its citizens and nationals shall constitute charges against it, agrees to pay such claims on request of the responsible military authorities of the United States and agrees to indemnify and save harmless therefrom the Government of the United States, its citizens, nationals, and employees."

Sincerely yours,

(Signed) **ROBERT P. PATTERSON**

SWNCC SECRETARIAT

Secretary of War	Member	<input checked="" type="checkbox"/>
	Army Member	<input type="checkbox"/>
	Navy Member	<input type="checkbox"/>
	Ass't State Member	<input type="checkbox"/>
	Ass't Army Member	<input type="checkbox"/>
	Ass't Navy Member	<input type="checkbox"/>
	Executive Secretary	<input type="checkbox"/>
	Ass't Exec. Secretary	<input type="checkbox"/>
	State Adm. Assistant	<input type="checkbox"/>
	Army Adm. Assistant	<input type="checkbox"/>
	Navy Adm. Assistant	<input type="checkbox"/>
	File	<input type="checkbox"/>

COPY FOR SWNCC

TOP SECRET

(22)

SECRET

COL. McCARTHY	.....
COMDR. RICHARDSON	.....
MR. R. E. COX	.....
LT. COL. PENNOYER	.....
LT. SMITH WEILFUSS	.....
MR. H. W. MOBELEY	.....
MR. J. P. GARDINER	.....
LT. COMDR. ROCKEFELLER	.....
LT. COL. V. F. FIELD	.....
MAJOR W. E. GUNTHER	.....
1ST LT. E. SPITTALL	.....
ENS. F. WHITESIDE	.....
FILE	.....

19 DEC 1945

was

Honorable Dean Acheson
Acting Secretary of State

Dear Mr. Acheson:

The War Department has just received an urgent cable from General McNarney describing the critical problem faced by the Military Government in the United States Zone in Germany of deciding whether or not asylum and care should be given to persons who are currently fleeing eastern European countries with claims of active persecution, or fear thereof, on account of race, religion or political beliefs.

General McNarney reports that an estimated 300 persons per day, mostly Polish Jews, are crossing the border into Bavaria despite Military Government Law 161 prohibiting such entry, and that 250 Polish Jews are arriving in Berlin daily. These movements are in addition to the return to Germany of German populations of Poland, Hungary and Czechoslovakia with respect to which agreement was reached in the Berlin Protocol and more recently in the Control Council. The potential extent of the movement of persecutees cannot be determined accurately. From a realistic viewpoint, the United States Zone appears to most persecuted persons as the only accessible safehaven remaining in Europe. While it is estimated that there are some 250,000 Polish Jews remaining in Poland and the Soviet Union, it is not known how many of these, or how many non-Jewish Poles, might be expected to seek asylum in the United States Zone, Germany. The number of persons who might seek entry from other eastern European countries is also unknown. Moreover, some displaced persons previously repatriated are returning with relatives and friends, and other displaced persons have been moving to the United States Zone from the British and Russian Zones.

100010 0911 McNarney (10 Dec 45)

The problem presented by this gravitation from the United States Zone in quest of better conditions is a new aspect to which no United States policy has been established. In occupying Germany, the United States undertook to administer the United States Zone and to care for displaced persons found therein at the time of the German surrender. In the Berlin Protocol the United States, with the United Kingdom and the USSR, agreed to accept into Germany, Germans formerly resident in Poland, Hungary, and Czechoslovakia. No agreement has to date been made or responsibility assumed by this Government to grant asylum in the United States Zone to persons who claim to be the victims of discrimination by countries other than Germany

DEC 21 1945

It is my strong feeling, and I am sure that you will agree with me, that General McNarney and the War Department must look to the Department of State for a firm policy decision with respect to this problem. In order to insure that in making such a decision the Department has before

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it as many relevant factors as possible, I would like to mention several other important considerations not referred to above.

I think that it is important to bear in mind the close relationship of this problem to that of planning for resettlement of stateless and non-repatriable persons now under our control. You will recall that in my letter of 29 November, I expressed my concern about the lack of planning and activity for resettlement of stateless and non-repatriable displaced persons now in the United States Zones of Germany and Austria. If no Progress is made in resettlement activities, and none whatsoever appears to have been made to date, every additional person claiming to be persecuted who is admitted to the United States Zone must be cared for indefinitely. We would, in effect, be expanding the "hard core" of non-repatriables rather than reducing it. I cite this factor not as a bar to a policy of asylum but rather as an indication of the importance of considering resettlement as a phase of this problem.

Another important factor is the type of care needed by these persons, as well as by a substantial proportion of stateless and non-repatriable persons already under our jurisdiction. It is not enough merely to afford emergency shelter and rations. What is really needed is specialized treatment for rehabilitating such persons in a manner which will prepare them for a new life in the future. The War Department had planned for a long time to turn over complete responsibility for care and handling of stateless and non-repatriable persons to a civilian agency which would be able to furnish the specialized care required. It was felt that a civilian organization could be in a better position than the Army to provide trained social workers and administrative personnel to handle this problem, and could more effectively mobilize the services of experienced voluntary agencies. It was for these reasons that the Army had made tentative arrangements to transfer full responsibility for care of displaced persons in Germany to the United Nations Relief and Rehabilitation Administration on October 1, 1945.

As a result of the insistence of this Government, UNRRA was prohibited by its Council last August from providing basic supplies for displaced persons in Germany. Since the Army had to continue furnishing all basic supplies, it was placed in the position of being required to retain overall supervision and control of displaced persons with UNRRA actually in charge of most of the camps. While theoretically this might seem to be a satisfactory solution, in practice it has not been so. The inroads of demobilization upon our troops and Military Government have left our Army in Germany without the experienced and technically expert personnel necessary to carry out even this supervisory function.

I think it is important, therefore, that at the earliest possible date direct and complete responsibility should be given to a civilian agency for the handling of all persons in the United States Zone entitled to treatment as United Nations displaced persons. As long as the UNRRA Council

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-3-

resolution mentioned above remains in effect, there appears to be no possibility that this job can be given over to UNRRA. A further obstacle to assumption of complete responsibility by UNRRA is the opposition of certain of its member Governments to assisting persons who do not desire to return to their countries of origin. The Intergovernmental Committee on Refugees is subject to similar disabilities because of the opinions of some of its member Government.

In my own thinking, based upon discussions with the Chief of Staff and others within the War Department, I have been led to the tentative conclusions that an independent civilian agency should be established by the President to assume overall responsibility for persons in the United States Zone, Germany, entitled to treatment as United Nations displaced persons. This would be desirable in my opinion whether or not an asylum policy is approved, but particularly so if added responsibilities are created by approval of such a policy. I think that such an agency might be set up on the model of the War Refugee Board which performed so effectively during the war and which was dissolved last September. Such a civilian agency would be responsible for utilizing to the maximum available extent personnel and resources of UNRRA, Intergovernmental Committee on Refugees, voluntary agencies and the Army. In addition, it might serve as the agent of this Government for planning and arranging for resettlement of stateless and non-repatriable persons, if the Intergovernmental Committee will not function more promptly and effectively in these matters.

General Eisenhower and I are anxious to discuss all aspects of this subject with you and your staff as soon as possible, but I thought that it might prove useful to you to have some of your views preliminary to such a discussion. General McNarney has stressed the seriousness of the problem, and accordingly I believe it is important that he be informed of this Government's policy at the earliest possible moment.

Sincerely yours,

(Signed) ROBERT B. PATTERSON

Secretary of War.

rpp/mob

SECRET

091 Germany Zone

BWNBB

COL. McBARTHY
 BEMDR. RICHARDSON
 MR. R. E. BOB
 LT. COL. PENNYER
 LT. COL. NEILFUSS
 MR. H. W. MOSELEY
 MR. J. P. BARRINE
 LT. BEMDR. ROSEFELLER
 LT. COL. V. F. FIELD
 MAJOR W. E. GUNTER
 1ST LT. E. SPITTALL
 ENS. F. WHITESIDE
 FILE

SECRET

~~NOT USED~~

2 Approval
 3 Signature
 1 CONCURRENCE

WDSCA, Econ. & Supply

Capt. H.A. Fierst, 71268

Haven for Persecutees in United States Zone,

17 December 1945

SUMMARY

1. In GM-IR-4498, 16 December 1945, the Commanding General, United States Forces, European Theater, described the serious problem faced by Military Government in the United States Zone, Germany, with respect to giving haven to racial and religious persecutees, and requested the earliest possible policy decision on this matter. The reference cable summarized both the Theater's proposed plan for controlling the influx of such persecutees, and also the modifications thereto suggested by Judge Rifkind, Theater Commander's advisor on Jewish affairs. The Theater's plan contemplates admitting racial and religious persecutees, along with German expeles from other countries, until the population of the United States Zone reaches 16,500,000 at which point vigorous enforcement of the Border Control Law would be ordered. Under Judge Rifkind's proposal, this plan would be modified to provide for vigorous enforcement of the Border Control Law using only United States troops until a Zone population of 16,250,000 is reached and admitting thereafter all racial or religious persecutees for a period not to exceed 6 months, or until the Zone population reaches 16,500,000. At this point German police and frontier guards, in addition to United States troops, would be utilized for such enforcement.

2. In view of the fact that the problem presented by the Theater is a new one with respect to which no United States policy has been established, it is considered essential to obtain a firm policy decision from the Department of State. In describing the problem to the Department of State, it is believed to be unnecessary to discuss the alternative proposals contained in reference cable inasmuch as the choice of a suitable method of implementing United States policy is appropriately the responsibility of the Theater Commander.

3. The attached draft letter for signature of the Secretary of War describes the scope and urgency of the problem, requests a firm policy decision from the Department of State, and suggests the advisability, in the event that it is decided to accord haven to persecutees in the United States Zone, of handing over the responsibility at the earliest possible date to a civilian agency.

COORDINATION

4. None required.

*Approved by C/S, Dec. 18, 1945
 J. H. Hillering, Col. S.C. S.D.S.*

Incl
 Ltr for sig 3/4

J. H. HILLERING
 Major General
 Director, Civil Affairs Division

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Source

20

W.D.S.C.A. 091 Germany Zone (17 Dec 45)

1578

Moseley, Room 178

DEC 14 1945

In reply refer to
IR

Misc
Germany
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The Acting Secretary of State presents his compliments to the Honorable the Secretary of War and refers to the memorandum of November 12, 1945 from the Joint Chiefs of Staff requesting that the allocating authorities be instructed concerning the allocation of supplies for Germany and Austria. This request is being transmitted to the appropriate authorities.

IR:FALinville:vls 12-5-13-45 GA

[Handwritten initials and signatures]

Mr. Moseley,

Room 178

DEC 14 1945

In reply refer to
IR

The Acting Secretary of State presents his compliments to the Honorable the Secretary of the Navy and refers to the memorandum of November 12, 1945 from the Joint Chiefs of Staff requesting that the allocating authorities be instructed concerning the allocation of supplies for Germany and Austria. This request is being transmitted to the appropriate authorities.

IR:PALinville:vls 12-5-13-45

GA

091 *Germany*
misc

WDOPD/74675
Lt Col Barber/hbl

The Honorable

The Secretary of State

3 - NOV 1945

Dear Mr. Secretary:

I refer to your letter dated 19 October 1945, file SIC.

The installation of two transmitters in the American Occupation Zone in Germany is approved. General Eisenhower has been requested to arrange for shipment of the transmitters to Germany; to allocate two appropriate frequencies; and to give every possible assistance in requisitioning necessary buildings and the performance of construction work.

The Chief Signal Officer has been authorized to communicate directly with the appropriate agency of the State Department in order to expedite the operation of this new station.

General Eisenhower has been advised that War Department will be reimbursed for all costs in connection with this project.

Sincerely yours,

(Signed) ROBERT P. PATTERSON
Secretary of War

SWNCC	
COL. MCCARTHY
COMDR. RICHARDSON
MR. R. E. COX
LT. COL. PENNOYER
LT. COMDR. WEILFUSS
MR. H. W. MOSELEY
MR. J. P. GARDINER
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FILE

1293

COPY FOR S. W. N. C. C.

17

CONFIDENTIAL

091 + *Germany Red Cross*
1 August 1945

MEMORANDUM FOR THE SECRETARY OF STATE:

Subject: German Protest against Alleged
Attacks on Ships and Trains
Marked with the Red Cross.

The letter from the Secretary of State referred to in the attached memorandum from the Joint Chiefs of Staff was not received in the State-War-Navy Coordinating Committee. The necessary action to forward the Secretary of State's letter to the Joint Chiefs of Staff was taken by the Secretary of War.

In consideration of the above, and in the light of the recent unconditional surrender of Germany, no action is contemplated by the State-War-Navy Coordinating Committee and the attached papers are forwarded for information.

For the State-War-Navy Coordinating Committee:

JOHN D. HICKERSON
Acting Chairman

Encl.
Memo fr JCS to
SWNCC 26 Jul 45.

CONFIDENTIAL

SWNCC FILE

2141

CONFIDENTIAL**THE JOINT CHIEFS OF STAFF
Washington 25, D. C.**SM-2698
26 July 1945.**MEMORANDUM FOR THE STATE-WAR-NAVY COORDINATING COMMITTEE:****Subject: German protest against alleged
attacks on ships and trains
marked with the Red Cross.**

The Joint Chiefs of Staff request that the Secretary of State be informed as follows:

Reference is made to the Secretary of State's letter of 16 February 1945 to the Secretary of War and the Secretary of the Navy, transmitting a note verbale from the government of Germany, which, among other things, in part II in twelve numbered paragraphs, protested against alleged attacks by British or United States airplanes upon hospital or Red Cross ships or trains. The necessity of investigating each of the German accusations and of obtaining a report concerning it from the European or Mediterranean theaters has prevented an earlier answer to the Secretary of State's letter.

Investigation discloses that no planes of the United States Navy were concerned in the alleged attacks described in the German notes, but that planes of the United States Army Air Forces may have been present in some instances. The twelve paragraphs of the German complaint and the reports received from the Commanding Generals of the United States Forces, European Theater, and of the Mediterranean Allied Air Forces, concerning the allegations of each paragraph, are summarized in the enclosure. The reports from both theaters also state that all pilots of combat aircraft had been, prior to the dates of the alleged attacks, specifically and positively instructed not to attack transportation by land or sea bearing Red Cross markings.

For the Joint Chiefs of Staff:

/s/ F. R. Sweeney
F. R. SWEENEY,
Colonel, GSC,
Acting Secretary.

CONFIDENTIAL

Enclosure

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ENCLOSURE

C-O-P-Y

MEMORANDUM OF GERMAN COMPLAINTS OF ALLEGED ILLEGAL ATTACKS UPON HOSPITAL SHIPS AND TRAINS, AND RESULTS OF INVESTIGATION OF THEM

1. a. German allegations: 29 April 1944, 8:15 P.M., at St. Malo, France, the German hospital ship HUEXTER was attacked by a British airplane.

b. Report of investigation: No report concerning this matter is made since it is alleged in the German complaint that the airplane concerned was British.

2. a. German allegations: 10 June 1944, at Trieste, the German hospital ship INNSBRUCK anchored in the harbor was attacked and damaged during operations by British and North American aircraft.

b. Report of investigation: An attack was made by planes of the United States Army Air Forces on oil and port installations in the Trieste area on 10 June 1944. Photographs of the bombs striking disclose that the railroad yards were hit. One group scattered and three bombs struck not far from a hospital ship clearly marked and easily distinguishable. Later reconnaissance revealed no visible injury to the hospital ship.

3. a. German allegations: 15 June 1944, at 12:12 and again at 2:24 P.M., the German hospital ship ERLANGER, in the Gulf of Genoa, at 44° 04'N, 9° 40'E, was attacked by Spitfires.

b. Report of investigation: On the day mentioned Spitfires attacked a vessel of 7,000 or 8,000 tons en route from Genoa to Leghorn. No painting such as is required for hospital ships was reported as observed. The target was missed by 100 yards. Spitfires are British planes. United States Army personnel did not have or fly any Spitfires in the Mediterranean Theater at that time.

4. a. German allegations: 16 September 1944, at 8:05 A.M., at seven nautical miles south of Cape Promontore, the German hospital ship BONN was attacked by Beaufighters.

b. Report of investigation: Though Beaufighters are British planes, United States Army personnel at that time were manning 40 of them in the Mediterranean Theater, none of which were connected with this incident. The records of the Mediterranean Allied Air Forces do not show that any of their planes are concerned in this matter.

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5. a. German allegations: 13 September 1944, at 2:00 P.M., while en route from Terneuzen to Vlissingen (otherwise called Flushing, in the Netherlands), a lighter used in the transportation of wounded was attacked by four Anglo-Saxon fighter-bombers and sunk. Another boat (apparently in the same vicinity) used for the same purpose was attacked by four Anglo-Saxon bombers, which dropped about 20 bombs and machine-gunned it. The boat had to be beached, and the wounded discharged on the shore were attacked by two fighter-bombers. Both boats are alleged to have been duly marked.

b. Report of investigation: No United States fighter-bombers were operating in the area concerned on that day, and no reports of attacks on naval targets were recorded.

6. a. German allegations: 6 April 1944, in sight of Cette, on the south coast of France, the Swedish ship EMBLA, carrying food-stuffs of the German Red Cross for German prisoners of war in North Africa, and duly marked, was attacked by British fighter-bombers. She was towed to a harbor of refuge. On 19 April 1944, after emergency repairs had been made, while in sight of the south coast of France, the ship was again attacked by British or North American aircraft and sunk.

b. Report of investigation: No report concerning the alleged attack of 6 April has been received from the Commanding General, Mediterranean Allied Air Forces. His silence is attributed to the fact that the request for report came from the War Department of the United States and the German complaint alleges that the airplanes concerned were British. With respect to the attack alleged to have occurred 19 April, it is reported that on that day an attack was made on a motor vessel of 5,000 tons at 8°3'E; 43° 54'N, but that a near miss was reported and no hospital ship markings were observed. The records of the Navy Department show the EMBLA to be a vessel of 1,040 tons. The latitude and longitude given would place the vessel in the Gulf of Genoa close to the Italian (not the French) coast 250 miles east of Cette. Because of the discrepancies as to the tonnage of the vessel and the place of attack, it appears improbable that the report relates to the same incident as that with respect to which the German Government complains.

7. a. German allegations: 13 April 1944, at 11:00 A.M., while downstream from Buda-Pest (presumably in the river Danube), the German hospital ship SATURNUS was bombed by four North American aircraft flying low.

b. Report of investigation: No evidence is found of this alleged bombing.

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8. a. German allegations: 7 February 1944, at noon, at Chios, Greece, in the Aegean Sea, the Red Cross ship WIRIL was bombed.

b. Report of investigation: The alleged attack was not made by aircraft of the Mediterranean Allied Air Forces.

9. a. German allegations: Repeatedly, the last time on 24 March 1944, north of Ancona, while on trips between Venice, Trieste, and the Piraeus, the Swedish Red Cross ship HALAREN was bombed.

b. Report of investigation: The alleged attack on 24 March was not made by aircraft of the Mediterranean Allied Air Forces. No report is made as to other attacks, presumably because the indefinite nature of the allegations made investigation of them impossible.

10. a. German allegations: On 6 May 1944, at a place not stated, the Spanish ship CHRISTINA, operating on behalf of the International Red Cross, was attacked by British aircraft with bombs and machine guns.

b. Report of investigation: No aircraft of the Mediterranean Allied Air Forces were concerned in this attack.

11. a. German allegations: 10 April 1944, at 10:30 A.M., south of Terontola, in the neighborhood of Lake Trasimeno, a German hospital train, duly marked, was attacked by six escorted bombers.

b. Report of investigation: On the day mentioned, at "Cesina", six B-25's attempted to bomb a railroad bridge. The target was not struck, but bombs fell in the town. No strike on a train was reported. No town called Cesina has been found in Italy. Since Cesena is about 65 miles from Terontola and the other side of the Appenine Mountains, it appears highly improbable that the report relates to the same incident as that with respect to which the German government complains.

12. a. German allegations: On the afternoon of 18 April 1944 between Eaden and Leer, a German hospital train duly marked was tacked with machine guns from a height of 30 meters, and 13 cars were damaged.

b. Report of investigation: Eaden is a port in the northern corner of Germany, from which a railroad runs southeast to Leer, about 18 miles distant, and continues to Heppen, 35 miles farther south, and beyond. On the day mentioned one fighter group destroyed two locomotives 15 to 20 miles south of Leer, and another attacked trains near Heppen, a town 35 miles south of Leer, damaging two locomotives and several cars. No pilots reported Red Cross markings

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Besides the matter of Red Cross markings of the cars, there are two discrepancies between the German allegations and the first report above mentioned. In the first place, the allegation is that the attack took place between Raden and Leer, i.e., northwest of Leer, while the report is of an attack 15 or 20 miles south of Leer. In the second place, the allegation is that 13 cars were damaged, but the report is that two locomotives were destroyed.

There are similar discrepancies between the allegations and the second report above mentioned. It is charged that the attack took place northwest of Leer, whereas the report is of an attack at Neppen, 35 miles south of Leer. The allegation is that 13 cars were damaged, whereas the report is that two locomotives and several cars were damaged. If two locomotives were so badly damaged that their condition was visible from the air, it is reasonable to suppose that the German government would have mentioned them in describing the harm done by the alleged unlawful attack.

In view of the discrepancies both as to place and as to the damage done, it seems doubtful if either of the attacks reported is that of which the German Government complains.

CONFIDENTIAL

Cox

1 August 1945

SWNCC

Mr. Cox

EUR. Mr. ~~Hickerson~~

The attached JCS report on
a German Government protest against alleged
US & British attacks on German hospital ships
etc is now largely historical & for the record.

Please sign covering Transmission
memo to Sec State & return to me.

CONFIDENTIAL*Cox*

WDSCA/4361
DWH:ea

CAF

JCD

2 ✓/SW

1 Approval

1 D/CS

2 SIGNATURE

WDSCA

Capt Howard 4361

WDSCA 463.3
(4 Jul 45)

Reports of Coal Production in the Ruhr and Saar.

6 Jul 45

SUMMARY

1. Attached is a letter from Mr. Oscar Cox, FEA, requesting reports on coal production in the Ruhr and Saar and a draft reply thereto.

2. Although there are numerous reports which come in to the War Department relative to coal production in the Ruhr and Saar, we have long since discovered that the SHMP G-4 Solid Fuels Weekly Report is by far the most authentic and comprehensive. Mr. Cox is being informed that FEA already is on our distribution list for this SHMP report.

RECOMMENDATION:

3. It is recommended that the attached draft reply be signed and dispatched by the Assistant Secretary of War.

COORDINATION:

4. None

W. C. CHARLES
Colonel, GSC
Acting Director
Civil Affairs Division

2 Incls

- 1 - Ltr fm Mr. Oscar Cox
- 2 - Draft reply thereto

SWNGB	
COL. McCARTHY	.....
COMDR. RICHARDSON	.....
MR. R. E. COX	.....
LT. COL. PENNYER	.....
LT. COMDR. GEILFUSS	.....
MR. H. W. MOSELEY	.....
MR. J. P. BARDINER	.....
LT. COMDR. ROCKEFELLER	.....
LT. COL. V. F. FIELD	.....
MAJOR W. E. GUNTHER	.....
1ST LT. E. SPITTALL	.....
ENS. F. WHITESIDE	.....
FILE	.....

JUL 8 - 1945
NOTED-OFFICE CHIEF OF STAFF
WCH

563

Information Copy For
Secretariat, SWCC

13

USCA
WDOASW: DS/alc

9 July 1945

Mr. Oscar Cox
Deputy Administrator
Foreign Economic Administration
Washington 25, D. C.

Dear Oscar:

With regard to your letter of 3 July 1945, requesting reports of coal production in the Ruhr and Saar, I am advised that Mr. Paul White of your organization is on the distribution list for the SHAF Solid Fuels Weekly Report.

This report is the most timely and authoritative report which we receive from Europe at this time and contains coal data for all of Northwest Europe, including Germany. Pending completion of arrangements for turnover to other agencies, SHAF will continue publication of this report. When this report ceases to be issued, information which the War Department may receive on this subject from other sources will be brought to your attention.

Sincerely,

BTOWED

DAVIDSON SOMERS
Major, Air Corps
Assistant Executive

Mr. Oscar Cox
Deputy Administrator
Foreign Economic Administration
Washington 25, D. C.

Dear Oscar:

With regard to your letter of 3 July requesting reports of coal production in the Ruhr and Saar, I am advised that Mr. Paul White of your organization is on the distribution list for the SHAEF Solid Fuels Weekly Report.

This report is the most timely and authoritative report which we receive from Europe at this time and contains coal data for all of Northwest Europe, including Germany. Pending completion of arrangements for turnover to other agencies, SHAEF will continue publication of this report. When this report ceases to be issued, information which the War Department may receive on this subject from other sources will be brought to your attention.

Sincerely
Sincerely yours,

John J. McCloy
The Assistant Secretary of War

MEMO FOR RECORD: Above ltr is in reply to one received fm Mr. Cox asking for a periodic and timely report on production figures in Ruhr and Saar.

Not used

FOREIGN ECONOMIC ADMINISTRATION
Office of the Administrator
Washington, D. C.

July 3, 1945

Dear Jack:

As we discussed yesterday, it would be a great help to all of us who are working on this problem to have timely, up-to-date and periodic reports on the production of coal in the Ruhr and Saar. I would be most grateful if you would forward any information which has been made available to the War Department on this subject from overseas.

Sincerely yours,

/s/ Oscar Cox

Hon. John J. McCloy
Assistant Secretary of War
War Department
Washington 25, D. C.

ccw

091 /

TOP SECRET

16 May 1945

MEMORANDUM FOR THE SECRETARY, JOINT CHIEFS OF STAFF:

Subject: Directive to Commanding General, USAFETO regarding Synthetic Oil Production in Germany.

Reference: g. JCS 1067/9

The State Department, Treasury Department and Foreign Economic Administration concur in the proposed message to the Commanding General, U.S. Army Forces, European Theater of Operations contained in the enclosure to JCS 1067/9.

For the State-War-Navy Coordinating Committee:

CHARLES W. McCARTHY
Secretary

TOP SECRET

(12)

SECRET

5 May 1945

COPY NO. 40

STATE-WAR-NAVY COORDINATING COMMITTEE

MEMORANDUM FOR INFORMATION NO. 4

CONTROL OF GERMAN FOREIGN RELATIONS AND THE DISPOSITION OF
ENEMY DIPLOMATIC AND CONSULAR PROPERTY AND RECORDS

Note by the Secretaries

The enclosure, a Draft Directive presented by the U.S. Delegate, E.A.C., on "Control of German Foreign Relations and the Disposition of Enemy Diplomatic and Consular Property and Records", was circulated on 17 April 1945 to the European Advisory Commission as E.A.C.(45)40.

CHARLES W. McCARTHY

ALVIN F. RICHARDSON

RAYMOND E. COX

Secretariat

(11)

S E C R E T

E N C L O S U R E

DRAFT DIRECTIVE NO. 19

CONTROL OF GERMAN FOREIGN RELATIONS AND THE DISPOSITION
OF ENEMY DIPLOMATIC AND CONSULAR PROPERTY AND RECORDS

1. The term "German Foreign Office", as used in this directive, refers to the Auswärtiges Amt and all its branches. The terms "officials" and "official personnel" as used with reference to persons serving on missions abroad includes all diplomatic, consular, and other officials and all military, naval and air force personnel accredited to or serving on diplomatic or special missions, together with their staffs and members of their families.

2. The Control Council will establish and maintain control of the German Foreign Office and will determine and coordinate policies with respect to German foreign relations.

3. In furtherance of the policy of eliminating Naziism, the Foreign Organization (die Auslandsorganisation) in the German Foreign Office will be dissolved, and the activities of the Press, Information, Radio and Cultural Affairs Divisions of the German Foreign Office will be immediately suspended.

4. All records, archives, codes and ciphers of the German Foreign Office will be immediately seized wherever found, and secured. Access to all such secured matter will be permitted any representatives of the Occupying Powers accredited therefor by their respective Commanders-in-Chief, or any representatives of any other United Nation accredited therefor by the Control Council.

5. The Control Council will notify all states in which consulates or missions of Germany are located, and the powers protecting German consulates or missions that the Control Council

SECRET

assumes control over all German diplomatic and consular property and archives abroad. Access to such German diplomatic and consular premises will thereafter be procured for representatives of the Occupying Powers, and the return to Germany will be effected of all German diplomatic and consular records whose return may be desired by the Control Council.

6. An examination of German Foreign Office records and German diplomatic and consular records will be undertaken by the Control Council for the purpose, among others, of obtaining information regarding the war aims of Germany and associated governments, their methods of operation, and their responsibility for aggression, ruthlessness, war crimes and other violations of international law.

7. All German official personnel serving on missions abroad will be recalled. If their recall cannot be effected or if their recall is not practicable by reasons of nationality, their authority as agents for Germany will be terminated.

8. German diplomatic and consular relations with any country or puppet government which is or has been at war since 31 December 1937 with any of the United Nations will be broken off. The official personnel of such countries or governments in Germany will be taken into protective custody, wherever found, and held for further disposition. The diplomatic and consular property and records belonging to such countries or governments and to their official personnel will be seized and secured if not found in the custody of a protecting power.

9. You will report to the Control Council the location and general nature of all such enemy diplomatic and consular property and records seized in your zone. You will permit any representatives of each of the other Occupying Powers accredited therefor by their respective Commanders-in-Chief, or any representatives

SECRET

of any other United Nation accredited therefor by the Control Council, to have access to any such property and records.

10. In the event that any diplomatic and consular property and archives of enemy countries are found in the custody of a protecting power, you will respect that custody, pending further instructions. You are authorized, however, for security reasons to request the representative of the protecting power for permission to search the premises. If such permission is refused or unreasonably delayed, you are authorized to effect entry and search, if deemed urgently necessary for the security of your forces.

11. All communications between neutral officials in Germany and their governments, and between neutral officials and German personnel retained in the German Foreign Office will be under supervision of the Control Council. The withdrawal from Germany of official personnel of neutral countries may be effected, as may be deemed necessary by the Control Council for security or other reasons.

- - -

SECRET*Germany*

The Honorable

The Secretary of State

MAR 31 1945

Dear Mr. Secretary:

This is to acknowledge your letter of 21 March 1945, inclosing a copy of a note from the Minister of Switzerland, transmitting a statement by the German Government in which it is alleged that British and United States military authorities have turned over to the Belgian Government members of the German armed forces of Belgian nationality who had been taken as prisoners of war, and that the Belgian Government had tried and executed some of them. It is noted further that the German Government threatens reprisal action against members of the United States armed forces who possess another nationality if this procedure is not altered immediately.

Supreme Headquarters, Allied Expeditionary Forces has informed the War Department that no German prisoners of war of Belgian nationality have been turned over to the Belgian Government or sentenced or executed by them. Prisoners captured by Belgian forces are stated to be held in United States or British custody. It is further reported that, in November 1944, three German prisoners of war of Belgian nationality who had escaped from 21 Army Group custody were recaptured by the Belgian resistance forces. One of these prisoners was killed while attempting further escape, and the other two are presently in Belgian custody as a result of strong representations by the Belgians. However, they have not been tried.

The foregoing is for your information. It is recommended that, as regard the interests of the United States in this matter, the Swiss Minister be informed that we have definitely ascertained that United States military authorities have not transferred to the Belgian Government members of the German armed forces of Belgian nationality who have been taken prisoner by United States armed forces, and that this Government requests further particulars with respect to the allegations made by Germany.

Sincerely yours,

HENRY L. STIMSON

Secretary of War.

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INFORMATION COPY FOR SWNCC
SECRET

10

Mr. Murphy
Room 178

In reply refer to
SWP 740.00116/2-2945

March 21, 1945

My dear Mr. Secretary:

I refer to the War Department's letter of February 22, to this Department's letter of February 14, 1945 and to previous correspondence concerning the announced intention of the German Government to mark civilian hospitals with a red square on a white circle for protection against attacks by land or by air.

In this connection I am enclosing a copy, in translation, of a note dated February 20, 1945 which the Swiss Legation endeavored to deliver to the Department of State. This note was not accepted by the Department since the United States Government does not recognize any body describing itself as the "Government of Slovakia". This note concerns the marking with a distinguishing sign, a red square in a white circle, of civilian hospitals and sanitariums in "Slovakia" as well as the sanitary and technical personnel attached to them.

The Swiss Legation was informed that the United States Government informally took cognizance
of

The Honorable

Henry L. Stimson,

Secretary of War.

9

-2-

of the contents of this note and a copy of it is being transmitted to you for your information.

A letter in a similar sense is being sent to the Secretary of the Navy.

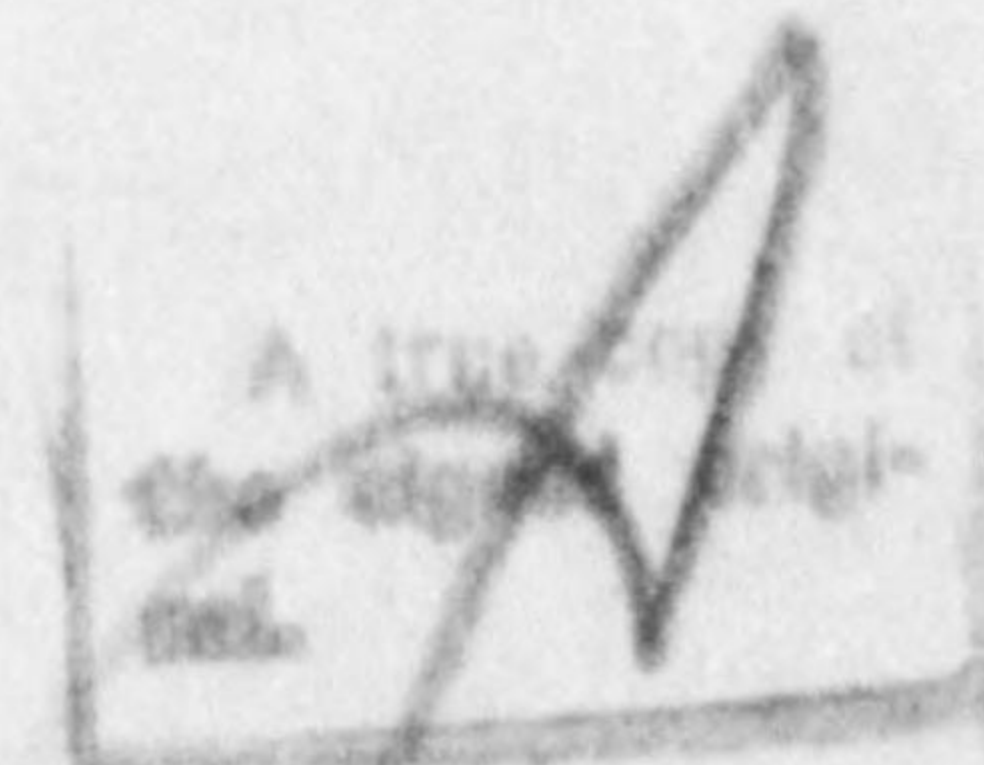
Sincerely yours,

For the Secretary of State

Enclosure:

Copy of note from
Swiss Legation, Febru-
ary 20, 1945, in
translation.

JAMES CLEMENT DUNK
Assistant Secretary



SWP:GTHawley:SL
3/14/45

WE

CE Le

Mr. Munsley
Room 1128

March 21, 1945

In reply refer to
SWP 740.00116 EW/2-2045

My dear Mr. Secretary:

I refer to this Department's letter of February 14, 1945 and to previous correspondence concerning the announced intention of the German Government to mark civilian hospitals with a red square on a white circle for protection against attacks by land or by air.

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of

The Honorable

James Forrestal,

Secretary of the Navy.

-2-

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Sincerely yours,

For the Secretary of State

Enclosure:

Copy of note from
Swiss Legation, Febru-
ary 20, 1945, in
translation.

JAMES CLEMENT DUNN

Assistant Secretary

A true copy of
the signed origi-
nal.

SWP:GTHawley:SL
3/14/45

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TOP SECRET

TOP

SECRET

13 March 1945

MEMORANDUM FOR THE SECRETARY, JOINT CHIEFS OF STAFF:

Subject: Sub-Division of Berlin Area

References: a. SWNCC 15/2/D
b. COMEA 189
c. SWNCC 15/3/D
d. SWNCC 14/D

1. The enclosed papers on the above subject have been referred to the State-War-Navy Coordinating Sub-Committee for Europe for preparation of a report. It is requested that an appropriate committee of the Joint Chiefs of Staff be directed to work in collaboration with the above-mentioned Sub-Committee in the preparation of the required report.

2. It is further requested that the State-War-Navy Coordinating Committee be advised of the committee of the Joint Chiefs of Staff to which the paper is assigned.

For the State-War-Navy Coordinating Committee:

CHARLES W. MCGARTHY
Secretary

Encls.

Copy No. 15 SWNCC 15/2/D
Copy No. 15 SWNCC 15/3/D

TOP SECRET

8

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13 March 1945

MEMORANDUM FOR THE SECRETARY, JOINT CHIEFS OF STAFF:

Subject: Sub-Division of Berlin Area

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2. It is further requested that the State-War-Navy Coordinating Committee be advised of the committee of the Joint Chiefs of Staff to which the paper is assigned.

For the State-War-Navy Coordinating Committee:

CHARLES W. McCARTHY
Secretary

Encls.

Copy No. 15 SWNCC 15/2/D
Copy No. 15 SWNCC 15/3/D

TOP SECRET

STATE-WAR-NAVY COORDINATING
COMMITTEESTATE

 Mr. Cox
 Mr. Moseley
 Mr. Gardiner

WAR

WAW Col. Whitson
 Col. McCarthy
 Major Field
 Lt. Massa

NAVY

 Comdr. Nutting
 Comdr. Richardson
 Lt. Comdr. Rockefeller
 Lt. Geilfuss
 Ens. _____

 Note
 Circulate
 ✓ File

REMARKS:

Have ordered the
JCS 1246
series on this
matter.

SECRET

27 February 1945

MEMORANDUM FOR COLONEL GERHARDT:

Subject: Arrangements for Allied Prisoners
of War in Germany.

1. This paper is forwarded to the War Department for action by Operations Division, WDGS. Initial action was taken without reference to SWNGC and therefore does not seem advisable for the Committee to come into the picture at this time.

2. However, the State Department has been advised informally (Mr. Guffler) of the British concurrence.

For the State-War-Navy Coordinating Committee:

WALLACE E. WHITSON
Secretary

Encl.
Memo 26 Feb 45
fr JCS w/Encl.

SECRET

7



THE JOINT CHIEFS OF STAFF
WASHINGTON 25, D. C.

Col. Whitson

**SECRET**

26 February 1945.

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

Subject: Arrangements for Allied
Prisoners of War in Germany.

Reference: Letter from Secretary of War and
Secretary of the Navy to Secretary
of State dated 21 February 1945.

Pursuant to the last paragraph of the reference, the Joint Chiefs of Staff recommend that the Secretary of War and the Secretary of the Navy forward the enclosed letter to the Secretary of State.

For the Joint Chiefs of Staff:

(SIGNED)

E. J. KING,
Fleet Admiral, U.S. Navy,
Commander in Chief, U.S. Fleet
and Chief of Naval Operations.

Enclosure.

SECRET

SECRET

ENCLOSUREDRAFTLETTER TO THE SECRETARY OF STATE
FROM THE SECRETARIES OF WAR AND THE NAVY

Reference is made to the letter from the Secretary of War and the Secretary of the Navy to the Secretary of State dated 21 February 1945, enclosing certain proposals which it was recommended that the United States Government should make to the German Government regarding the evacuation of American prisoners of war from camps in eastern Germany, and stating that the Secretary of State would be informed as to the concurrence or nonconcurrence of the Soviet and British authorities.

For your information, the British Chiefs of Staff have now informed the United States Chiefs of Staff that they agree to the proposals in Enclosure "B" of the above-mentioned letter and have dispatched to the Head of the British Military Mission in Moscow a message similar to that contained in Enclosure "D" of that letter.

SECRET

STATE-WAR-NAVY COORDINATING
COMMITTEE

STATE

hp
 _____ Mr. Cox
 _____ Mr. Moseley
 _____ Mr. Gardiner

WAR

W
W
 _____ Col. Whitson
 _____ Col. McCarthy
 _____ Major Field
 _____ Lt. Massa

NAVY

W
W
yes
 _____ Comdr. Nutting
 _____ Comdr. Richardson
 _____ Lt. Comdr. Rockefeller
 _____ Lt. Geilfuss
 _____ Ens. _____

_____ Note
 _____ Circulate
 _____ File

REMARKS:

DECLASSIFIED

FEB 22 1945

The Honorable

The Secretary of State

Dear Mr. Secretary:

I have your letter of 14 February 1945, advising that the matter of markings on German civilian hospitals has been coordinated with the British Government. You also inclose a copy of a note which is being transmitted to the Swiss Legation, stating that the United States Forces are being instructed to observe the markings set forth in its note of 30 December 1944.

The War Department is bringing this matter to the attention of the Theater Commanders concerned for appropriate action.

Sincerely yours,

(Sgd.) HENRY L. STIMSON

Secretary of War

Information Copy for the Secretariat, SWNCC

6

SPFDF-SUB-27 (Sec 2)

FEB 21 1945

The Honorable

The Secretary of State

Dear Mr. Secretary:

This is to acknowledge your letter of January 31, 1945, file reference SWP 711.62114A/1-1145, relative to the proposal of the German Government to return to control of the United States Government currency taken from Allied prisoners of war.

The War Department concurs in action taken by the State Department in accepting the proposal of the German Government.

With reference to the last paragraph of your letter, it will be appreciated if arrangements can be made by the State Department for the delivery of funds received from the German Government, to the Disbursing Officer, Office of Military Attache, Bern, Switzerland.

It will be appreciated if, at the time the currency is transferred, the State Department can obtain from the German Government a list of the names and serial numbers of the United States soldiers from whom such currency was taken, together with the amount and type of currency taken from each soldier. This information will be needed in connection with the return of such currency by the United States Government to the individual soldiers involved.

Sincerely yours,

(Sgd.) HENRY L. STIMSON

Secretary of War

Copy for SWNCC

5

STATE-WAR-NAVY COORDINATING
COMMITTEE

STATE

- Mr. Cox
- Mr. Moseley
- Mr. Gardiner

WAR

- Col. Whitson *WAW*
- Col. McCarthy
- Major Field
- Lt. Massa

NAVY

- Comdr. Nutting
- Comdr. Richardson
- Lt. Comdr. Rockefeller
- Lt. Geilfuss
- Ens. _____

- Note
- Circulate
- File

REMARKS:

25

Mr. Moseley
Room 178

February 14, 1945.

In reply refer to
SWP 740.00116 E.W./2-2745
740.00116 E.W./2-745

My dear Mr. Secretary:

I refer to your letter (Serial No. 42313 1 13 33) of January 27, 1945 in reply to this Department's letter of January 10, 1945 concerning the announced intention of the German Government to mark civilian hospitals with a red square on a white circle for protection against attacks by land and by air. It is noted that the Navy Department is of the opinion that the notification from the German Government should be acknowledged with a statement indicating that United States forces are being instructed to observe the designated marking.

Comments similar to those expressed in your letter under acknowledgment were transmitted to this Department by the War Department in a letter from the Secretary of War dated January 20, 1945. This Department concurs with the views of the War Department and the Navy Department as set forth in the letters under reference.

In this connection you will recall that, because of the statement contained in the note from the Swiss Legation regarding this matter that a similar notification was being addressed to the British Government, the American Embassy at London was instructed to ascertain the views of the British Government in order that the response of the two Governments to the notification might be correlated. Upon receipt of Mr. Stinson's letter this Department, indicating its concurrence with the views of the War Department, requested the American Embassy at London

to inform

The Honorable

James Forrestal,

Secretary of the Navy.

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-2-

to inform the British Government accordingly in order that a prompt decision might be reached.

I am now informed that the British Foreign Office proposes merely to acknowledge the receipt of the notification from the German Government but will transmit no acknowledgment to the German Government until the Foreign Office has been informed that the United States Government has no comment to make on the proposed line of British action. The Foreign Office indicated, however, that orders were going out to the British military authorities that the markings notified should be accorded the same respect as that given to the Red Cross insignia. The British Government, however, will not give formal recognition to the markings.

The Embassy at London is being instructed to inform the Foreign Office that the attitude of the British Government in this matter appears to be essentially in agreement with the views of the United States Government. The Foreign Office is being informed, however, that the United States Government is stating to the Swiss Legation at Washington for transmission to the German Government that the United States military forces are being instructed to observe the indicated markings.

I enclose for your information a copy of a note which is being addressed to the Legation of Switzerland in charge of German interests in the United States in regard to this matter.

A similar communication is being addressed to the Secretary of War.

Sincerely yours,

Joseph C. Grew

Acting Secretary.

Enclosure:

To the Swiss Legation.

A true copy of
the signed original

SWP:REHibbard:MA 2-9-45 CE BC Le

The Secretary of State presents his compliments to the Honorable the Minister of Switzerland in charge of German interests in the United States and has the honor to refer to the Legation's note no. VIII-E-7 of December 30, 1944 transmitting the text, in translation, of a communication dated December 28, 1944 from the German Legation at Bern stating that civilian hospitals will be marked with a red square on a white circle for protection against attacks by land and by air. Reference is also made to the Department's interim acknowledgment of January 10, 1945 regarding this matter.

The Legation is informed that the United States forces are being instructed to observe the markings notified in the Legation's communication under reference.

Department of State,

Washington, February 14, 1945

740.00116 E.W./2-745

SWP:REH:MA 2-9-45 CE BC Le

25

*Mr. Stinson
Room 178*

February 14, 1945

In reply refer to
SWP 740.00116 E.W./2-2045
740.00116 E.W./2-745

My dear Mr. Secretary:

I refer to my letter of January 27, 1945 and to other correspondence concerning the intention of the German Government to mark civilian hospitals in a designated manner for protection against attacks by land and by air.

I have been informed by the Secretary of the Navy in a letter dated January 27, 1945 that in the opinion of the Navy Department the German Government's notification is in accord with Article 27 of the Regulations annexed to the IV Hague Convention of 1907 and that the notification should be acknowledged with a statement to the effect that United States forces are being instructed to observe such markings.

As stated in my letter of January 27, the American Embassy at London was informed of the War Department's views in this matter. In this connection I am now informed that the British Foreign Office proposes merely to acknowledge the receipt of the notification from the German Government but will transmit no acknowledgment to the German Government until the Foreign Office has been informed that the United States Government has no comment to make on the proposed line of British action. The Foreign Office indicated, however, that orders were going out to the British military authorities that the markings notified should be accorded the same respect as that given to the Red Cross insignia. The British Government,

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The Honorable

Henry L. Stinson,

Secretary of War.

-2-

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Joseph C. Grew
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The Legation is informed that the United States forces are being instructed to observe the markings notified in the Legation's communication under reference.

Department of State,

Washington, February 14, 1945

740.00116 E.W./2-745

SWP:REH:MA 2-9-45 CE BC Le

STATE-WAR-NAVY COORDINATING
COMMITTEE

STATE

- Mr. Cox
- Mr. Moseley
- Mr. Gardiner

WAR

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NAVY

- Comdr. Nutting
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- Lt. Geilfuss
- Ens. _____

- Note
- Circulate
- File

REMARKS:

TOP SECRETSTATE-WAR-NAVY COORDINATING COMMITTEE
STATE DEPARTMENT
Washington 25, D. C.

15 January 1945

MEMORANDUM FOR MR. McCLOY:

The enclosure, a paper prepared by the War Cabinet Office, has been introduced by Mr. Gates for consideration at the next meeting of the State-War-Navy Coordinating Committee.

This paper is now being studied by the Joint Chiefs of Staff. I have been unable to find out why Mr. Gates wishes to bring this matter before the SWNCC, but it appears to Colonel McCarthy and me that there is no immediate necessity for any action beyond noting the paper.

W E W
WALLACE E. WHITSON
Secretary

Enc.

*Nothing has been done about
this matter by the committee.
File for future reference.
W E W*

TOP SECRET

TOP SECRETTOP SECRET

5 January 1945

J.C.S. 1218BREAKING THE GERMAN WILL TO RESIST

(Prepared by War Cabinet Office)

1. In SCAF 134, SCAEF expressed the opinion that we should redouble our efforts to find a solution to reducing German will to resist and then use every appropriate weapon to achieve this end. The British Chiefs, with concurrence of U.S. Chiefs, arranged for an examination of the problem. The attached report by the War Cabinet Office is the result of this examination.

2. The report states that much is already being done in the direction desired by General Eisenhower and that some of the proposals made are no more than elaborations of existing policy, which appears to be correct. The War Cabinet Office, while recognizing that its proposals are no substitute for military victory, feel they should make victory easier to achieve.

3. The War Cabinet Office states that in view of various reasons causing Germans to continue resistance, notwithstanding the fact that few responsible Germans believe that they can win the war, the object of the program must be:

(a) To destroy the unity of purpose of Nazi leaders and consequently the effectiveness of their control over fighting men and people at home.

(b) To show German leaders and people that unconditional surrender is not a synonym for extermination.

4. NAZI LEADERS:- The British point out the advantages of a serious rift among Nazi leaders, particularly persuading others that Himmler intends to destroy them, and make the following proposals:

(a) Every effort be made to find out whether Nazi leaders have been or are depositing funds in neutral countries. If so, such should be exploited. U.K. and U.S. Governments might represent to neutrals that they have information to the foregoing effect, and invite them to make investigations. Such might result in discrediting the leaders in question and leave doubt and dissension in higher Nazi ranks.

(b) Suggest by broadcast, leaflet and rumor that Hitler is no longer a free agent and that Himmler and Goebbels are in control; that they personify the Nazi type that the Allies are determined to destroy and that other Nazi leaders and high Armed Force commanders are in danger.

5. FUTURE OF GERMAN PEOPLE:- War Cabinet Office agrees with the high level decision that any public utterances by leaders of the 3 Powers on Germany's future after her unconditional surrender would be unwise. Nevertheless, they believe it quite unnecessary that Nazi leaders should be allowed to describe post-defeat horrors while we deny ourselves the opportunity of pointing out to German people that the picture may be false. They propose that:

(a) Representatives of U.S. and U.K. in conversations with neutrals concerning economic negotiations should unofficially leave the impression that our plans contemplate use of German productive capacity for rehabilitation in Europe. This word would reach German industrialists. British say full use of this theme should also be made in propaganda.

(b) As much selective information as possible should be published by broadcast to Germany and by articles in Allied and neutral press on the facts of Allied military occupation. Factual evidence of proper administration of German territory occupied by SCAEF's forces would be of most value.

(c) 3 Powers should adopt a policy of discouraging public statements by prominent persons suggesting a harsh peace. (The British suggest this point be considered at next meeting of the heads of Governments).

(d) Future policy as to Austria should be settled by European Advisory Commission as soon as possible and broad lines of Allied intentions published. (Austria is considered most vulnerable part of Reich to moral attack; there has been no published statement since Moscow Declaration laid down the principle that there should be a free Austria. Terms of any joint declaration should also be settled at next meeting).

(e) A confidential and unofficial approach should be made to Vatican indicating that organized religion would have a large part to play in saving Germany from chaos and in educating its youth.

(f) Selected prisoners of war of all ranks should be given the impression that we need their services during the period of Allied occupation. This impression would spread to Germany.

TOP SECRET

TOP SECRET

5 January 1945

J.C.S. 12186. GENERAL MEASURES:-

(a) A clandestine suggestion has been made that those who commit atrocities on families of German soldiers at the front or in captivity should be classified as war criminals. This should aid in obtaining help of German generals now in our hands.

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(c) By infiltration of forged documents, etc., attempt to persuade Himmler and his organization that, for example, von Rundstedt and other high commanders are engaged in a conspiracy such as the recent attempt on Hitler's life. British are considering combining this scheme with arrangements for assassination or kidnapping of German field commanders on the Western Front and in Norway.

(d) In view of the effect of the Seydlitz movement fostered by Russians, a new effort should be made at a high level to persuade captured German generals to help by broadcasting or by working in the fighting lines.

7. The above has been referred to Joint Staff Planners for comment and recommendation.

TOP SECRET**STATE-WAR-NAVY COORDINATING COMMITTEE
STATE DEPARTMENT
Washington 25, D. C.**

15 January 1945

MEMORANDUM FOR MR. McCLOY:

The enclosure, a paper prepared by the War Cabinet Office, has been introduced by Mr. Gates for consideration at the next meeting of the State-War-Navy Coordinating Committee.

This paper is now being studied by the Joint Chiefs of Staff. I have been unable to find out why Mr. Gates wishes to bring this matter before the SWNCC, but it appears to Colonel McCarthy and me that there is no immediate necessity for any action beyond noting the paper.

SIGNED**WALLACE E. WHITSON
Secretary**

Enc.

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SW. :WVW:RBO

091-Germany

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12 January 1945.

STATE - WAR - NAVY - COORDINATING COMMITTEE SECRETARIAT

MEMORANDUM FOR COLONEL WHITSON
MR. MOSELEY

1. Attached are two (2) copies of JCS 1218, "BREAKING THE GERMAN WILL TO RESIST."
2. Mr. Gates requested that this subject be placed on the agenda for the SWNCC meeting Friday, 19 January 1945.

Respectfully,

K. L. Nutting
K. L. NUTTING, Comdr. USN
Senior Navy Member

Acas' file

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5 January 1945

J.C.S. 1218BREAKING THE GERMAN WILL TO RESIST

(Prepared by War Cabinet Office)

1. In SCAF 134, SCAEF expressed the opinion that we should redouble our efforts to find a solution to reducing German will to resist and then use every appropriate weapon to achieve this end. The British Chiefs, with concurrence of U.S. Chiefs, arranged for an examination of the problem. The attached report by the War Cabinet Office is the result of this examination.

2. The report states that much is already being done in the direction desired by General Eisenhower and that some of the proposals made are no more than elaborations of existing policy, which appears to be correct. The War Cabinet Office, while recognizing that its proposals are no substitute for military victory, feel they should make victory easier to achieve.

3. The War Cabinet Office states that in view of various reasons causing Germans to continue resistance, notwithstanding the fact that few responsible Germans believe that they can win the war, the object of the program must be:

(a) To destroy the unity of purpose of Nazi leaders and consequently the effectiveness of their control over fighting men and people at home.

(b) To show German leaders and people that unconditional surrender is not a synonym for extermination.

4. NAZI LEADERS:- The British point out the advantages of a serious rift among Nazi leaders, particularly persuading others that Himmler intends to destroy them, and make the following proposals:

(a) Every effort be made to find out whether Nazi leaders have been or are depositing funds in neutral countries. If so, such should be exploited. U.K. and U.S. Governments might represent to neutrals that they have information to the foregoing effect, and invite them to make investigations. Such might result in discrediting the leaders in question and leave doubt and dissension in higher Nazi ranks.

(b) Suggest by broadcast, leaflet and rumor that Hitler is no longer a free agent and that Himmler and Goebbels are in control; that they personify the Nazi type that the Allies are determined to destroy and that other Nazi leaders and high Armed Force commanders are in danger.

5. FUTURE OF GERMAN PEOPLE:- War Cabinet Office agrees with the high level decision that any public utterances by leaders of the 3 Powers on Germany's future after her unconditional surrender would be unwise. Nevertheless, they believe it quite unnecessary that Nazi leaders should be allowed to describe post-defeat horrors while we deny ourselves the opportunity of pointing out to German people that the picture may be false. They propose that:

(a) Representatives of U.S. and U.K. in conversations with neutrals concerning economic negotiations should unofficially leave the impression that our plans contemplate use of German productive capacity for rehabilitation in Europe. This word would reach German industrialists. British say full use of this theme should also be made in propaganda.

(b) As much selective information as possible should be published by broadcast to Germany and by articles in Allied and neutral press on the facts of Allied military occupation. Factual evidence of proper administration of German territory occupied by SCAEF's forces would be of most value.

(c) 3 Powers should adopt a policy of discouraging public statements by prominent persons suggesting a harsh peace. (The British suggest this point be considered at next meeting of the heads of Governments).

(d) Future policy as to Austria should be settled by European Advisory Commission as soon as possible and broad lines of Allied intentions published. (Austria is considered most vulnerable part of Reich to moral attack; there has been no published statement since Moscow Declaration laid down the principle that there should be a free Austria. Terms of any joint declaration should also be settled at next meeting).

(e) A confidential and unofficial approach should be made to Vatican indicating that organized religion would have a large part to play in saving Germany from chaos and in educating its youth.

(f) Selected prisoners of war of all ranks should be given the impression that we need their services during the period of Allied occupation. This impression would spread to Germany.

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5 January 1945

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WAR DEPARTMENT
WAR DEPARTMENT GENERAL STAFF
SUPPLY DIVISION G-4
WASHINGTON, D. C.

13 January 1945.

WDGDS 7349

MEMORANDUM FOR COLONEL CHARLES W. MCCARTHY
SECRETARY, STATE-WAR-NAVY COORDINATING COMMITTEE:

SUBJECT: Utilization of German Resources in the War Effort.

1. Attached herewith is a special report submitted by the Army Industrial College, subject: "Cartels, with Particular Regard to the United States Policies Concerning Domestic German Cartels and International Cartels."
2. This report is forwarded to your committee for information.

R. L. Maxwell
R. L. MAXWELL
Major General
Assistant Chief of Staff, G-4.

1 Incl:
Memo fm AIC to G-4
dtd 8 Jan 45, w/incl.



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(2)

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13 January 1945.

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Major General
Assistant Chief of Staff, G-4.

1 Incl:
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dtd 8 Jan 45, w/incl.

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THE ARMY INDUSTRIAL COLLEGE
OFFICE OF THE COMMANDANT
WASHINGTON, D. C.

In reply refer to:
WDOIC 352.11

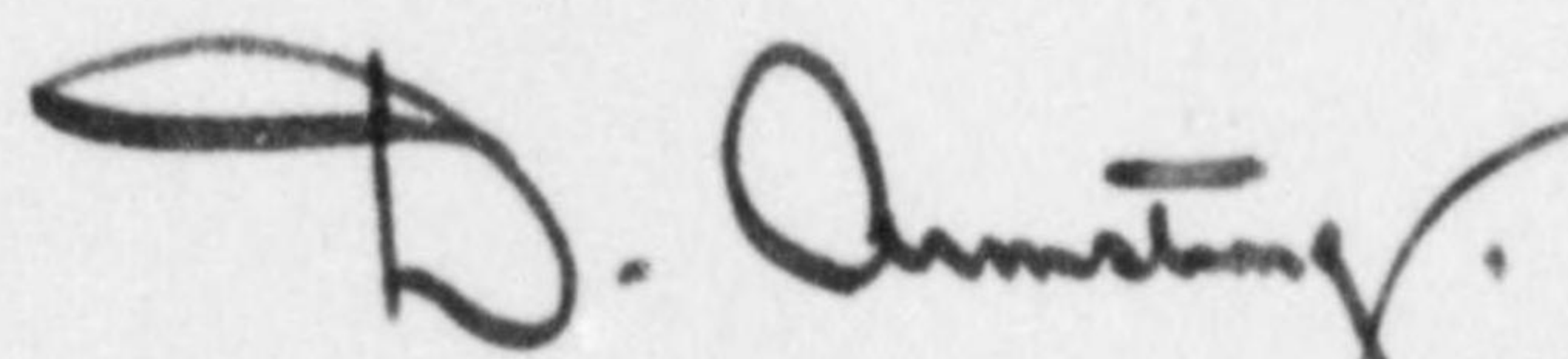
8 January 1945

MEMORANDUM FOR THE ASSISTANT CHIEF OF STAFF, G-4.
(Attention: Colonel Clabaugh)

Subject: Utilization of German Resources in the War
Effort. Supplementary Report A-7.

1. Pursuant to basic directive of 5 May 1944 (WDGDS 13364) to the Commandant, Army Industrial College, subject: Utilization of German Resources in the War Effort, there are submitted herewith four sections of a supplementary report (A-7) on Cartels.

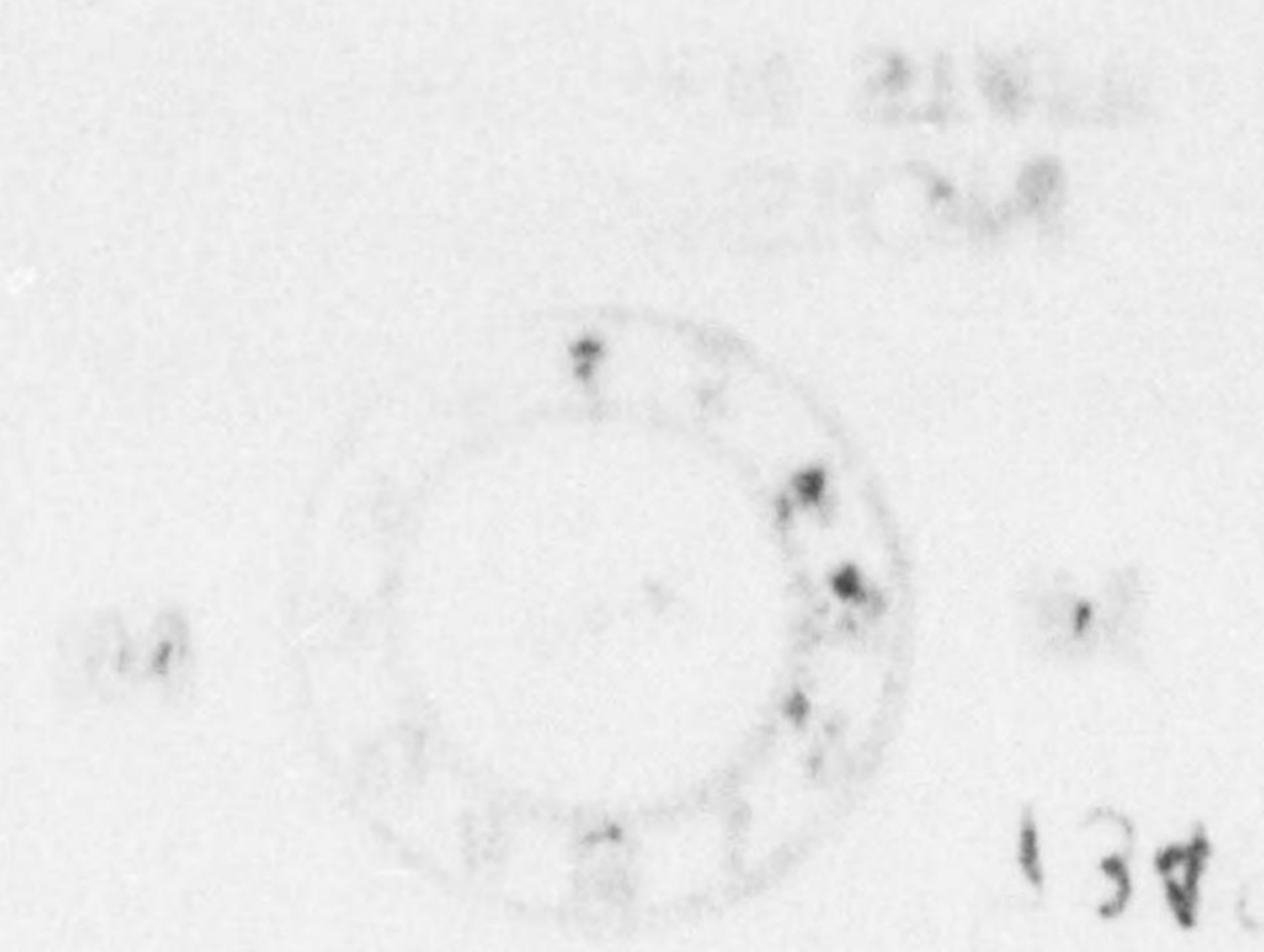
2. Three additional sections of this report will be submitted shortly; further reports on other phases of the general subject of the directive will follow.



D. ARMSTRONG,
Brig. General, U. S. Army,
Commandant.

1 Incl.
Report A-7 on
Cartels.

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In reply refer to:
WDOIC 352.11

8 January 1945

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1 Incl.
Report A-7 on
Cartels.

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WASHINGTON, D. C.

**CARTELS, WITH PARTICULAR REGARD TO THE UNITED STATES POLICIES
CONCERNING DOMESTIC GERMAN CARTELS AND INTERNATIONAL CARTELS****SECTION I****I. INTRODUCTION.**

1. Utilization of German resources will, to a large extent, depend on the organizational conditions which will be found prevailing in the occupied territories.

2. Very frequently German industries were organized in cartels before the Nazis took over. They found a strict organization of industries extremely useful for the preparation of war. Therefore, for quite a while the Nazis favored cartels and enforced them where they were about to break up or where outsiders proved a nuisance. Let us note that cartels appeared as an instrument for government purposes; they no longer appeared only as an instrument for private industrial interests.

3. The requirements of defense during the war and the rise of an economy of scarcity in 1942 made cartelization superfluous or inappropriate; hence, from 1943 on, the Nazi policy was revised and most cartels (90 per cent) abolished. Their functions were either fulfilled by the government (or government-controlled self-administrative) agencies or they were relinquished.

4. The Kilgore Committee Report has not been aware of the change in the situation. It therefore recommended that "immediately after military victory, an international authority should take over the economic controls formerly held by Nazi cartelists. Such authority should destroy the cartel system in Germany and make it possible for private enterprise to function in a free and competitive manner." ^{1/} This program is unrealistic, at least with regard to the 90 per cent of cartels which were destroyed by the Nazis. The following question seems more important: Should the cartels be illegalized by the occupying authorities in case German industries spontaneously desire to rebuild their organizations? It may turn out that cartels facilitate the tasks of the army and the administration in the zones of occupation just because "organizations"

^{1/} 78th Congress, 2d Session, Senate Subcommittee Report No. 4, Cartels And National Security, Part I, Findings and Recommendations, 13 November 1944, p. 8.

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were, for decades, the form of cooperation among German industrialists. It is not the problem of this report to decide what should be done, but to state the situation as it is. Since German industry has been a partner in many international cartels, our analysis of German domestic cartels has been extended to the international field.

5. Concern has been expressed that, with the end of hostilities, international cartel relations may be resumed as they were right after the First World War. Closely related interests between leading firms, particularly in the fields of chemistry and engineering, will invite cartel cooperation for the postwar period. International agreements among private firms and corporations again may prove fraught with dangers from the viewpoint of national defense and security.

6. The problem of international cartels and their significance for the defense and security of the United States has been brought to the attention of the Government and the people of this country since 1939. The Antitrust Division of the Department of Justice discovered that a number of American firms were tied to foreign firms by control agreements in a way which was assumed to be detrimental to the interests of the United States. Between 1939 and 1944 the Department of Justice opened proceedings against thirty-seven American firms connected with international cartels and operated in fields most important for defense and the war effort. The following are some examples: The petroleum industry, chemistry, including such vital materials as synthetic rubber, dyestuffs, nitrates, explosives, plastics and pharmaceuticals, engineering and electrical industries, including bulbs, magnesium, molybdenum, tungsten carbide, aircraft accessories, optical instruments, etc. According to a tentative list of the Department of Justice, there was in 1939 a total of one hundred and nine American firms connected with international cartels. Most of them operated in the fields of manufactured and semimanufactured commodities, while thirty-two were concerned with mineral products. Senate hearings, under the chairmanship of Senator Bone, proceeded through several months in 1942. They investigated, in particular, the tie-up of Standard Oil, Carboloy, Sterling Corporation, etc. with German firms. For quite a while this country became nervously cartel conscious.

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SECTION II

POLICIES AND TECHNIQUES OF CARTELIZATION

Cartels are contractual agreements entered into by firms engaged in the same branch of industry or trade for the purpose of securing and enhancing profits by means of controlling prices, output and sales conditions, frequently establishing identical cost calculations in the respective industries.

A. Some Historical Remarks

1. Cartels made their appearance in the eighties of the last century in Germany. The early cartels were mostly of the type of price-fixing agreements. They came and went with the flow and ebb of business. Cartelization got a strong impetus from the customs policy as enacted in 1879. In 1893 the powerful Rhenish-Westphalian coal syndicate was formed; it exercised strict control over prices, backed by regulation of output, standardized the quality of its products, and established a central sales agency. Therewith, the efficient type of cartel was developed and the pattern was established for many other cartels. In 1907, the Rhenish-Westphalian steel syndicate cartelized crude steel and some semiprocessed steel products (so-called "A" products). Special cartels came into being for a number of semiprocessed and processed steel products. The price policy of these powerful cartels forced enterprises in the processing industry to take similar steps; hence, the development of cartels received a tremendous impetus after coal, iron and steel were effectively cartelized. By the end of 1913, about fifteen hundred cartels were in operation, covering a great number of German industries.

2. During the nineteenth century England was hardly aware of this phenomenon, the reason being that England then was a free-trade country. It is an old experience that, without protective tariffs, domestic cartels have almost no basis for existence. After the First World War, England's interest in cartels increased. The government and public opinion even encouraged them in the British mining industry. The British government was not averse to encouraging cooperation of British firms with foreign cartels.

3. The United States, being a country with relatively high customs tariffs, offered excellent opportunities for monopolies and cartels; its early start, however, was interrupted by the Sherman Act of 1890.

4. Belgium, France and Switzerland proved more cartel-minded than England and offered a better field for cartelization because of their tariff policy and the absence of restrictive legislation. However, the classical land of cartels was, and continued to be, Germany.

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CONFIDENTIAL**B. Policies and Techniques of Cartels in General**

1. Cartels are, first of all, instruments for the control and regulation of domestic markets, provided these markets are protected from foreign competition by sufficiently high customs tariffs. As a matter of fact, many cartels came into being just for the purpose of reaping to the full the benefits of high tariffs. They could do so only by what they called regulation of the markets--meaning the elimination of price-depressing domestic competition. Cartel profits, however, were bound to stimulate increased investments in the sheltered industries, with the result of increased pressure on the domestic market. Hence, the capture of foreign markets frequently became an urgent supplementary function of cartels.

2. With regard to foreign markets, cartels pursued the following policy:

a. When domestic business became slack, production capacity was available for export. Exports frequently had to be sold at reduced prices. For this very purpose, it would seem appropriate to differentiate between prices which a cartel might achieve without difficulty. Domestic prices could thus be supported in spite of production over the capacity of the home market; exports were then made at less than total cost. The domestic market could thus be controlled and, at the same time, overhead costs per unit could be held down. The burden of over-capacity was shifted to the world market or, more precisely, to producing firms outside of one's own country, while foreign processing industries and consumers profited greatly.

b. The cartel can also be used to prevent the establishment of particular industries in foreign countries; to curb industrial development in particular industries abroad; or to increase the financial risk involved in investments in foreign countries. This frequently has been done by cutting export prices below the level of production cost in foreign countries; by buying out potential competitors; or, if politically weak countries are concerned, recourse may be had to political pressure and bribery. The development of the iron and steel industry in Italy and in certain South American countries has been temporarily prevented or decelerated by such measures.

c. Finally, cartels can be used as instruments for the capture of foreign markets. Price differentiation permits underselling in foreign markets while, at the same time, the domestic price remains high and unaffected by the market situation abroad, provided that the tariff is sufficiently high. The domestic consumer and processor bear the burden of this policy, although they may, in the long run, profit from the capture of foreign markets. Only those domestic processors suffer definitely who encounter foreign competitors; the latter are benefited by the low cartel prices of exported raw materials and semifinished products.

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However, a bonus is often given to exporting firms to offset the increased cost of their export products caused by domestic cartel prices. Cartels, thus, can be used as the instrumentalities of certain national industries in effectuating a policy of conquering and securing foreign markets.

C. Policies and Methods of International Cartels

1. Particular policies and methods have been developed by international cartels. International cartels may be classified as follows:

a. One type is the result of a restrictive agreement among firms of various countries. Such agreements may be simple contracts intended to fix prices or to allocate sales; or, an international trade association may be created which maintains an incorporated joint sales agency for all its members. There are numerous gradations between the simple contract and the institutionalized joint sales agency.

b. Another type is exemplified by the international agreement concerning patents, processes and licenses. Thereunder, two or more firms allocate national markets and control the terms of sales therein by means of a series of contracts governing the assignment and the licenses of patent rights which these enterprises have obtained under various national patent laws. One authority states: "The principal smoke screens under which domestic and international cartels have cleared their activities are patent laws--which, like lost sheep, have gone astray. A simple example is the patent pool."

2. It has been suggested that interlocking ownership in various forms should be included among cartels. It is, however, hardly probable that such ownership controls will meet the definition of a cartel which presupposes independent individual business organizations entering into contractual agreements intended to secure and enhance profits by market control of one kind or another.

3. As the Sherman Act makes price fixing illegal, the international cartels in which American firms participate have, as a rule, endeavored to "operate under the cloak of the patent laws in the hope that their actions thus would become legal." Of late, the Department of Justice has taken action in such cases.

4. Policies of international cartels are open to severe criticism:

a. Patent and license agreements, and market allocations may interfere with the free flow of national and international trade. They may have the effect of establishing artificial trade barriers, the further effect of circumventing national customs provisions, and they may frustrate special national trade policies.

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b. International cartels, including patent and license agreements, may imply specific dangers in so far as they exclude or inhibit certain production processes to the advantage of foreign competitors. This procedure may be highly objectionable in light of the requirements of national defense and security. Production processes vital to national defense and to the war effort may be under the control of an international cartel in which companies of potential enemy character may have a dominant interest.

c. International cartels (including patent and license agreements), organized by national and foreign firms, may pursue a political course within the United States or within other countries not in keeping with, and even diametrically opposed to our established policy. American members of such a cartel may thus become, with or without knowledge thereof, accessories to the fact.

5. All international cartels originally resulted from agreements between private business organizations and they pursued private interests. More recent developments demonstrate that governments have sponsored cartels and have even become participants therein. The international tin and the international rubber cartels were directly negotiated by certain foreign governments; frequently, government-owned or semipublic enterprises joined such cartels. (Basically speaking, the international agreements concerning wheat, sugar, coffee, etc. are very much in the nature of government-engineered cartels established for purposes of market control.) The trend obviously goes in the direction of greater government participation in cartels, largely because governments, for the purpose of protecting broad group interests, e.g., farmers or mass industries, decide to intervene in price fixing and market regulation. International market control today actually is partly private control, partly semipolitical and political control.

6. Such a development is bound to arouse concern in a country which traditionally is not cartel-minded and is averse to all sorts of national and international market regulation. This is particularly true of the United States.

7. Another circumstance, however, added to the former renders international cartels even more suspect than ever. This circumstance is the development of cartels under the Nazi regime in Germany. The Nazi government, although apparently cool towards cartels (see Section III), soon realized the potentialities which international cartels possess if closely controlled and directed by the government. The shadow of the cartel, as a weapon in the hands of hostile governments, rose on the horizon. The Bone Committee hearings of the United States Senate bear witness to this fact. The fear that international cartels might be used for trade penetration, for political propaganda, for information and industrial spying, for efforts to suppress the development of strategic industries in this country, and for slowing up defense and mobilization of resources appears to be warranted by the facts that have come to light in

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these hearings. Although during this war most of the German cartels were dissolved, the close relationship between Standard Oil and the German dyestuffs trust, Krupp and Carboloy, and between Sterling Corporation and German Dyestuffs received front-page publicity. These developments will be analyzed in Section IV.

8. Fears regarding international cartels may not have been entirely justified, but the mere possibility that a potentially hostile government, wielding power over mighty industrial enterprises joined in an international cartel, may have a hand in these affairs is sufficient to arouse the keenest concern about international cartels and their repercussions on industry and trade in this country.

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SECTION III

DOMESTIC CARTELS IN NAZI GERMANY

1. 1933-34: The cartels exploiting the recovery of price increases.

When Germany emerged from the great depression of the early thirties, the cartels were quick to raise their prices, or at least to make their list price effective which is tantamount to a price increase. The Nazi government, however, did not relish the manner in which cartels, far ahead of nonorganized business, exploited the recovery. The new regime overcame the depression by deficit financing and was anxious to prevent an inflation. The cartels threatened to upset its price policy. For approximately a year the government put up with rising cartel prices. Then it took action. The period of leniency was over; a period of comprehensive price control began.

2. 1934-38: Strict price control depriving the cartels of their main function.

Starting with a decree of 16 May 1934, a series of regulations were issued prohibiting cartels from increasing prices without official consent. A number of cartels were even compelled to lower their prices, for instance, the cement cartels.

The widespread belief that the Nazi government encouraged cartelization needs some qualification. When the Nazis organized the whole economy on a compulsory basis, they tried to differentiate sharply between these semipublic "Groups" and private cartels; participation in cartels remained voluntary. It is true that cartels and "Groups" were frequently managed by the same people who saw to it that every organization joined the cartel. To that extent the organization of the "Industrial Estate" advanced cartelization against the intentions of the government. Soon, however, all prices, cartelized or not, were subjected to a comprehensive control by a price administrator. From then on the cartels had lost their essential function.

3. 1939-41: The cartels as semipublic instruments of war economic control.

As the war approached, the government assigned other functions to the cartels. Control of industry changed from regulation to the administration of individual firms. In a large number of cases, industrial associations and cartels were authorized to direct and supervise the details of production and distribution in the interest of the war effort. These activities, however, have little in common with the traditional functions of cartels. Thus, a third phase had begun for cartels under Nazi rule. In order to distinguish them from the old-fashioned cartels, the new term "administrative cartels" (Bewirtschaftungs-Kartelle) was coined. The coal and coke syndicates and the cartels and syndicates of the paper and pulp industry, for instance, became semigovernmental control agencies.

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CONFIDENTIAL4. 1942-43: The twilight of the cartels.

In the winter of 1941-42 the Nazis realized that the lightning phase of the war had ended. In order to win "the fight against Roosevelt's and Stalin's mass production," as one German newspaper put it, a nation-wide rationalization and concentration of both business and economic administration was started. In the course of this drastic reorganization, the cartels, except international cartels, were abolished. Two reasons brought about their undoing:

a. First of all, they blocked the way to a radical concentration of industry. Cartels, as associations of independent firms, have to see to it that every member gets his share. Prices must be high enough to yield profit even to the least efficient firm. If the demand is not sufficient to provide full employment for all members, orders have to be distributed among the members according to their productive capacity, their "quota." It is true that price fixing was no longer the business of the cartels, but they still clung to the idea of quota. The government, however, wanted to concentrate production in a comparatively small number of efficient and strategic, well-located plants, in order to save labor, transportation and materials. Beginning in 1942, it integrated entire groups of industries, the munitions industries as well as a number of civilian goods industries, into something like state-managed trusts. Their management distributes orders as well as labor and materials. It closes plants which, for technical, transportation or other reasons, fail to meet requirements, directing their workers and machines to other factories. The member firms are told which types of goods they shall produce; in armament industries the groups, instead of the individual enterprises, develop new models. No consideration is given to patents, licenses or trade secrets. It is obvious that cartels would not fit into this pattern. "The time of the cartels is past," wrote a high-ranking Nazi official in 1943, "their hour has struck." ^{1/} A decree of 1942 nullified almost all cartel agreements covering quotas and zones.

b. There was another reason for eliminating cartels. The administration of the German war economy was highly overorganized. Governmental agencies, party organizations, self-administrative groups, chambers of industry and commerce, trade associations and cartels performed similar functions. There was a lot of overlapping work, a lack of clear-cut responsibilities and too much red tape. In 1942-43, the whole system was simplified. According to an official statement, there existed at that time 2,200 cartels, with a personnel of 12,000. The dissolution of ninety per cent of these cartels (a number of syndicates continued as semi-public distribution agencies) saved a considerable amount of manpower and office space.

^{1/} Hans Kehrl, "Das Ende der Kartelle" (The End of the Cartels), Das Reich, 29 August '43, No. 35.

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At present, Germany has trusts but not cartels. Whole industries are run as though they were central office concerns. Entrepreneurs, with the exception of a few on the boards of the associations, have in reality been reduced to plant managers. If a factory was not well-suited for war production it was closed and its labor, machinery and materials were utilized elsewhere. During the occupation of Germany, therefore, the Allies will not face the problem, what to do with cartels, but instead, what to do with the system of governmentally controlled trusts which have replaced them.

If, after the downfall of the Nazis, governmental controls should be abolished, German industry, or what is left of it, would be a case of monopoly capitalism. As early as 1940, a German periodical correctly warned against the danger that "at the end of the war there will be only a small number of financially powerful corporations, grown so fat on armament contracts that they enjoy a practical monopoly in their fields." ^{1/}

A second possibility is the expropriation of the entrepreneurs who have long ceased to perform their customary functions, and the operation of industry along Russian lines.

The third possibility is the elimination of both governmental controls and private trusts by restoring the independence of the individual firms and redistributing labor and machinery. In this case, a system of more or less free enterprise would be revived. "More or less" includes the question whether, under these conditions, the cartels should be allowed to reappear. These problems of policy-making will be dealt with in a subsequent section of this report.

^{1/} Der deutsche Volkswirt, March 1, 1940, p. 691.

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SECTION IV

INTERNATIONAL CARTELSA. Affecting the War Effort

1. According to the Department of Justice, Antitrust Division, twenty-seven cases of international cartels are pending trial under the Sherman Act of 1890. This report presents a summary of twelve of these cases which are important from a military point of view. All of them refer to a similar situation: Fixing of prices, restraint of trade and division of world markets, and patent and license agreements which have been used to control markets to the exclusion of competitors. Action on some of the pending cases has been suspended by the courts at the request of military authorities to avoid interference with war production.

a. Chemical Industry

(1) The German Dyestuff and Sterling Corporations in the first place and a Swiss Consortium, the French Kuhlmann Corporation, and the Japanese Mitsui in the second place are among those involved. The Antitrust Division claims that these firms entered into agreements resulting in higher prices to American consumers. Moreover they restricted the full development of the American chemical industry. On the other hand, it should not be overlooked that the American chemical industry, in particular the Sterling Group, participated in the patents of the German concern and thereby saved tremendous amounts of research costs.

(2) The indictment charges collusion in restraint of trade against the Imperial Chemical Industries of Great Britain and American firms. An agreement is alleged to have existed to the effect that the American companies would not compete with Imperial Chemical Industries. Marketing areas allegedly were assigned to each member of the agreement, patents and licenses exchanged exclusively and the various companies combined to eliminate competition of other companies in the world markets.

b. Magnesium Alloys and Products. Again the German Dyestuff Trust is in the forefront. It is charged that this trust required the American producers to buy magnesium from special companies, as a condition precedent to the use of certain German patents. Moreover, the German firm is accused of having prevented the production of magnesium by other companies.

c. Aluminum. Swiss, French, British, Norwegian and Italian firms together with the American Aluminum Corporation are accused of collusion in restraint of trade by means of price fixing, allocation and restriction of sales, restriction of imports and control over the world's reserves of bauxite.

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d. Military Optical Instruments. Two foreign firms are involved: The German Carl Zeiss Works in Jena and the N.V. Nederlandsche Instrumenten Company (a subsidiary of Zeiss). The indictment against the two firms is the usual one: Division of world markets, price fixing, restriction of technical knowledge, refusal to permit other firms to manufacture optical instruments, etc.

e. Aircraft Accessories. Various foreign firms are accused of dividing the world market, of fixing prices, and of withholding technical knowledge; on the German part, the Siemens Works in Berlin and the Bosch Works in Stuttgart, and on the Italian part, the Ottico Meccanica Italiana; in addition the Tokio Keiki Seisakusho, the French Zenith Group, the British Solex Group, several other British firms and the Northern Electric Company in Canada. The foreign firms are named in the complaint as coconspirators.

f. Photographic Materials. The foreign firm involved is the German Dyestuff. The indictment charges various American companies of restricting exports of dyestuffs from the U.S.A., of dividing the markets, of the manufacture and sale of films and photographic materials, and of restraining trade and commerce in the manufacture and sale of photo-printing material.

g. Pharmaceuticals. The German firm E. Merck Chemical Works is alleged to have concluded a "treaty" with American firms assigning the U. S. A. and Canada as the exclusive territory to American firms and almost all the rest of the world to the German firm.

h. Bichromates of Soda and Potash. While the indictment mentions no foreign firm, it accuses American companies of entering into agreements with leading foreign producers, preventing the import of bichromates to the U. S. by foreign firms. In return, the American firms are said to have set up fixed quotas limiting the quantities of bichromates to be exported by each of them. Also, price fixing by the American companies is charged.

i. Alkali Industries. No foreign firm is indicted, but two are named as coconspirators, the Belgian Solvay Cie and the German I. B. This is a test case: American business had believed that, under the Webb-Pomerene Act of 1918, American export associations were legal as long as they did not affect the domestic price level. In other words, American business assumed that it could, for instance under the cloak of patents, be linked with foreign cartels for export purposes. More recently (since 1937) this position has been contested by the Antitrust Division. The Department of Justice contends that it has jurisdiction over the Webb associations in so far as they violate the Sherman Act, and that it is unlawful for them to restrain the trade of competing

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exporters or the trade and commerce of the United States by adhering to cartel agreements.^{1/} A variety of American export associations are charged with the assignment of marketing areas and of restricting the free flow of commerce.

j. Tungsten Carbide. The Frederick Krupp, A. G. Essen and the American Carboloy are involved in this cartel. These firms allegedly have agreed on the fixing of the price of tungsten by means of required licenses of Carboloy.

k. Plastics. Foreign firms involved in these industries are the German I.G. and the Rohm and Haas Corporation (the German firm in Darmstadt, not the American firm in Philadelphia.) The indictment again covers price fixing, restricting production and dividing world markets for acrylic products (for the manufacture of plastic glass used in bomber noses, cockpits, closures, etc.)

2. The President has directed the Department of Justice to proceed in two cases, plastics and aircraft accessories. Whether or not the indictments are sustained will depend on the findings of the courts.

B. Sterling Corporation and Farben I. G. - A Case Study

1. The Need for Empirical Studies:

a. The cooperation of American corporations with foreign firms for the purpose of fixing prices and allocating markets presents a real problem in the postwar world. In the pharmaceutical, chemical and mechanical engineering industries, as well as in the case of certain raw materials, such international agreements will probably be made again; the investigations by the Antitrust Division have disclosed to what extent American defense and the war effort were affected in the past.

b. The case of synthetic rubber is still in the foreground. As the report of the Antitrust Division puts it: "A pincer's movement developed--one prong representing the Japanese movement into Malaya cutting off our natural rubber supply; a second prong representing the Standard Oil-I. G. cartel arrangements which prevented, at the instigation of the Nazi Government, the development of a synthetic rubber industry in the United States. In terms of dramatic effectiveness, this is the most striking instance of the manner in which a foreign government can utilize the cartel ^{2/} to cripple an enemy long before there has been a declaration of war. In fact, so secretively does the cartel operate that it was not until the damage to the nation had irretrievably been done that the facts were brought to light."

c. In this field, no efficient program can be developed without an intimate knowledge of the practices and stratagems of international

^{1/} Foreign Policy Association Report, October 15, 1944, p. 181.

^{2/} This statement should, of course, not be interpreted to mean that the I. G. is a cartel.

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cartels. A sound approach would be the preparation of a series of case studies demonstrating the uses and the abuses to which international arrangements in this field have been put. Particular stress should be laid on the tendency to endow monopolistic business agreements with a political character.

d. For the purposes of this report, it is appropriate to concentrate on one outstanding recent case of international cartelization in the chemical industry.

2. The Rise of Sterling Corporation:

a. To a believer in the efficacy of legal measures, it may seem well-nigh miraculous that the German chemical industry, in spite of the loss of its patents and trade-marks in the First World War, regained a foothold in the American market within a few years after the end of hostilities.

b. In 1917, the Alien Property Custodian seized the patents and trade-marks of the German dyestuff firms registered in this country. They were auctioned publicly in December 1918. The purchaser was Sterling Products, Inc., a comparatively unknown company engaged in the pharmaceutical field. The price paid was 5.3 million dollars. The whole sum was raised from American sources. The Grasselli Chemical Company, later taken over by Du Pont, contributed \$1,560,000 for the dyestuff patents. The rest of the money came from the sale of Sterling Products stock. The Alien Property Custodian had imposed the condition that all patents and trade-marks should remain in American hands. The most important single item was the acquisition of the Bayer trade-mark (the patent had expired in 1917) of aspirin. Previous to 1917, connections had existed between Dyestuffs' Leverkusen and representatives of Sterling Products. As soon as the war was over these connections were resumed.

3. The Beginning of the Link-up Between Sterling and I. G.:

a. In September and October 1919, conferences took place between the general manager of Sterling Products, E. W. Weiss, and Dr. Duisberg and Dr. R. Mann, the representatives of the Leverkusen firm, in Baden-Baden, Germany. A major issue to be settled was the question of the South American, Central American and Mexican markets for aspirin. Because of the British blockade during the war, the German firm had been unable to supply these markets; the firm had authorized the New York branch of the Bayer Corporation to make shipments. An agreement was reached in Baden that the Latin American aspirin market was to be supplied by the Sterling Company with an equal division of the profits between itself and the German company. The German firm made no investment; it only agreed to refrain from entering into competition with Sterling in the Latin American market. The sole consideration for its rights to half of the profits was the granting of a monopoly of exploitation to the Sterling Corporation.

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b. However, in April 1920, at another conference in Germany, the German firm insisted on participating directly in the American market as it had done before the war. This, of course, would have meant an infringement on the terms of the purchase of the German patents to which Sterling had agreed when it bought the patents from the Alien Property Custodian. The Sterling Company had reached an impasse, having encountered many difficulties in manufacturing the products for which it had acquired the patents; as has often happened in similar cases, the formulae had not been sufficiently set out in the patent description to permit manufacture. Therefore, when faced with the German demands, Sterling offered to Leverkusen a share in the profits of the Winthrop firm (a chemical manufacturing enterprise jointly owned by Sterling and the German firm) on new products not yet sold in the United States. In this way, it seemed possible to circumvent the clause in the contract made with the Alien Property Custodian; the German firm would reenter the old Bayer market but only those profits would be shared which originated in the manufacture of new products developed after the sale. However, this plan was not accepted by the Leverkusen representatives.

c. A formal agreement was reached on 23 November 1920. The Leverkusen Company granted an exclusive license to the Bayer Company of New York for the use of trade-marks on Bayer Aspirin in South America, Central America and Mexico. The Bayer Company of New York was an American company which was sequestrated by the Alien Property Custodian in 1917, and was thereafter operated independently of Bayer-Elberfeld. The New York company agreed to transfer to Leverkusen all trade-marks taken up by itself in this territory. The division of profits was to be made on a basis more favorable to the German trust, i.e., a ratio of seventy-five to twenty-five per cent (the German company to receive the larger percentage). In addition, sales of all drug products other than aspirin were to go exclusively and without any profit sharing to the German company as soon as it was prepared to make shipments. The contract was to terminate after fifty years.

d. In 1923, a final agreement was made, and Sterling Corporation acceded to the several demands of Leverkusen. The German firm got a 50 per cent share of all profits of the Winthrop business on old products involved in the Alien Property Custodian's sale as well as on new products developed thereafter. In return, Winthrop was granted the sole right of exploitation in the United States, its possessions, and Canada of the German firm's products in medicine and pharmacy, perfumery, agricultural, horticultural, sanitary lines, and some other fields. Leverkusen agreed "to disclose to Winthrop all secret or other processes relating to the manufacture of the aforementioned products made by or for Leverkusen, at Leverkusen or Elberfeld, or elsewhere, which may be required by Winthrop for the purpose of making or marketing any preparations to be sold by them in the United States or Canada, commercially, and in a most economical manner." ^{1/}

^{1/} Cartel Agreement, Section IV, A.

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4. Dyestuff Succeeds.

a. Actually, Winthrop had become a kind of subsidiary of the German dyestuff firms in the United States and Canada for the fields stipulated in the contract. A similar contract was entered into between the Leverkusen and the Bayer Company of Windsor, Canada (a subsidiary of Sterling), again with an equal division of profits between the American and the German firm. A third contract, concluded between the German firm (I. G. - from 1925 on) and the Bayer Company of New York and running for fifty years, provided for a solution concerning the markets of the British Empire. Again the Americans and the Germans were to share in the profits on an equal basis.

b. By spring of 1923, five years after the Alien Property Custodian had disposed of the German properties, a very close relationship between the German and the American interest had been established. In fact, the world had been divided between the two partners. The aspirin business in the Latin American countries contributed 75 per cent of its profits to the German firms, 25 per cent going to Sterling. The old German sales agencies remained in business, but the policy was directed from New York. Whether the markets were to be supplied from the United States or from Germany was to be determined by the cost of production. The payment of 75 per cent of the profits was a compensation for the right to exploit a monopoly. The rest of the world--Europe, Asia and British Africa--was left to the German I. G. to dispose of as it saw fit. In fact, the term "Weiss Countries" (William E. Weiss was the president of the Sterling Corporation) and the term "I. G. Countries" logically came into use. As mentioned before, the I. G. was half-owner of the Winthrop Chemical Company which handled all the drug products except aspirin. In return, Winthrop Company received access to all the I. G. patents. The practical benefit to Winthrop Company under the agreement was, as qualified before, the monopoly right of exploitation of the I. G. patents in the United States and Canada.

c. Thus, Sterling was closely tied to the I. G. and had, in many regards, to submit to I. G.'s wishes. Sterling had built up numerous branch offices and a large sales force; it had undertaken heavy commitments for advertising. The capital investments in this organization were very large, but the firm was completely dependent upon the German I. G. for finished drugs, intermediates and for manufacturing processes. Sterling could not afford to alienate I. G. because the German company, by shutting Sterling off from shipments and formulae, could have ruined the American firm. Dyestuff-I. G. was strong because it was leading in chemical and pharmaceutical discoveries; its staff of thousands of highly-trained chemists and its tremendous investments in laboratories, test fields, etc. secured a head start over all other firms. Sterling was prepared to pay a high price for full partnership in a lucrative business. The dangerous turn came, however, after the Nazis had come into power. I. G. had not belonged to the pro-Nazi industrial groups in Germany; it even resisted the intrusion of Nazi policies for a period of time. ^{1/} The

^{1/} Personal information from the previous president of the I. G., Dr. Hummel, now in Boston, exiled from Germany because of being "noncooperative."

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German Government finally imposed many of its policies, but not all of them. It was here that the agreement with Dyestuffs Corporation involved the Sterling Corporation into difficulties and, perhaps, ambiguities, as a result of which Mr. W. E. Weiss retired.

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Navy member of the Latin American ad hoc committee, rather than to have the Secretary submit the problems formally to that sub-committee inasmuch as the War Department member of the sub-committee has already formulated data as to Army objectives.

8. Bombing of Macao

Mr. Dunn stated that the Portuguese Government is expected to protest the recent bombing of Macao, allegedly by U. S. aircraft. He urged that War and Navy Departments investigate the facts of the matter and agreed to circulate any further information coming to the notice of the State Department. Mr. Kane advised that the Navy is already investigating the matter.

9. Breaking the German Will to Resist

Mr. Kane introduced JCS 1218 on this subject and stated that the Secretary of the Navy wished the committee to consider whether it properly comes within its scope. After discussion, it was agreed that the matter should be left to regular channels on propaganda matters.