

SECRET

g. Pursuant to this, an Executive Order should be issued upon approval by Congress of the trusteeship agreement, terminating military government in the Trust Territory and delegating civil administration to the Navy Department on an interim basis. (Annex to Appendix "C" of SWHCC 364/1)

3. That the State, War and Navy Departments should follow the above conclusions in commenting on pending legislation and, therefore, any previous comments made to the Bureau of the Budget should be withdrawn. (Ref: 4-4, SWHCC 364/1)

4. To accept the proposal of the Navy Member of SWHCC that permanent administrative responsibility for these islands should not necessarily be limited to a single agency of the Government. (In SWHCC 364/2, Enclosure B, the Navy Member recommended that the word "agency" be understood to mean the words "or agencies" wherever appropriate in the paper.)

Implementing Action:

1. Meeting with Secretary Krug to be arranged by the State Department. (This meeting has been tentatively scheduled for May 16th after the Cabinet Meeting.)

2. The War and Navy Departments to withdraw their comments to the Bureau of the Budget on various proposed Bills regarding administration of the Pacific Islands. (State Department has already withdrawn its comments.)

Discussion:

SECRETARY MARSHALL said that SWHCC had prepared a paper (SWHCC 364/1) on this subject at the request of the Committee and that certain conclusions and recommendations of that paper were now before the Committee for approval. (Par. 2 of the Decisions listed above)

SECRETARY MARSHALL said that he had received a letter from the Secretary of the Interior on May 3, (See Enclosure "A") requesting that the Committee of the four Secretaries appointed by the President on October 20, 1945, be reconvened in order to outline a policy for the administration of the Pacific Islands which would be satisfactory to the four Departments. He said that he had also received a memorandum from the President dated May 7, (See Enclosure "B") which requested that the Committee be reconvened to give further consideration to these problems and make appropriate recommendations with respect thereto.

MR. SULLIVAN said that it was desirable for strategic reasons that permanent administration for the islands not necessarily be limited to a single agency of the Government. He cited instances where it would be necessary for the Navy Department to maintain administrative responsibility for certain strategic Islands even though a civilian agency of the Government had general over-all responsibility for the Islands. The Committee accepted MR. SULLIVAN'S proposal.

MR. SULLIVAN also suggested that rather than present the agreed statements of SWHCC 364/1 to Secretary Krug as approved conclusions of the three Secretaries it would be more discreet to merely refer them for consideration as recommendations of the State-War-Navy Coordinating Committee. The Committee indicated that this proposal was satisfactory.

SECRET**II. Basic Policy Towards Germany****Decisions:**

None.

Implementing Actions:

SWNCC is considering as a matter of urgency a revision of JCS 1067. (SWNCC 327/1)

Discussions:

SECRETARY PATTERSON said that he felt that there was urgent need for reaching a decision soon on our basic policy toward Germany.

GENERAL HILLIARD said that a revision of JCS 1067 was now being considered in SWNCC on an urgent basis. He said that the SWNCC paper (SWNCC 327/1) was now being revised by the working group to incorporate the necessary changes brought about by decisions at Moscow. He added that this revised paper should be ready in approximately a week.

SECRETARY PATTERSON said that we must decide on the extent to which we are going to depart from the Potsdam Agreement. MR. PETERSEN said that all of the aspects of our present policy are reflected in the paper now being prepared in SWNCC.

III. Courtesy of Customs Officials**Decisions:**

None.

Implementing Actions:

None.

Discussions:

SECRETARY MARSHALL said that several instances had come to his attention where prominent and official visitors to this country have been insulted by customs officials or needlessly delayed. He said that he was going to take the matter up officially with the Secretary of the Treasury, and that he was going to ask the President to direct that there be more courteous and efficient treatment of such visitors. He added that he wished to call this to the attention of the other members and solicit their support in this matter. He said that he intended to have our Missions abroad notify us regarding the departure and probable arrival of prominent official visitors in order that the Treasury Department could be duly notified and steps taken to greet these people properly. He stressed the fact that much goodwill is being lost as the result of the way visitors are being handled at ports of entry.

SECRETARY FORRESTAL said that he supported SECRETARY MARSHALL wholeheartedly in this, and that he would be glad to offer the services of any available Navy officials who could assist in facilitating the entrance of prominent persons into the United States.

SECRETARY PATTERSON said that he equally supported SECRETARY MARSHALL in this connection.

SECRETCOPYENCLOSURE "A"
THE SECRETARY OF THE INTERIOR
WASHINGTON

May 3, 1947

My dear Mr. Secretary:

It will be recalled that the President, by memorandum dated October 20, 1945, constituted the Secretaries of State, War, Navy and Interior as a committee to make a recommendation to him on the problems arising from the administration of the Pacific Islands and to outline a policy satisfactory to the four Departments. This committee has never met.

An interdepartmental ad hoc subcommittee on administration of the Pacific Islands, which was constituted pursuant to the President's instructions, met on January 30, 1946, to make recommendations to the four Secretaries. Thereafter the plan submitted by the Department of the Interior member of the subcommittee was considered by the Secretaries of State, War and Navy and forwarded to the President with the statement that it was their unanimous view that no action should be taken in the matter until such time as the status of the Pacific Islands had been determined.

It is my understanding that the President is sending a message to the Congress to request authority to accept trusteeship of the former Japanese mandated islands recently proffered to the United States by the United Nations. In view of that circumstance, it appears that the time has now arrived for us to get together and outline a policy for the administration of these islands which will be satisfactory to our four Departments.

Sincerely yours,

/s/ J. I. Krug

Secretary of the Interior.

Hon. George C. Marshall,

Secretary of State

SECRET

SECRET**COPY****ENCLOSURE "H"**

THE WHITE HOUSE

WASHINGTON

May 7, 1947.

MEMORANDUM FOR: The Secretary of State
 FROM: The President

There has recently been forwarded to me a copy of a Joint Resolution adopted by the Guam Congress petitioning the Congress of the United States to grant United States citizenship to the citizens of Guam, and to enact an organic law for the government of Guam.

In this connection it will be recalled that on October 20, 1945, I appointed a committee consisting of the Secretaries of State, War, Navy, and Interior, to make recommendations concerning the administration of the Pacific Islands. After a preliminary consideration of this matter by the Committee, it seemed advisable that its report should be postponed pending a determination of the status of occupied Japanese Islands. I understand that in the meantime some of the departments represented on the committee have been giving study to the problems involved.

Now that the United Nations has approved a trusteeship agreement designating the United States as the administering authority for the former Japanese Islands, it appears appropriate that the four departments represented on the committee appointed October 20, 1945, should give joint consideration to the problems relating to the administration of the Pacific Islands. Consequently, I request that you reconvene the committee for the purpose of giving further consideration to these problems and making appropriate recommendations with respect thereto.

I am sending copies of this memorandum to the Secretaries of War, Navy, and Interior.

(Signed) HARRY TRUMAN

DECLASSIFIED
 E.O. 11652, Sec. 11
 NND 760055
 BY: [redacted] DATE: 10/26/75

SECRET

~~TOP SECRET~~

file copy #1

MINUTES
MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
MAY 7, 1947 - 10:30 A.M.

*334
coming thru*

PRESENT

STATE
SECRETARY MARSHALL
UNDER SECRETARY ACHESON
GENERAL HILLDRING
MR. LADOUISSE
MR. ALLEN
Mr. Mosley, Recorder (SWDC)

WAR
SECRETARY PATTERSON
ASSISTANT SECRETARY PETERSEN

NAVY
SECRETARY FORESTAL
UNDER SECRETARY SULLIVAN
ADMIRAL WOOLDRIDGE

I. Korean Rehabilitation Program

Decisions:

1. Requests for Congressional authorization for a program of rehabilitation in Southern Korea will be limited to a one year program.
2. This legislative program should be submitted to Congress as soon as possible after the completion of action on the Greek-Turkish Bill.
3. The Department of State agrees to assume administrative responsibility for non-military aspects of the occupation at the time a Civil Commissioner takes office.
4. The Provisional Government for Southern Korea should be set up as soon as possible following the passage of a suitable electoral law.

Implementing Action:

The State Department to advise the Bureau of the Budget that requests for Congressional authorization for a program of rehabilitation for Southern Korea will be limited to \$215 million for the fiscal year 1948.

Discussions:

SECRETARY MARSHALL stated that the Committee had previously approved the transmittal by the State Department to the Bureau of the Budget of a proposed bill seeking Congressional authorization for a program of rehabilitation for Southern Korea, involving a maximum total of \$540 million for the next three years and requesting \$215 million for the fiscal year 1948. He said that the question had arisen whether the request for Congressional authorization should be for a three year program or should be limited to a one year program. He added that his own opinion was that it would be unwise to request a three year authorization.

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
NND 750057
By *clb* NARS, Date NOV 5 1974

~~TOP SECRET~~

WMA

~~TOP SECRET~~

SECRETARY FORRESTAL said that he favored the one year program as we cannot know our needs for a three year period. SECRETARY PATTERSON agreed to the one year program.

SECRETARY PATTERSON said that he realized that he was in a minority but he believed that we should get out of Korea as quickly as possible and any proposed program should be geared to that thesis. He said that our occupation of Korea was extremely expensive, that he knew of no strategic or economic value in maintaining our hold in Korea, and that the whole program appears to be a face-saving one. SECRETARY MARSHALL said that he did not agree with SECRETARY PATTERSON'S views in this connection. He said that he was worried about the threat of the military force in Northern Korea which the Russians had created. He added that he was further concerned about the condition of the Korean constabulary which is poorly trained and lacks experience. He said that the recognized that State Department's administrative responsibility for the non-military aspects of the occupation will be made extremely hazardous with this weak constabulary, but nevertheless the risk must be taken.

SECRETARY MARSHALL then obtained agreement to the three State Department proposals listed above as Items 2, 3 and 4 in the Decisions.

II. Revision of Bizonal Arrangements

Decision:

The Committee agreed to the despatch to General Clay of the proposed cable set forth in the Enclosure as amended.

Implementing Action:

The War Department to despatch the cable to General Clay.

Discussion:

SECRETARY MARSHALL read the proposed cable (see Enclosure) and inquired whether the three Members agreed to its despatch. He proposed that the following additional paragraph be added: "In event the foregoing includes points of view with which you seriously disagree please radio your comments." The three Members agreed to this proposed addition.

MR. PETERSEN proposed the elimination of the words "control and" from paragraph 2 (b); also elimination of the words "at least for the time being" from the third sentence of paragraph 3. He said that the retention of the power of control by the military governors was contrary to the thesis that the Germans must undertake the job themselves.

GENERAL HILDRING explained that the proposed cable was designed to advise General Clay that the U. S. Government shared his fears that the establishment of the Bizonal Economic Council might result in a highly centralized economy and socialization of industry, but that such danger may be obviated by measures outlined in the proposed cable.

~~TOP SECRET~~

SECRETARY PATTERSON said that there was need for a better public relations program with respect to our position in these bilateral arrangements. He cited the need for explaining our position to the press.

SECRETARY FORRESTAL said that we must make it clear to the British that we did not propose to endorse socialization in Germany under any circumstances. He stated that he believed that the British should be told that these are our terms, and that this should be communicated to them at the highest level, either by the Secretary of State or the President.

SECRETARY PATTERSON said that he believed that we should defer any argument with the British on the question of private vs public administration of industry; that the big job now is to get the industrial machinery going.

Excerpt from
III. U.S.S.R. Lend-Lease Settlement Negotiations

Decisions:

The Committee agreed to the following general principles to serve as guides in connection with the lend-lease negotiations now under way with the U.S.S.R.:

- (1) to transfer title to and obtain payment for an inventoried list of non-military items (i.e., all articles other than "arms ammunition and implements of war" as enumerated in Presidential Proclamation 2717, February 14, 1947);
- (2) to designate for return a small number of specific military or naval articles which are of use to the U.S. and for which the U.S. has real need;
- (3) to permit retention by the recipient of all other military or naval articles, other than vessels, reserving the right of recapture but stating in the agreement that the right will not be generally exercised;
- (4) to require constructive return of all vessels other than those actually returned, in order to satisfy Public Law 1, 78th Congress; to have them declared surplus if they are; then to sell them back to the country through the OPIC under the Surplus Property Act;
- (5) to make no claim for compensation for articles lost, destroyed or consumed during the war.

Implementing Action:

War and Navy Department to provide the State Department with a list of specific military or naval articles, if any, which they wish returned pursuant to principle no. (2) set forth above in the Decisions.

Discussion:

SECRETARY MARSHALL said that negotiations had begun with the Russians to effect the lend-lease settlement, and the State Department proposed for consideration certain general principles (see Decisions above) to serve as guides for

~~TOP SECRET~~

~~TOP SECRET~~

the negotiators. He said that he questioned whether it would be advisable to make our terms any stiffer for the Russians than we did for the British. He added that while on the one hand we must consider public reaction and that of Congress, we must also realize that we have to face the Russians at another meeting of the Council of Foreign Ministers.

SECRETARY PATTERSON said that he favored writing off the costs of any strictly military items. SECRETARY FORRESTAL said that he agreed to this, but added that he thought we should insist on payment for industrial goods. SECRETARY MARSHALL said that he was of the opinion that there was no point in trying to obtain payment or get back ordinary military equipment. MR. LABOUISSSE pointed out that in previous settlements with major powers, it has been our policy to permit retention of military or naval articles, other than vessels, but to reserve the right of recapture of such articles for an indefinite period in the future.

SECRETARY FORRESTAL said that with respect to military equipment, we should be certain that there is a provision for "no transfer". MR. PETERSEN pointed out that all lend-lease agreements included a "no transfer" provision.

With reference to proposal (1) that we should seek payment for an inventoried list of non-military items, MR. ACHESON said that this procedure would to a certain extent be a departure from our treatment of the British, but that it represented a different technique than was used in the British negotiations. He said that a different approach was necessary for bargaining purposes.

MR. LABOUISSSE pointed out that in the British negotiations the distinction between military and non-military items was made by reaching an agreement that all items held by British military agencies would be considered military articles, while all items in the hands of British civilian agencies would be considered non-military articles. He said that this approach would be impracticable with the Russians as their system is such that a ready distinction could not be made between military and civilian agencies. He added that he believed that if we suggested this technique, the Russians would probably claim that most of the articles were held by military agencies.

SECRETARY FORRESTAL stated that another good reason for not following the procedure used with the British in this connection was that we obtained a large sum from the British in reverse lend-lease whereas the Russians gave us only a relatively small amount.

With respect to proposal (2) that a small number of specific military or naval articles should be designated for return, MR. PETERSEN said that the War Department would need time to study this matter.

IV. Survey Mission to Investigate Turkish Aid Needs (SINCC 358/1)

Decisions:

The Committee agreed that the representation on the Turkish Survey Mission proposed in SINCC 358/1 should be as follows: War Dept. - 12; Navy Dept. - 7; State Dept. - 4.

~~TOP SECRET~~

~~TOP SECRET~~

Implementing Actions:

Representatives to be selected by all three Departments.

Discussions:

SECRETARY MARSHALL said that he understood that SECRETARY PATTERSON had some objections to the size of the military representation on the survey group which would go to Turkey as proposed in SWNOC 358/1.

SECRETARY PATTERSON said that he felt that the proposed representation (War Dept. - 26; Navy Dept. - 12; State Dept. - 2) placed too much emphasis on the military character of the proposed aid, and that furthermore the survey could be satisfactorily made by a smaller number of military officers. He stated that he had reached agreement with SECRETARY FORRESTAL to cut the military representation approximately in half (War Dept. - 12; Navy Dept. - 7). SECRETARY FORRESTAL said that he agreed to this.

SECRETARY PATTERSON said that for appearance's sake he would prefer that the State Department representation on the survey group be increased. MR. ACHESON agreed to increase the State Department representation from two to four.

~~TOP SECRET~~

ENCLOSURE~~TOP SECRET~~

Draft Cable to CINCEUR

Your negotiations with Robertson on revision bilateral arrangements is subject. Reurads CC 8871, CC 8933 and CC 8959 Apr and ourad _____.

1. Encouraged by ourad CC 8959 in belief issues may be resolved through further negotiations in Theatre. Receipt here through Brit Emb of revised note Brit submitted to you for discussion confirms impression of possibility reasonable compromise. Suggest you continue negotiations keeping us advised frequently and informing us whether and to what extent any remaining issues must be resolved at intergovt level.
2. Share ur fears regarding highly centralized controlled economy and socialization which would reinforce centralization. Believe, however, such danger may be obviated by (a) careful definition and delimitation of powers to be exercised at bilateral level, (b) retention by two military governors of powers of control and approval of acts of bilateral Council, particularly of power to implement decisions of Council by legislation, and (c) carrying our agreed US-UK views at CFM on composition of Council.
3. Re 2 (a) Marshall and DeVin agreed in principle that division of powers in bilateral area should be approximately same as that which US-UK agreed in Moscow should obtain between future German central govt and Laender (See CFM(47)(M)121). Believe accordingly there should be central determination of production and import-export plans, together with allocation by industries of fuel and materials essential to execution such plans and appropriate action by military government in both zones, including necessary uniform legislative implementation and military government inspection to ensure compliance by German authorities at all levels. Central powers should be defined so as to preclude ~~at least for the time being~~ socialization at bilateral (repeat bilateral) level and to leave administration of centrally reached decisions as far as possible to Laender. As alternative to complete delegation administration and execution to Laender, particularly in fields where Laender may have little or no interests in carrying out plans suggest you give consideration to

DECLASSIFIED

E.O. 11652, Sec. 3(E) and 5(D) or (E)
NND 75005?By CP NARS, Date NOV 5 1974~~TOP SECRET~~

- 2 -

~~TOP SECRET~~

delegating limited administration authority to local branches of German bilateral agencies in defined fields, e. g., to the approval of contracts for exports.

4. Re 2 (b), we note that Brit proposals submitted to you provide bilateral Council will direct economy only subject to approval of two military governors who will also reserve to themselves the power of legislation. Believe this will give you control over excessive centralisation and make all critical decisions subject to agreement between you and Robertson. It should be clear that in event disagreement, decision does not revert to German agencies but must be referred to governments.

5. Re 2 (c) Brit proposals provide composition of bilateral council should be same as that decided in Moscow for German Advisory Council CFM (47) (M) 121 records agreed US-UK view Council be composed QUOTE three representatives of each Land chosen by Landtag so as to represent as nearly as possible the division of democratic opinion in that Land UNQUOTE, with additional explicit assumption that Zone Commanders should take necessary corrective action if a Landtag should not choose representatives on basis representing division of political opinion in Land. Believe joint implementation of these provisions will prevent any one party from obtaining influence or control over bilateral agencies in excess of that to which they would be entitled on democratic basis.

6. Concur ur views CC 8371 that use of capital funds should be confined to finance import program designed specifically to bring in export proceeds. Agree you should insist as part of agreement on adoption principle funds should be used primarily for direct stimulation exports rather than general use in level of German economy. In this connection note that para b. in Brit memorandum on the Operation of the Fusion Agreement submitted to Sec State in Moscow apparently makes considerable concession in that direction.

7. In event the foregoing includes points of view with which you seriously disagree please radio your comments.

~~TOP SECRET~~

~~SECRET~~

M. Masley

May 7, 1947

Dear General:

The attached draft cable was approved by the Secretaries of State, War and Navy at their meeting this morning.

In accordance with the understanding of the Three Secretaries, will you please be good enough to have the War Department dispatch the Radio to General Clay today.

Sincerely yours,

Ernest A. Gross
ERNEST A. GROSS

Deputy to Assistant Secretary.

A true copy of the signed original. *MM*

Enclosure

Draft cable to General Clay.

Major General Daniel Nove
Chief, Civil Affairs Division,
War Department.

A-H: EAGross:cd

5/7/47

~~SECRET~~

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) of (E)
NNP 750057
By *CLP* NARS, Date NOV. 5 1974

~~SECRET~~~~SECRET~~DRAFT CABLE TO CINCEUR

Your negotiations with Robertson on revision bizonal arrangements is subject. Reurads CC 8871, CC8933 and CC8959 Apr and ourad_____.

1. Encouraged by urad CC8959 in belief issues may be resolved through further negotiations in Theatre. Receipt here through Brit Emb of revised note Brit submitted to you for discussion confirms impression of possibility reasonable compromise. Suggest you continue negotiations keeping us advised frequently and informing us whether and to what extent any remaining issues must be resolved at intergovt level.

2. Share ur fears regarding highly centralized controlled economy and socialization which would reinforce centralization. Believe, however, such danger may be obviated by (a) careful definition and delimitation of powers to be exercised at bizonal level, (b) retention by two military governors of powers of approval of acts of bizonal Council, particularly of power to implement decisions of Council by legislation, and (c) carrying our agreed US-UK views at CFM on composition of Council.

3. Re 2 (a) Marshall and Bevin agreed in principle that division of powers in bizonal area should be approximately same as that which US/UK agreed in Moscow should obtain between future German central govt and Laender (See CFM (47)(M)121). Believe accordingly there should be central determination of production and import-export plans, together with allocation by industries of fuel and materials essential to execution such plans and appropriate action by military government in both zones, including
necessary

~~SECRET~~

~~SECRET~~

-2-

necessary uniform legislative implementation and military government inspection to ensure compliance by German authorities at all levels. Central powers should be defined so as to preclude socialization at bizonal (repeat bizonal) level and to leave administration of centrally reached decisions as far as possible to Laender. As alternative to complete delegation administration and execution to Laender, particularly in fields where Laender may have little or no interests in carrying out plans suggest you give consideration to delegating limited administration authority to local branches of German bizonal agencies in defined fields; e.g., to the approval of contracts for exports.

4. Re 2 (b), we note that Brit proposals submitted to you provide bizonal Council will direct economy only subject to approval of two military governors who will also reserve to themselves the power of legislation. Believe this will give you control over excessive centralization and make all critical decisions subject to agreement between you and Robertson. It should be clear that in event disagreement, decision does not revert to German agencies but must be referred to governments.

5. Re 2 (c) Brit proposals provide composition of bizonal council should be same as that decided in Moscow for German Advisory Council CFM (47)(M) 121 records agreed US/UK view Council be composed QUOTE three representatives of each Land chosen by Landtag so as to represent as nearly as possible the division of democratic opinion in that Land UNQUOTE, with additional explicit assumption

~~SECRET~~

~~SECRET~~

assumption that Zone Commanders should take necessary corrective action if a Landtag should not choose representatives on basis representing division of political opinion in Land. Believe joint implementation of these provisions will prevent any one party from obtaining influence or control over bizonal agencies in excess of that to which they would be entitled on democratic basis.

6. Concur ur views CC8871 that use of capital funds should be confined to finance import programs designed specifically to bring in export proceeds. Agree you should insist as part of agreement on adoption principle funds should be used primarily for direct stimulation exports rather than general use in level of German economy. In this connection note that para b. in Brit memorandum on the Operation of the Fusion Agreement submitted to Sec State in Moscow apparently makes considerable concession in that direction.

7. In event the foregoing includes points of view with which you seriously disagree please radio your comments.

~~SECRET~~~~SECRET~~

File

~~SECRET~~

MINUTES
MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
MAY 2, 1947 - 10:30 A.M.

PRESENT

STATE

SECRETARY MARSHALL
UNDER SECRETARY ACHESON
GENERAL HILDKING
MR. ALLEN
Mr. Mosley (DWHCC), Recorder

WAR

SECRETARY PATTERSON
ASSISTANT SECRETARY PETERSEN

NAVY

SECRETARY FORRESTAL
UNDER SECRETARY SULLIVAN
REAR ADMIRAL WOOLDRIDGE

I. Latin American Arms Program (Inter-American Military Cooperation Act)

Decision:

It was agreed that the three Departments would support the reintroduction into Congress of the Inter-American Military Cooperation Act.

Implementing Action:

Necessary action to be undertaken to reintroduce the Bill. (No mention was made at the Meeting as to which Department would assume this responsibility.)

Discussion:

SECRETARY PATTERSON reviewed the War Department position with respect to this legislation. He said that the program outlined in this Bill was in line with the purposes of the Act of Chapultepec and our policy of defense of the Western Hemisphere. He pointed out that the President should be given the necessary discretion to aid the Latin American countries and Canada by providing them with American equipment and training their military forces according to American methods. He said that the success of our military missions in these countries depended upon our making available equipment of United States design. He added that if we did not provide the equipment that these nations would obtain it somewhere else. He said that it was very difficult to explain our vacillation in this arms program to our Latin American neighbors. Furthermore, our program to standardize Canadian equipment with ours will be aided by the passage of this Bill.

SECRETARY FORRESTAL said that the Navy Department supported the Bill wholeheartedly and was anxious to see early action on it.

~~SECRET~~

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (S)
NND 750057
By Ceb NARS, Date NOV 5 1974

~~SECRET~~

MR. ACHESON said that he had over-ruled objections within his department against the Bill and that the State Department would now support it. He stated that there was one aspect, however, of the arms program which yet had to be resolved. This was the question of finding the dollars to pay for the cost of crating and transferring the equipment to the other American Republics. He said that it was estimated that it would take about 23 million dollars to package and ship the equipment which would be transferred under this Act. He pointed out that some of the countries could not raise the necessary funds, and furthermore there undoubtedly would be arguments as to whether we or they must meet these expenses. He pointed out that under the existing interim program it is still being argued as to who will meet these particular expenses.

SECRETARY PATTERSON said that the War Department is very anxious to get rid of its surplus equipment as it is very expensive to maintain it in condition. He added that it might be to our advantage to pay the costs of crating and delivery as it might be less than the maintenance cost. SECRETARY FORRESTAL said that the Navy Department was confronted with the same conditions -- that the up-keep and overhead in keeping vessels in condition was extremely great.

GENERAL HILLDRING said that it was his opinion that unless means were provided to furnish the necessary money to implement the Act, there would not be much accomplished in passing it. He said that he did not necessarily mean that the Act should be amended to provide funds for implementing it, but that he thought that there should be some agreement in the Committee that ways and means would be found to meet the necessary costs. MR. ACHESON said that Congress will certainly ask what costs will be involved in this legislation. He stated that we should be prepared to tell them that there will be probable cost to the U.S. in connection with transferring the equipment. On the other hand, it should be pointed out to Congress the costs involved in maintaining this equipment in condition within the U.S. SECRETARY MARSHALL said that he believed that we should make a frank statement to Congress of the costs involved in this program calling attention to the maintenance costs to the U.S. He said that it is possible that Congress will appropriate some of the funds necessary to carry out the proposed arms program.

SECRETARY FORRESTAL stated that passage of the Act was necessary to show our good faith toward our Western Hemisphere neighbors even though no specific commitment to them in this connection was involved. SECRETARY PATTERSON said that prompt action was necessary to introduce the bill in order to get consideration in this session of Congress.

There was general agreement that the legislation should be introduced.

II. Construction of Naval Vessels in Argentina

Decision:

It was agreed that consideration of the Argentine request should be deferred until reports have been received from Ambassador Messersmith that the Argentine Government has taken satisfactory action to get rid of Nazi agents remaining in Argentina.

Implementing Action:

None.

~~SECRET~~

~~SECRET~~Discussions:

SECRETARY FORRESTAL said that the Argentines had recently renewed a previous request that U.S. shipbuilding concerns undertake the construction of several naval vessels for them. He stated that the shipbuilding industry in the U.S. is in a sad plight and that it would greatly help if it could obtain this business. He added that if we did not undertake the project the ships would probably be built in England, and that the English shipbuilding industry was quite busy and did not need this business.

SECRETARY MARSHALL raised the question whether the Argentine situation had changed since this matter was considered in January.

MR. ACHESON said that it appeared that the situation may be changed shortly. He stated that the Senators Connally and Vandenberg and the Argentine Ambassador had reviewed our policy recently. The Argentine's have taken the steps requested but that there was still one matter to be cleaned up, namely that there still remained in Argentina several known Nazi agents. The Argentine Government has been asked to get rid of these Nazis and Ambassador Messersmith was pressing them for action. He added that if the Argentines would make a bona fide effort to get rid of these people, this would clean the slate.

SECRETARY MARSHALL pointed out that if we should accept the Argentine offer now it would undoubtedly kill any present efforts being made to clean up the situation there. He suggested that we defer action on this matter for the time being.

The COMMITTEE agreed to withhold consideration of this matter until further reports on the situation had been received.

III. Reports of Supplies into Germany via Low Country Ports (SMBCC 363)

Decision:

Agreement to ask General Clay for his comments on this proposal. This matter to be considered in relation to other German foreign exchange problems.

Representing Action:

War Department after consultation with the State Department to despatch a cable to General Clay on this subject.

Discussion:

SECRETARY PATTERSON said that the War Department was agreeable to routing a portion of the supplies for Germany through Rotterdam and Antwerp provided the Netherlands and Belgian Governments would agree that no additional cost to the U.S. would result and furthermore, that they would give guarantees against pilferage. He suggested that this matter be referred to General Clay for his consideration in light of these necessary guarantees from the Netherlands and Belgian Governments. He said that the War Department recognized the desirability of aiding these countries in every way possible and was anxious to do all that could reasonably be done. He added that he understood that this undertaking would involve no additional foreign exchange cost.

~~SECRET~~

~~SECRET~~

SECRETARY MARSHALL said that the need of helping these countries is well recognized. He added that he thought that we should consider settling this problem in relation to the other German foreign exchange problems. He said that he had asked General Clay to give him an account of this over-all problem, and that when this report has been received this particular matter should be considered in the light of the whole intricate problem of German foreign exchange.

IV. Reduction of Japanese Industrial War Potential

Decisions:

It was agreed that the U.S. Member of the Far Eastern Commission be directed to give U.S. support to the paper on this subject (FEC 064/9) now under consideration in the Commission providing that the following provision is added:

"The provisions of this policy will apply until January 1, 1949, or until the end of the present phase of the occupation of Japan, whichever is earlier."

Implementing Action:

The State Department to instruct General McCoy according to the above stated decision.

Discussion:

GENERAL HILDRETH said that SWNCC was confronted with the problem of whether the U.S. Member of the Far Eastern Commission should be instructed to support the paper now under consideration in the Commission on the subject of reduction in the Japanese industrial war potential. He explained that this Far Eastern Commission paper (FEC 064/9) is based on policy approved by SWNCC in August, 1946 (SWNCC 302/1); that all members of the Far Eastern Commission except the U.S. have indicated that they would approve this paper, but that now the U.S. favored a more liberal control policy than the one proposed in the Far Eastern Commission paper. However, the introduction of a revised policy into the Far Eastern Commission at this time might have such an effect on the other nations represented there that it would jeopardize our chances of getting agreement on the part of most of them to our proposed reparations program.

MR. PETERSEN said that the danger of approving the comprehensive control plan now pending in the Far Eastern Commission is that our action now will rise to plague us in the Japanese peace negotiations. The Russians will then press for continued comprehensive long-range economic controls and will argue that the U.S. position would be inconsistent when at that time we support a more liberal type of control of Japan.

GENERAL HILDRETH said that if we fail to support the present Far Eastern Commission paper some nations represented there will interpret our change of policy as confirming their fears that the U.S. is shifting its policy toward Japan to one of building up that country in disregard of the security interests of our Allies.

~~SECRET~~

~~SECRET~~

SECRETARY MARSHALL said that we should not do anything that would jeopardize the success of the reparations program in Japan. He stated that we must be careful to avoid the same difficulties with reparations that we encountered in Germany.

GENERAL HILDRING said that as the revised U.S. policy is in essence a long term one, there would be no particular harm in supporting the comprehensive control policy now in the Far Eastern Commission if we could place a time limit on the existence of that policy. He said that the probable best solution to the problem was to support the Far Eastern Commission paper but to amend it by adding the following provision:

"The provisions of this policy will apply to January 1, 1949, or until the end of the present phase of the occupation of Japan whichever is earlier."

It was agreed that the U.S. Member of the Far Eastern Commission should be directed to approve the paper (FEC 081/9) for the U.S. after obtaining agreement to the proposed amendment.

V. Government of Guam and American Samoa

Decision:

Agreement that the three Departments were in favor of the continuance of Navy administration of Guam and American Samoa at least as an interim measure.

Implementing Action:

Conference to be arranged between the President, Secretary Krug and representatives of the State, War and Navy Departments to discuss this decision.

Discussion:

SECRETARY FURNSTAL said that he wished to obtain agreement of the members to a position with respect to the interim government of the Island of Guam and American Samoa, that upon agreement the Secretary of the Interior should be informed and the concerted views of the three Departments should then be presented to Congress. He said that he favored the continuance of the administration of these islands by the Navy Department.

MR. SULLIVAN said that the Navy Department had recently introduced a paper (SWNOC 364) into SWNOC recommending that an ad hoc committee be established to study and make recommendations on the broad aspects of the problem. He pointed out that the Hopkins Investigating Committee had just issued its report which recommends that for the time being the Navy Department continue supervision over Guam and American Samoa.

GENERAL HILDRING said that it was agreeable with the State Department that there should be no change in the government of these islands for the time being. He added that the State Department did take the position, however, that the Interior Department should be notified of any agreed views by the three Departments in this matter before any official approach is made to Congress.

~~SECRET~~

~~SECRET~~

SECRETARY PATTERSON said that the War Department favored the continuation of Navy administration of these Islands.

MR. SULLIVAN recommended that a conference be arranged with the President and Secretary Krug at which time the coordinated views of the three Departments could be presented.

The three Members agreed to the continuance of Navy administration as an interim measure and to the suggestion of MR. SULLIVAN regarding a conference to be arranged with the President and Secretary Krug.

~~SECRET~~

TAB A

STATE-WAR-NAVY COORDINATING COMMITTEE

DECISION AMENDING SWNCC 327/3

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

18. **Economic Unity and Recovery**

c. You will consult other European countries and international organizations representing such countries in matters of German production and trade mentioned above, and ensure that emphasis is given, in the selection of items for export, to goods needed by European countries for their economic recovery and rehabilitation (in so far as these countries may provide in payment needed imports for Germany, or foreign exchange which can pay for such imports). ^{1/}

^{1/} War Department and OMGUS desire to add qualification set forth in parentheses. Department of State at working level opposes.

SECRET

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
NND 750057
By CSA NARS, Date OCT 30 1974

TAB
A

June 18, 1947

S - Mr. Secretary

Subject: U.S. Economic and Financial Policy in Germany
in Relation to the Rest of Europe.

The following principles have been developed in response to your request and with reference to General Clay's letter of May 2, 1947, to serve as a basis for testing U.S. policies in Germany which affect the foreign exchange position both of Germany and of other countries in Europe. Brief statements of the facts and arguments leading to these principles are attached as Appendix "A".

1. In determining policy for and administering Germany, the U.S. must consider U.S. interests in the economic recovery of other European countries as well as the direct U.S. interest in German recovery.

2. Special help from Germany to other European countries, above and beyond normal economic relations, should not be made at the expense of U.S. funds, or a reduction in the German standard of living which would endanger U.S. objectives in Germany.

3. Steps to restore normal and historically constructive international relationships between Germany and third countries should be taken when these involve no increase in U.S. dollar outlays in Germany, and no postponement of German recovery.

4. In other cases, where the restoration of normal international commercial relations involves an increase in U.S. dollar expenditures in Germany, or a delay in the attainment of a self-supporting German economy at an appropriate standard of living, the U.S. interest in the gain to liberated areas must be weighed against the cost to the U.S. or loss to Germany before a decision can be taken.

5. To accomplish these purposes intelligently and to have our decisions understood, fuller and more regular consultation on economic relations between Germany and the other European countries is essential.

J. H. Hilldring

AH:PPClaxton:nds

TAB
6

June 18, 1947

S - Mr. Secretary

Subject: U. S. Economic and Financial Policy in Germany
in Relation to the Rest of Europe.

A. Facts

1. U. S. policy for Germany has emphasized the extreme conservation of foreign exchange and an export program directed toward maximizing German export proceeds in order to cover essential imports. These policies are beneficial to the U.S. from the standpoint of its interest in the German economy, but are not designed to contribute most to the recovery of Europe. As a result of them, conflicts have arisen between U.S. authorities and *in* Germany and various countries of Europe. The main aspects of these policies and illustrative conflicts are stated below.

2. Production for export and distribution.

a. From the point of view of the German economy it is desirable to keep many raw materials in Germany for fabrication and export. From the point of view of the other nations of Europe, it is desirable that they import German raw materials and finish goods themselves. Coal is the most important example of this type. Decision on it was reached at Moscow by the Anglo-American-French coal agreement. Timber and textiles remain important questions on which policy decisions should be made.

b. Luxury goods generally have a high return for the coal and materials going into them. There is, therefore, a tendency in Germany to produce them for export to the U.S. rather than to produce industrial equipment, etc., having a lower return but badly needed in Europe.

c. Scarcities in Europe make it necessary to the whole European recovery that the limited goods available for export be distributed on a fair allocation basis. The European countries have pressed for this but it has represented administrative difficulties to our occupation authorities which has made them resist it.

- 2 -

3. Pricing of Exports. The desire to obtain the maximum proceeds from exports has led to pricing them high. This affects the interest of European purchasers, already short of foreign exchange, it may also affect the long run interest of Germany whose customers will turn to other sources.

4. Terms of Sale of Exports.

a. It is to our interest in Germany to obtain cash for exports. European nations, however, are short of cash and will be aided if they can obtain German goods on credit. The Bizonal area has now concluded agreements with a number of European countries requiring settlement of balances only each quarter.

b. Barter would lead to an expansion of trade between Germany and certain European countries.

5. Imports to Germany.

a. U.S. authorities have tended to buy from the U.S. because they are familiar with sources of supply and it is administratively simpler. This deprives European nations of an opportunity to export. Consultation by Bizonal authorities with European economic organizations would help remedy this.

b. U.S. authorities have endeavored to limit imports to absolute essentials. This has made it impossible to accept other goods in payment for services rendered or goods sold to countries which cannot pay dollars or give essential goods (Example: vegetables from the Netherlands, fruits from Italy).

6. Allocations of Scarce Commodities: The position of the U.S. and UK before allocation authorities enables them to obtain for the Bizonal area shares of scarce commodities, especially food and fertilizer, greater than the liberated countries.

7. International Services. European countries need German services but find difficulty in paying in a way acceptable to U.S. authorities. On the other hand, Germany no longer uses certain services in European countries which deprives them of accustomed revenues. Examples:

- a. Czechoslovakia must use German rail facilities for western imports. At the ACA rate for international transit, Czech traffic would cost \$25,000,000 per year. Czechoslovakia cannot pay in dollars or in essential imports to Germany. Increased German imports (of goods not absolutely "essential") or lowered rates would help. Possibly a dollar loan from the U.S. to Czechoslovakia will be necessary.

- 3 -

- b. France wants to recruit workers from POWs in France and Germans in the U.S. zone. France is willing to pay these workers but wants to arrange their remittances to Germany so that they will make no loss to the French economy or gain to the German economy. The U.S. has proposed a compromise.
- c. The Dutch Government has protested the refusal of the occupation authorities to let Dutch barges haul traffic between German Rhine ports as they normally did.
- d. The Dutch and Belgians have asked the U.S. authorities in Germany to use Rotterdam and Antwerp for German exports and imports, in normal times, and have offered to pay any difference in the cost over the present use of Bremen and Hamburg. A solution to this problem has been accepted by SWGCC.

8. Reparations. While the U.S. oppose reparations from current production, which would postpone the time when Germany will become self-supporting and add to the expense of the U.S., European countries consider present reparations too limited and desire additional reparation, including current production, whatever the cost to the German economy and indirectly to the U.S.

9. Restitution. Although U.S. policy in general has been to restore identifiable stolen property found in Germany, the U.S. Government has in some cases, such as rolling stock, postponed return until similar German property in liberated areas was returned.

B. Discussion

1. The economic and financial recovery of Europe as well as of Germany is of the greatest importance to the United States. European nations have been asked to appraise their needs in order that the U.S. may consider the aid we should give. Germany has always been an integral part of the European economy. German exports to and imports from other European countries have been vital to their economic stability. The realization of our purposes in all Europe as well as the attainment of our objectives in Germany will be affected by policies we now pursue in Germany with respect to reparations and restitution, German foreign trade, and German services to other European countries, such as transportation. It is therefore necessary that in making and administering policies for Germany, the United States consider its interest both in German and European recovery.

2. The German economy in the bizonal area is not yet self-supporting. Any deficit must be met from the UK and US. Because of the present position of the UK, this means that substantially the entire deficit is met in the economic sense by the US. If special economic help is given from Germany to other European countries, it must result either in a lower standard of living

for Germany

- 4 -

for Germany or in a further burden on the United States. The former would endanger our objectives in Germany. The latter would becloud the record on the aid we are giving to Europe. The U.S. should, therefore, not require that special help be given by Germany to Europe, above and beyond normal economic relations, which will either materially retard German recovery or be at the expense of the U.S. funds.

3. Germany and the rest of Europe have had, historically, normal economic relationships which have been destroyed by the war and the occupation. Their reestablishment will in many cases place an added administrative burden on the occupation authorities who, for example, may obtain certain needed imports from the U.S. with less effort than would be required to arrange to import them from European countries. The value to the other countries of Europe of such normal relationships makes it important to the U.S. that they be restored when no increase in U.S. dollar outlays in Germany and no postponement of German recovery are involved.

4. The most difficult cases are those in which the restoration of normal commercial relationships will involve an indirect increase in U.S. expenditures or some delay in attainment of a self-supporting German economy but will be of substantial advantage to the recovery of other European countries. The United States, of course, has a direct financial interest in avoiding measures which will increase the German deficit to be met from U.S. appropriated funds. However, the vital interest of the United States in European recovery and the projected U.S. financing of European recovery make it essential that the U.S. consider the gain which any such measure will mean to any European country in whose recovery the U.S. is interested. This must mean that each such case must be considered from the point of view of the total interest of the U.S.

5. Recovery for each of the nations of Europe is closely related to recovery for all the others. They have consulted each other in the past through the Emergency Economic Committee for Europe (EECE), the European Central Inland Transport Organization (ECITO), and the European Coal Organization (ECO). Despite the importance of Germany to European recovery, OMGUS has not consulted closely with these organizations. There has now been established an Economic Commission for Europe (ECE). It may be an important organ for the consultations of the European nations on aid needed by them from the U.S. which they have been requested to hold. In order to accomplish U.S. objectives, both in Germany and in the rest of Europe, and in order to have U.S. policies understood, it is essential that there be fuller and more regular consultations on economic relations between Germany and other European countries.

AH:PPClaxton:nds

J. H. Hilldring

DIVISION OF
COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

DEPARTMENT OF STATE

INFORMATION
COPY

OUTGOING TELEGRAM

7-N

ORIGIN: A-E

June 19, 1947

INFO:

8 p.m.

S/S

VE

USPOLAD,

FOR

ESP

BERLIN (GERMANY)

OPD

1292

PC

FOR CLAY AND LIBERTY FROM SECRETARIES OF STATE, WAR, AND NAVY.

LOG

GenState has sent personal messages to Ambs Paris, Brussels, Hague and Rome of which following is summary:

Necessary to continuance of US aid that European countries agree among themselves on requirements of economic situation and what they will do to complement US action. Piece-meal US aid cannot solve the problem and US people and Congress will only support continued aid in terms of an integrated program the end of which can be seen. Further, an integrated program would improve the economic health and morale of needy countries more than continued individual shots in arm. US role is to aid in preparing European program and support to extent practical. However, extent of US aid likely to be dependent on sincerity, effectiveness and courage of European countries in helping themselves. If European countries not prepared to bear primary responsibility (whether through ineptness, fear of Soviet obstruction or otherwise) it may be impossible for US to aid in changing decisively the course of events. Because of our vital interest in European rehabilitation and our position as occupying power, it is important that we know soonest

~~SECRET~~

DECLASSIFIED

E.O. 11652, Sec. 3(E) and 5(D) or (E)

NND 750057

By CLE NARS, Date OCT 30 1974

TAB
C

~~SECRET~~~~SECRET~~

-2-

-2- #1292 to BERLIN, June 19, 1947

the political and technical feasibility of a European program. Entire subject is under intensive study here. To assist in this study latest information desired following points:

- a. Economic situation in respective countries and measures required for remedy;
- b. Will urgent and desperate demand for assistance from US be made during next year;
- c. Extent to which economic difficulties could be relieved by better exchanges (commodities, financial, manpower, etc.) with other areas of western and central Europe or other countries;
- d. Main obstacles to improving such exchanges;
- e. What contribution respective countries could make to general European rehabilitation if such obstacles removed; and
- f. General state of mind of responsible govt leaders in respective countries with respect to possible program of European rehabilitation, degree to which they are inhibited by Russian or communist pressure and the prospects for their initiative or cooperation.

Geographic coverage of and forum for considering any program of European countries will depend on analysis of all factors. For example, if there is real hope that all European countries would cooperate, Economic Commission for Europe could be used. If, however, believed that Soviets would oppose a European-wide program, regional program may be

~~SECRET~~

~~SECRET~~~~SECRET~~

-3- #1292 to BERLIN, June 19, 1947

necessary. It might be desirable to advance proposals in ECOS in first instance but necessary to avoid situation in which action was restricted to any one channel for developing information or implementing. Scope and nature of program not yet foreseeable. It might be developed along lines of Lonnert Plan covering several countries, or it might be most feasible to concentrate on few matters such as food, coal, transport. General comment from Eabs addressed is requested. End Summary.

Any program of European reconstruction must necessarily take Germany into account. Effective economic restoration of western Europe requires the assistance which western Germany can give which in turn requires a substantial degree of rehabilitation in Germany. Any European reconstruction program would have to include UK and France. British cooperation in using Bi-zonal Area as part of European program would be necessary and can be expected. Close integration of French Zone with Bi-zonal Area and in a European program would seem also necessary. While the present financial difficulties re US Zone are recognized, the arrangements for carrying through a European program in which the western zones were closely integrated would probably have to include increased financial support for Germany.

The above summary of the messages addressed by SecState to European countries is sent you as background. We would like your evaluation of the role which western zones Germany could play in the next year or two

~~SECRET~~

~~SECRET~~~~SECRET~~

-4- #1292 to BERLIN, June 19, 1947

in a program for European rehabilitation including the help which Germany could contribute to such a program, the help which other European countries could extend to Germany and the steps which would have to be taken in order to permit the German economy to make the greatest contribution to European recovery recognizing the necessity for working out a self-supporting economy for Germany. As time is short, an answer at the earliest practical date would be appreciated.

War sending same cable direct to General Clay.

MARSHALL

A-H;EAGross:mm 6/19/47

The above cable approved by the Secretaries of State, War, and Navy in a meeting held ~~XXXX~~ 19, 1947.
June .

~~SECRET~~

~~TOP SECRET~~

*File in
Com 8/3 (added 26)
minutes*

SWNCC SECRETARIAT

- 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 -----
- 2 Army Adm. Assistant -----
- Navy Adm. Assistant -----
- File -----

The Honorable

The Secretary of State

Dear Mr. Secretary:

As a result of our discussion of the question of providing ammunition to the Chinese National Army at our meeting of June 26, the War Department has investigated the availability of ammunition which might be transferred to the Chinese Army.

With the exception of .30 caliber rifle ammunition, all essential items listed (in the so-called "Gillen Report") by the Chinese as their requirement for a six months supply of U.S. type ammunition can be met from existing excesses or from war reserve. In the latter case it would be necessary to declare some war reserve ammunition surplus and dispose of it through the Foreign Liquidation Commission. Only about 8% by weight of this requirement comprise true surpluses in the Pacific and Far East, the remainder would have to be shipped or replaced from the United States. The .30 caliber ammunition requirement can be fully met only by reducing the stocks now being held for Western Hemisphere Defense and Universal Military Training programs by approximately 20%. These programs, however, are not yet approved, and could not be implemented for some time subsequent to approval.

The War Department has determined that private American industry would be interested in selling ammunition to the Chinese, and has the productive capacity to meet the immediate Chinese requirements, but would not be able to begin to fill Chinese orders for several months. The impact on War Department stocks of an emergency supply of ammunition, might possibly be lessened or eliminated through replacement by Chinese orders on U.S. industry.

If the U.S. Government decides upon the immediate transfer of ammunition to China as an emergency expedient, the question of a continuing supply will surely arise before this ammunition is exhausted. If, as a result of the long range comprehensive analysis contemplated in your letter of 4 March, U.S. policy were to envisage such a continuing supply, the best arrangement would appear to be the purchase

DECLASSIFIED

E.O. 11652, Sec. 3(E) and 5(D) or (E)

NND 750057

By CSG NARS, Date OCT 30 1974

SWNCC

~~TOP SECRET~~

of ammunition by the Chinese directly from U.S. industry, perhaps from plants which we might wish to encourage private industry to establish in China itself. Otherwise, we would be faced by a situation wherein it is now calculated it would not be reasonably possible to continue even a partial supply for more than two years from stocks now held for civilian components and for other War Department programs. It is impossible to prepare any firm estimate of our capability from these sources since the Greek and Turkish, and possibly other programs, are not yet fully developed.

Sincerely yours,

(Signed) ROBERT W. WILSON

Secretary of War

ALL OTHERS DE CIVIL

MAR 10 10 11 AM '50

COPIES & RECD SEC
RECEIVED

²
~~TOP SECRET~~

DEPARTMENT OF STATE

ASSISTANT SECRETARY GENERAL HILLDRING



A-H - Mr. Gross

Subject: Status of Action on Item I of Committee of Three Minutes of June 19 Meeting.

Reference is made to my memorandum of July 28 to A-H inviting attention to the fact that apparently there had been no action taken to have the Secretary of State approach various officials of the Governments of the FEC nations in connection with our position toward FEC 084/12 and your reply that the status of the FEC paper had changed.

Bob Barnett advises me that there has been a major change in the FEC with respect to this paper in that all of the member countries except China have now indicated agreement to a revised amendment that we have proposed in FEC 084/18. Mr. Barnett states that in view of this development he is of the opinion that no high level pressure as agreed upon by the Committee of Three is necessary.

I assume that you are in agreement that no further action in this connection is necessary. Would you please indicate that this is your view.

Yes
raf
Secret

HWM
H. W. Moseley

2424

DEPARTMENT OF STATE

ASSISTANT SECRETARY

Moseley, *[Signature]*

Status of FEC
paper has changed:
Suggest you check
with Sam Stratton

[Signature]

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
NND 750057
By CFB NARS, Date OCT 30 1974

DEPARTMENT OF STATE

~~SECRET~~

ASSISTANT SECRETARY

July 28, 1947

A-H - Mr. Cameron

Subject: Status of Action on Item I of
Committee of Three Minutes of
the June 19 Meeting.

Would you be good enough to have someone in
A-H advise me what if any action has been taken
pursuant to Item I of the Minutes of the June 19
Meeting of the Committee of Three. At that time,
it was agreed that responsibility for initiating
action in this connection would fall upon A-H, but
I have no record of implementation.

I am attaching hereto an extract from the
Minutes of the June 19 Meeting, and you will notice
that the implementing action stated that "the
Secretary of State to approach various officials of
the Governments of the FEC Nations in this connection".
(Reduction of Japanese Industrial War Potential)

The only development that has come to me is
the introduction by State of SWNCC 302/7 which proposes
the new U. S. position toward this subject, namely
that the problem of control of the economic war
potential of Japan should be incorporated in the
Peace Treaty with Japan. This paper does not indicate,
however, what the U.S. position should be with
respect to the related paper pending in the FEC.
My immediate problem is, however, as Secretary of
the Committee of Three, to determine whether
implementing action is taken with respect to this
Item.

~~SECRET~~

H. W. Moseley *NWM* 2428

~~SECRET~~EXTRACT FROM COMMITTEE OF THREE MINUTES
DATED JUNE 19, 1947I. Reduction of Japanese Industrial War Potential (FEC-084/12) and U.S. Policy Toward Japanese ReparationsDecision:

It was agreed that a direct approach should be made to top officials of various FEC nations in an attempt to win their support to the U.S. position with respect to FEC-084/12 and the general U.S. policy toward reparations.

Implementing Action:

The Secretary of State to approach various officials of the Governments of the FEC nations in this connection.

Discussion:

SECRETARY MARSHALL referred to General McCoy's letter of June 13, to General Hilldring in which he requests authority to introduce a new amendment to FEC-084/12. SECRETARY MARSHALL recalled that at the May 1, meeting of the three Secretaries General McCoy was authorized to introduce an amendment to the FEC paper which would limit the provisions of the policy set forth therein until January 1, 1949, or until the end of the present phase of the occupation, whichever is earlier. General McCoy had reported all of the other FEC nations refused to accept our proposed amendment and that he therefore wished to introduce a modified version which he believed would meet our interests and still have some chance of approval by other FEC members.

GENERAL HILLDRING said that the fundamental issue in the FEC paper and the proposed amendments represented two points of view. On the one hand, the U. S. attitude is constructive as concerns Japan and the attitude of the other FEC nations is a punitive one. He added that any decision on this paper must be considered in relation to the Japanese Peace Treaty negotiations, that we will need the support of our Allies at these negotiations and we must take precautions not to lose their support as would be the case if we should veto the paper under consideration.

MR. PETERSEN said that our views toward Japan have changed from those which are set forth in the FEC paper; we now feel that the controls over Japanese industry outlined in that paper are too rigid and too many to enable Japan to emerge from its present chaos. He stated that we must face the fact now that our viewpoints are different and that we might as well inform the other FEC nations accordingly. He added that this brings up the whole question of our present policy on Japanese reparations. He said that we must reach agreement now to take unilateral action on reparations and not wait any longer for FEC decisions.

~~SECRET~~

DECLASSIFIED

E.O. 11652, Sec. 3(E) and 5(D) or (E)

NND 750057

By CZO NARS, Date OCT 30 1974

~~SECRET~~

- 2 -

SECRETARY PATTERSON said that he agreed with Mr. Petersen in this connection. He pointed out the urgent need for reaching a solution to the reparations problem in order that Japanese economy may be made to pay its own way with the consequent lifting of the burden of financing of imports by American taxpayers. In other words, we must take action to get the Japanese economy going and no longer be balked by the FEC.

SECRETARY FORRESTAL said that he believed that we could obtain the support of many of the FEC nations if we put this matter up directly to the top officials of those Governments. He recommended that steps be taken by the Secretary of State to do this. SECRETARY PATTERSON said that he favored this action and SECRETARY MARSHALL said that he would agree to approach the top representatives of the various Governments in this connection.

~~SECRET~~

~~SECRET~~ *8 file* *was*

MINUTES
MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
JUNE 19, 1947 - 10:30 a.m.

PRESENT

STATE

SECRETARY MARSHALL
 GENERAL HILLDRING
 MR. RIDDLEBERGER
 MR. McWILLIAMS
 Mr. Moseley (SINOC), Secretary

SECRETARY PATTERSON
 ASSISTANT SECRETARY PETERSEN

SECRETARY FORRESTAL
 UNDER SECRETARY SULLIVAN
 ADMIRAL DENFELD
 REAR ADMIRAL WOOLDRIDGE

I. Reduction of Japanese Industrial War Potential (FEC-084/12 and U. S. Policy Toward Japanese Reparations)

Decisions:

It was agreed that a direct approach should be made to top officials of various FEC nations in an attempt to win their support to the U. S. position with respect to FEC-084/12 and the general U. S. policy toward reparations.

Implementing Actions:

The Secretary of State to approach various officials of the Governments of the FEC nations in this connection.

Discussion:

SECRETARY MARSHALL referred to General McCoy's letter of June 13, to General Hilldring in which he requests authority to introduce a new amendment to FEC-084/12. SECRETARY MARSHALL recalled that at the May 1, meeting of the three Secretaries General McCoy was authorized to introduce an amendment to the FEC paper which would limit the provisions of the policy set forth therein until January 1, 1949, or until the end of the present phase of the occupation, whichever is earlier. General McCoy had reported all of the other FEC nations refused to accept our proposed amendment and that he therefore wished to introduce a modified version which he believed would meet our interests and still have some chance of approval by other FEC members.

GENERAL HILLDRING said that the fundamental issue in the FEC paper and the proposed amendments represented two points of view. On the one hand, the U. S. attitude is constructive as concerns Japan and the attitude of the other FEC nations is a punitive one. He added that any decision on this paper must be considered in relation to the Japanese Peace Treaty negotiations, that we will need the support of our Allies at these negotiations and we must take precautions not to lose their support as would be the case if we should veto the paper under consideration.

MR. PETERSEN said that our views toward Japan have changed from those which are set forth in the FEC paper; we now feel that the controls over Japanese

~~SECRET~~

DECLASSIFIED
 E.O. 11652, Sec. 3(E) and 5(D) or (E)
 NND 750057
 By *CSA* NARS, Date OCT 30 1974

~~SECRET~~

- 2 -

industry outlined in that paper are too rigid and too many to enable Japan to emerge from its present chaos. He stated that we must face the fact now that our viewpoints are different and that we might as well inform the other FEC nations accordingly. He added that this brings up the whole question of our present policy on Japanese reparations. He said that we must reach agreement now to take unilateral action on reparations and not wait any longer for FEC decisions.

SECRETARY PATTERSON said that he agreed with Mr. Peterson in this connection. He pointed out the urgent need for reaching a solution to the reparations problem in order that Japanese economy may be made to pay its own way with the consequent lifting of the burden of financing of imports by American taxpayers. In other words, we must take action to get the Japanese economy going and no longer be balked by the FEC.

SECRETARY FORRESTAL said that he believed that we could obtain the support of many of the FEC nations if we put this matter up directly to the top officials of those Governments. He recommended that steps be taken by the Secretary of State to do this. SECRETARY PATTERSON said that he favored this action and SECRETARY MARSHALL said that he would agree to approach the top representatives of the various Governments in this connection.

II. Priority for Food Shipments to Germany.

A request of State Member of SAHACC and agreement by Army member this matter was dropped from its agenda (Nov. 7, 1947) as matter was considered in bilateral talks with Britain. H. H. 7

Decisions:

It was agreed to refer the matter to SWNCC for consideration and report as a matter of urgency.

Implementing Actions:

SWNCC to undertake this study as a matter of urgency.

Discussion:

SECRETARY PATTERSON referred to his letter of June 13, 1947, to the Secretary of State in which he outlined the critical food situation existing in Germany, stating that nowhere are food stocks so low or rations so slim as in Germany today. He called attention to the responsibility of the U. S. as the occupying power, and stated that urgent consideration must be given to obtaining more satisfactory priorities for the allocation and shipping of food supplies to Germany. He said that we spread our distribution of food supplies too thinly and that we must limit our supplies to truly urgent and needy situations.

GENERAL HILLDRINE said that we have been sending to Germany and Japan what had been estimated as the needs of those areas. He said that apparently we must try to obtain finer requirements. He added that apparently we have been following these estimates so closely that only minor changes in indigenous collections of food have resulted in causing emergency situations.

SECRETARY MARSHALL said that apparently what SECRETARY PATTERSON desires is

~~SECRET~~

~~SECRET~~

- 3 -

a change in priorities for food shipments, and in view of the fact that the problems incident to the establishment of priorities are so complex and of such great political importance that it would appear desirable to have a study made prior to making a decision on this matter. He suggested, and the Committee agreed, that the study be referred to SMCC as a matter of urgency.

III. Socialization of German Coal Mines.

Decision:

It was agreed:

1. That strong representations should be made to the British Government to the effect that it must cease or defer any experiments in socialization of the German coal mines.
2. Representatives of the War and Navy Departments should revise paragraph 21(c) of SMCC 327/3 regarding public ownership of enterprises in Germany.

Implementing Action:

1. Secretary of State to arrange for making representations to the British Government referred to above.
2. Assistant Secretary Hilldring and Assistant Secretary Petersen to undertake a revision of paragraph 21(c) of SMCC 327/3.

Discussion:

SECRETARY PATTERSON again referred to his letter of June 13, 1947, to SECRETARY MARSHALL in which he stated that the British program for socialization of the Ruhr coal mines is certain to interfere with the maximum production of coal at this critical time, and that we must put pressure on the British to stop or postpone these experiments. He said that the decision on socialization should be put up to the German people at a later date after the Germans have succeeded in establishing their own economy on a sound basis. MR. PETERSEN said that General Clay was similarly opposed to any experiments in socialization, although he had suggested as a compromise measure that the mines be placed under trusteeship.

SECRETARY MARSHALL said that he was in general agreement with SECRETARY PATTERSON'S views, but that there appeared to be uncertainty regarding the procedure and terms of a trusteeship for the coal mines; if uncertainty as to future ownership is a deterrent in coal production, it would appear that the trusteeship compromise would merely prolong the uncertainty. He added that as a matter of policy we must consider reaction in this country if we should be found supporting a nationalization of industry program in Germany, and we must also consider the effect on the German political parties in the U. S. Zone of any stand we take.

SECRETARY FORRESTAL said that we can by no means support any socialization program as such would be only an opening wedge for socialism. He urged that

~~SECRET~~

~~SECRET~~

- 4 -

SECRETARY MARSHALL take the matter up with the British at the highest level.

SECRETARY MARSHALL said that the general policy toward public ownership was well stated in paragraph 21(c) of SWDC 327/3. He pointed out that this statement provided that the Commanding General should "refrain from interfering in the question of public ownership of enterprises in Germany, except to ensure that any choice for or against public ownership is made freely through the normal processes of democratic government." He said he thought that this general policy could be applied to the coal mining industry. He asked if the other Members agreed with this statement of policy.

SECRETARY FORRESTAL said that he thought that the SWDC policy statement was too negative in its effect. SECRETARY PATTERSON said that he also felt that this statement was unsatisfactory and should be revised.

It was decided that GENERAL HILLDRING and MR. PETERSEN should seek a revision of this policy statement.

IV. Construction of Naval Vessels for Argentina.

Decision:

It was agreed that this matter should be taken up at the Cabinet Meeting on June 20, 1947.

Implementing Action:

SECRETARY MARSHALL and SECRETARY FORRESTAL to introduce this matter at the June 20th Cabinet Meeting.

Discussion:

SECRETARY MARSHALL said that he understood that SECRETARY FORRESTAL wished to raise the question of the construction of Argentine naval vessels in the U. S. He recalled that this matter had been brought up at previous meetings of the three Secretaries and that at that time it had been agreed to defer consideration pending further clarification of our policy toward Argentina.

SECRETARY FORRESTAL said that from the point of view of the Navy Department it was most desirous to aid our shipbuilding industry, which was now flat on its back. He said that during the latter part of 1946 the Government of Argentina had approached the Bethlehem Steel Company inviting bids on one carrier, one cruiser, two destroyers and two submarines, and at that time the State Department advised the Company that it was contrary to U. S. policy to furnish arms and vessels of war to Argentina. He added that it is understood that Argentina is still desirous of obtaining construction of these vessels, as well as a number of other ships; also that the British Vickers Company is endeavoring to close a contract for building these ships. He said that the British ship yards will be busy for the next three years and are not in need of this business, whereas the unemployment situation in our yards is extremely serious.

SECRETARY PATTERSON pointed out that if the U. S. should agree to build

~~SECRET~~

~~SECRET~~

- 5 -

these ships, we undoubtedly will be criticised for playing along with Peron.

SECRETARY MARSHALL suggested that the matter be resolved at the next Cabinet Meeting.

V. Proposed Cable (Appendix "A") to General Clay and Ambassador Murphy from the Secretaries of State, War and Navy on European Reconstruction Program.

Decisions:

It was agreed that the cable should be despatched.

Implementing Action:

State Department to despatch the cable.

Discussion:

SECRETARY MARSHALL circulated for consideration a draft cable (see Appendix "A") to General Clay and Ambassador Murphy which includes a summary of the message sent to the American ambassadors at Paris, Brussels, Hague and Rome regarding the European Reconstruction Program and which asks for their views on the role which the Western Zones of Germany should play in such a program.

The telegram was approved without discussion.

~~SECRET~~

~~SECRET~~APPENDIX "A"DRAFT CASE.FROM SECRETARIES OF STATE, WAR AND NAVY
TO GENERAL CLAY AND AMBASSADOR MURPHY

Sec State has sent personal messages to Ambs Paris, Brussels, Hague and Rome of which following is summary:

Necessary to continuance of US aid that European countries agree among themselves on requirements of economic situation and what they will do to complement US action. Piecemeal US aid cannot solve the problem and US people and Congress will only support continued aid in terms of an integrated program the end of which can be seen. Further, an integrated program would improve the economic health and morals of needy countries more than continued individual shots in arm. US role is to aid in preparing European program and support to extent practical. However, extent of US aid likely to be dependent on sincerity, effectiveness and courage of European countries in helping themselves. If European countries not prepared to bear primary responsibility (whether through ineptness, fear of Soviet obstruction or otherwise) it may be impossible for US to aid in changing decisively the course of events. Because of our vital interest in European rehabilitation and our position as occupying power, it is important that we know soonest the political and technical feasibility of a European program. Entire subject is under intensive study here. To assist in this study latest information desired following points:

- a. Economic situation in respective countries and measures required for remedy;
- b. Will urgent and desperate demand for assistance from US be made during next year;
- c. Extent to which economic difficulties could be relieved by better exchanges (commodities, financial, manpower, etc.) with other areas of western and central Europe or other countries;
- d. Main obstacles to improving such exchanges;
- e. What contribution respective countries could make to general European rehabilitation if such obstacles removed; and
- f. General state of mind of responsible govt leaders in respective countries with respect to possible program of European rehabilitation, degree to which they are inhibited by Russian or communist pressure and the prospects for their initiative or cooperation.

Geographic coverage of and forum for considering any program of European countries will depend on analysis of all factors. For example, if there is real hope that all European countries would cooperate, Economic Commission for Europe could be used. If, however, believed that Soviets would oppose a European-wide program, regional program may be necessary. It might be

~~SECRET~~

- 2 -

~~SECRET~~

desirable to advance proposals in ECE in first instance but necessary to avoid situation in which action was restricted to any one channel for developing information or implementing. Scope and nature of program not yet foreseeable. It might be developed along lines of Marshall Plan covering several countries, or it might be most feasible to concentrate on few matters such as food, coal, transport. General comment from Eads addressed is requested. End Summary.

Any program of European reconstruction must necessarily take Germany into account. Effective economic restoration of western Europe requires the assistance which western Germany can give which in turn requires a substantial degree of rehabilitation in Germany. Any European reconstruction program would have to include UK and France. British cooperation in using Bi-zonal area as part of European program would be necessary and can be expected. Close integration of French Zone with Bi-zonal Area and in a European program would seem also necessary. While the present financial difficulties re US Zone are recognized, the arrangements for carrying through a European program in which the western zones were closely integrated would probably have to include increased financial support for Germany.

The above summary of the messages addressed by Sec State to European countries is sent you as background. We would like your evaluation of the role which western zones Germany could play in the next year or two in a program for European rehabilitation including the help which Germany could contribute to such a program, the help which other European countries could extend to Germany and the steps which would have to be taken in order to permit the German economy to make the greatest contribution to European recovery recognizing the necessity for working out a self-supporting economy for Germany. As time is short, an answer at the earliest practical date would be appreciated.

~~SECRET~~

SECRET

WAR DEPARTMENT
Washington

*Com off here Files
(with June 19 Minutes)*

June 13, 1947

C
O
P
Y

~~SECRET~~

Hon. George M. Marshall,
Secretary of State,
Washington, D. C.

Dear Mr. Secretary:

There are two problems in Army occupation in Germany which are of the most urgent importance. One has to do with preventing famine. The other has to do with the British program of socializing the coal mines in the Ruhr. We will need the guidance and assistance of the State Department if we are to avoid disaster.

FAMINE

We are in the most critical condition in preventing wholesale famine in the U.S.-U.K. zones.

The official ration is 1550 calories. How meagre this official ration is may be seen by the fact that the British ration is 2900 calories a day, while the average American consumes 3300 calories a day.

The official ration of 1550 calories, however, is not being made available. The average ration for the combined zones for the past six weeks has been 1200 calories, and in many places it is as low as 900 calories. This is slow famine. Stocks of food are so low that even if planned shipments from this country are fulfilled, the likelihood of getting back to the 1550 level is poor.

We have this further fact, that we and the British are committed to raise the ration to 1800 calories by October 1st. Our chance of fulfilling

~~SECRET~~

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
NND 750057
By CD NARS, Date DEC 20 1974

SECRET

this commitment is very dim, unless we can supply one million more tons to the two zones in the next crop year than are being supplied in the current crop year.

No other European country, except Austria, is faced with conditions anything like as critical. Experienced observers, including Herbert Hoover, who have surveyed the situation in the other countries of Western Europe have reported that in none of them are there signs of serious undernourishment. Nowhere are food stocks so low or rations so slim as in Germany.

Occupation has no chance of success if these conditions continue. This state of affairs has been foreseen, and I have urged repeatedly that priority be recognized for food shipments to Germany. The basis for the priority is that the prevention of famine in the U.S.-U.K. zones of Germany is our particular responsibility, jointly with the British, together with the fact that food conditions prevalent in the two zones are the worst of anywhere in Europe.

We will not get the priority unless we have your help. As I see it, the priority will be needed in allocation of food supplies for export, in loading at the ports, and in shipping.

SOCIALIZATION OF COAL MINES

The greatest need in Germany, next to food, is coal. The daily production, 215,000 tons, is far below the level programmed for this time last year. The situation is discouraging because the daily rate has been declining in the last few months, instead of rising.

The British, who are in direct charge of production of coal in the Ruhr, have the purpose of carrying out a socializing of the mines. Lord Pakenham, the Foreign Office man on Germany saw Petersen a few days ago in Berlin and told him candidly that it was the firm purpose of his government to

SECRET

bring about a nationalization of the coal mines.

Our people in Germany have the view, and I share it, that the need is for maximum production of coal at this critical time, not for experiments in socialization. As I see it, such experiments are certain to interfere with current production. If my house is on fire, I do everything I can to put the fire out, I do not engage in arguments on the state of title to the house.

Our people in Germany have been unable to take a firm position with the British. At present we have no policy on the matter, although we have been trying for some time to induce the State Department to take a position. Unless one is taken, the matter will go by default.

I submit that strong representations should be made to the British government, to the effect that it must at least postpone its socialization program until the present emergency in production of coal has been overcome. We have every right to insist on this, since the load of carrying the two zones in Germany, particularly in the vital matter of food, is falling more and more on our shoulders.

I should like to discuss these two problems at the next meeting of the Committee of Three. I am sending a copy of this letter to the Secretary of the Navy.

Sincerely yours,

(sgnd) Robert P. Patterson,
Secretary of War.

- 3 -

~~SECRET~~

O
P
Y

FAR EASTERN COMMISSION
2516 Massachusetts Avenue, N. W.
Washington 8, D.C.

13 June 1947

Major General John H. Hilldring
Assistant Secretary of State
Department of State
Washington, D. C.

Dear General Hilldring:

1. I should like to invite your attention to an important and urgent problem in the Far Eastern Commission, which has arisen in connection with the FEC paper, Reduction of Japanese Industrial War Potential (FEC-084/12).

2. This paper, introduced as a United States paper, contains the provision: "The capacity levels remaining in the iron and steel, light metals, metal-working machinery, (etc) . . . should constitute the permissible maxima in these industries during the period of the occupation." Since the "period of the occupation" may possibly last for a number of years, and the limitation for a long period to "the permissible maxima" might prevent the industrial recovery of Japan, the three Secretaries some time ago decided that the United States Representative on the Commission should insist on the adoption of the following amendment to the FEC paper:

"The provisions of this policy decision will apply until 1 January 1949 or until the end of the present phase of the occupation of Japan, whichever is the earlier."

3. This amendment has been urged strongly by the United States members in both the Reparations Committee and the Steering Committee. Nevertheless, the representatives of practically all the other ten states on the Commission have refused to accept it.

4. However desirable this proposed amendment may be per se, it is now evident that it has consequences which are unfortunate for the United States Government.

- 2 -

- (1) It has arrayed the Governments of the ten other states on the Far Eastern Commission against us, including the leading states which normally are our friends and whose support we often need in world affairs.
- (2) It has led to suspicions of the intentions and motives of the United States in the occupation of Japan. Mr. Graves, the acting British Representative on the Commission, has said recently in conversation that he and others on the Commission oppose the United States amendment in large part because the United States appears to desire removal of all controls over Japanese industry by January 1, 1949, so that Japan may be rebuilt as quickly as possible as a prosperous, industrialized country which the United States will control and use as a bulwark against the USSR.
- (3) The antagonistic attitude of many of the FEC members in regard to this United States amendment may later embarrass the Secretary of State at the Peace Conference. The strong opposition to this United States amendment must represent the attitude and feeling of the home Governments of the several states. Also, the members themselves of the several delegations will probably be the advisers of the Ministers of Foreign Affairs at the Peace Conference and will naturally influence the attitude of the Ministers on proposals presented by the United States Government, especially along economic lines.
- (5) I am convinced that it would be to the advantage of the United States if the three Secretaries would authorize me to present to the Far Eastern Commission a substitute amendment which may be acceptable to the

- 3 -

other states on the Far Eastern Commission and yet will adequately safeguard United States interests.

6. I recommend the following substitute amendment, which has some chance of being approved by the Commission:

The provisions of paragraph 9(b) and the provisions of the second clause of paragraph 1(c) of this policy decision shall apply until the end of the present phase of the occupation or until appropriate action has been taken by the Peace Conference, whichever takes place earlier. However, in any case, these provisions shall remain in force no longer than two years from the date of the approval of this policy decision by the Far Eastern Commission, unless the Far Eastern Commission shall extend the validity of these provisions for a further period.

I recommend, further, that if discussions in the Far Eastern Commission should make it appear necessary in order to pass the amendment, I be authorized to substitute in place of the expression "two years from the date of the approval of this policy decision by the Far Eastern Commission," the words "January 1, 1950."

I am assured that in any case the Japanese will almost certainly be unable before 1950 to expand the designated categories of their industry beyond the "permissible maxima."

I assume that I am authorized in negotiation in regard to this proposed amendment, to agree to changes which I deem desirable, provided they will not effect the meaning or substance of the amendment.

7. I should appreciate it if you would bring this letter to the attention of the Secretary of State, and trust that you may be able to give it your own valuable support. I believe that Mr. Vincent and Mr. Martin will concur in principle in the views expressed in favor of some suitable substitute amendment.

Yours sincerely,

(sgnd) FRANK MC COY

FEC-084/12FEC-084/126 June 1947FAR EASTERN COMMISSIONREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL
(References: FEC-084 Series; SC-037 Series;
C2-022 Series)Note by the Secretary General

1. The enclosure, a revision of FEC-084/9 (Reduction of Japanese Industrial War Potential), approved by Committee No. 2: Economic and Financial Affairs at its sixty-first meeting, 5 June 1947, is forwarded herewith for the consideration of the STEERING COMMITTEE.
2. The United States member opposed the motion approving the document.
3. The Chinese member agreed to accept the amendment to paragraph 5.b.(2) of FEC-084/7 on the condition that a statement that it was his Government's understanding that the paragraph would include equipment for manufacturing heavy prime movers, cranes, mining equipment and chemical equipment be incorporated in the minutes of the Commission meeting at which the policy is adopted.
4. Committee No. 2 decided to make no recommendation regarding the amendments proposed by the Soviet member to paragraphs 9.a.(1), 9.b. and 10 (indicated by underlining in the enclosure) for consultation with the Allied Council for Japan. The Committee considered that these proposals could be more appropriately discussed by the Steering Committee.
5. At its sixty-third meeting, 6 May 1947, the Steering Committee referred FEC-084/9 back to Committee No. 2 for further Consideration in the light of amendments proposed by the United States and Australian members.
6. In accordance with paragraph 3 of FEC-067/3 Committee No. 2 recommends that the text of the enclosure be released to the press in the normal procedure.

NELSON T. JOHNSON
Secretary General

FEC-084/12

~~RESTRICTED~~ENCLOSUREREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL1. Summary

Subject to the provisions stated in paragraph 10, the following actions, as detailed in paragraph 2-9, should be taken during the period of the occupation, in order to reduce Japanese industrial war potential:

a. All special purpose industrial machinery and equipment functionally limited to use in connection with combat equipment end-products, should be destroyed.

b. All other industrial machinery and equipment in primary war industries, and such other industrial facilities in secondary war industries and war-supporting industries as may be in excess of the peaceful needs of the Japanese economy should be made available for claim as reparations.

c. During the period of the occupation, a prohibition should be maintained against the re-establishment of primary war industries; and specified war-supporting industries should be limited to the productive capacity levels remaining after completion of the reduction program outlined above, except as modifications in these levels may be authorized by the Far Eastern Commission.

2. Primary War Facilitiesa. Definitions:

(1) Primary War Facilities are defined as plants and establishments primarily engaged in the development, manufacture, assembly, testing, repair, maintenance, or storage of combat equipment end-products and civil aircraft, and plants and establishments building merchant vessels above a size to be determined by the Far Eastern Commission.

(2) Combat Equipment End-Products are defined as weapons, ammunition, missiles and explosives used for military purposes; chemical or bacterial warfare agents; ultra-shortwave radio equipment (radar); naval combatant vessels; armored vehicles; or aircraft (including air frames and aircraft engines).

b. Disposition:

(1) All firms and organizations, whether publicly or privately owned and operated, whose activities have related primarily to the operation of primary war facilities and whose continued existence is deemed by the Supreme Commander for the Allied Powers to be undesirable from a security standpoint, should be dissolved by the Supreme Commander, who should at the same time seize their records and register all their key executive, managerial, research and engineering personnel.

(2) All plants and establishments identified by the Supreme Commander as primary war facilities should be impounded, and their machinery and equipment made available for reparations, subject to the following limitation: All buildings, machinery, and equipment in primary war facilities which, by virtue of initial design,

~~RESTRICTED~~

construction, or major structural change, are, as individual items, special purpose in nature and functionally limited to use in connection with combat equipment and end-products should be destroyed.

3. Secondary War Facilities

a. Definition:

Secondary war facilities are defined as plants and establishments primarily engaged in manufacturing, repairing or maintaining major fabricated component parts, sub-assemblies, accessories, or equipment especially designed for use in the products of primary war facilities.

b. Disposition:

(1) In plants and establishments identified by the Supreme Commander as being originally organized or completely reequipped to operate as secondary war facilities as defined in subparagraph a above, all machinery and equipment, except as noted under (3) below, should be made available for reparations.

(2) In plants and establishments other than those covered in (1) above, all machinery and equipment, except as noted under (3) below, should be disposed of under the recommendations in paragraph 5 covering the industry with which, in the opinion of the Supreme Commander, they were associated prior to their conversion or diversion to war production.

(3) All buildings, machinery, and equipment in secondary war facilities which by virtue of initial design, construction, or major structural change are as individual items special purpose in nature and functionally limited to use in connection with combat equipment and-products should be destroyed.

4. Dispersed Machinery and Equipment from Primary and Secondary War Facilities

All special purpose machinery and equipment, as defined under 2 b(2) and 3 b(3) above, should be sought out in locations to which they may have been removed from primary and secondary war facilities, and should be destroyed wherever found. Other machinery and equipment which was formerly used in primary and secondary war facilities but subsequently dispersed, need not be sought out and identified under the provisions of this paragraph but should be treated under paragraph 5, as a part of the industry with which it is associated.

5. War Supporting Industries

a. Over-All Policy

As a supplementary measure designed further to reduce Japan's industrial war potential, that portion of existing capacity in selected war-supporting industries which is in excess of that necessary to meet the peaceful needs of the Japanese people, as defined by the Far Eastern Commission, should be made available for removal as reparations.

~~RESTRICTED~~b. Application

(1) The following specific industries are considered as being "war-supporting," for purposes of the industrial removals provided for in para 5 a:

- (a) The iron and steel industry, producing pig iron, steel ingots and basic shapes
- (b) The coal carbonization industry
- (c) The non-ferrous metals industry, producing pig, ingot and basic shapes
- (d) The light metals industry, producing alumina, primary aluminum and magnesium, rolled, drawn or extruded shapes
- (e) The metal working machinery industry, producing machine tools, cutting tools and secondary metal working machinery
- (f) The ball and roller bearing industry
- (g) That part of the chemical industry producing industrial explosives, sulfuric acid, soda ash, caustic soda, chlorine, chemical nitrogen and calcium carbide (In the case of industrial explosives "capacity which is in excess of that necessary to meet the peaceful needs of the Japanese people" is defined as capacity which is in excess of that necessary to meet Japanese domestic requirements)
- (h) The railway equipment industry
- (i) The automotive industry
- (j) The electric power industry
- (k) The cement and abrasives industries
- (l) The steel merchant shipbuilding and repair industry (residual after removals effected under para. 2)
- (m) The merchant marine, fishing, whaling and cannery fleets, including publicly and privately owned steel vessels of 100 tons or over (this shall not be interpreted to prevent vessels of less than 100 tons being considered for reparations)
- (n) The oil refining and synthetic fuel industry and storage
- (o) The synthetic rubber industry
- (p) The heavy electrical equipment industry

(2) In addition to reduction in capacity in the specific industries listed above, a further reduction in the total inventory of metal-working machinery in Japan should be effected in so far as this may be required to eliminate metalworking capacity in excess of the peaceful needs of the Japanese people as defined by the Far Eastern Commission.

~~RESTRICTED~~

6. Residual Capacity

After the Supreme Commander for the Allied Powers has completed the selection for delivery to claimant countries of industrial plants or facilities within the categories of industry approved for removal as reparations by the Far Eastern Commission, and, after the destruction of special purpose machinery, as defined in paragraphs 2 and 3, residual productive capacity in the industries designated in this paper which is in excess of Japan's peaceful needs, as defined by the Far Eastern Commission, should be appraised from the standpoint of the individual and collective war potential represented by this capacity, and a decision made by the Far Eastern Commission as to its disposition.

7. Property of Nationals of Members of the United Nations

The property of nationals of members of the United Nations should be dealt with in accordance with FEC-226/1.

8. Reparations

Removal or destruction of industrial capacity for security purposes under the terms of this policy should not be limited in order to compensate for the effects of industrial removals for reparations.

9. Post-Removal Restrictions on Japanese Industrial Capacity

Throughout the period of the occupation the following limitations of Japanese industrial capacity should be maintained.

a. Primary War Facilities:

Within the framework of the definitions given in paragraphs 2 and 3:

(1) The following should be prohibited in Japan: The establishment, possession or operation of any facilities for the development, manufacture or assembly of combat equipment end-products; the development, manufacture, assembly, importation or possession of any special purpose machinery and equipment as defined under paragraphs 2 b (2) and 3 b (3); the development, manufacture or assembly of any combat equipment end-products, or their possession except as authorized by the Supreme Commander, after consultation with the Allied Council for Japan in accordance with the Terms of Reference of the Allied Council for Japan, for the purposes of the occupation; the building of merchant vessels above a size to be determined by the Far Eastern Commission; the development, manufacture or assembly of civil aircraft; and the participation by the Japanese Government or Japanese nationals in the ownership or airborne operation of civil aircraft.

(2) Japan should be directed to prohibit any of its nationals from taking part in the ownership or operation of primary war facilities outside of Japan.

b. War-Supporting Industries:

The capacity levels remaining in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining and storage, synthetic oil and synthetic rubber industries after the completion of the industrial removals proposed in this paper and after the disposition of remaining "excess" facilities as provided for under paragraph 6, should constitute

~~RESTRICTED~~

the permissible maxima in these industries during the period of the occupation, pending a decision as to the long-term disarmament controls. These maxima should be subject to review by the Far Eastern Commission. If, at any time during the occupation, the Supreme Commander considers an adjustment in these levels necessary, he should, after consultation with the Allied Council for Japan in accordance with the Terms of Reference of the Allied Council for Japan, recommend such an adjustment and submit to the Far Eastern Commission appropriate supporting data. Changes in the established levels can be made after adoption by the Far Eastern Commission of a policy decision authorizing such a change.

10. Occupation Needs

The Supreme Commander should be authorized to except temporarily from the provisions of this paper particular primary war facilities, secondary war facilities and facilities in war-supporting industries, in so far as such facilities are required to meet the needs of the occupation. In such cases the Supreme Commander will after consultation with the Allied Council for Japan in accordance with the Terms of Reference of the Allied Council for Japan provide an explanation of reasons for retention and an estimated date of removal or destruction.

11. Records of Property Removals and Destruction

The Supreme Commander should keep records of all property removed from Japan or destroyed in the execution of the policies in this paper.

12. The provisions of this policy decision will apply until an appropriate decision on this question by the Peace Conference.

SECRET*(State Dept Brief)***REQUEST FROM SENATOR HICKENLOOPER**

Problem: To act on Senator Hickenlooper's request that appropriate Departments consult and fix a date by which other nations may have developed the atomic bomb.

Discussion: Senator Hickenlooper has written the Secretaries of State and Defense, the Attorney General and the Chairman of the Atomic Energy Commission requesting that an estimated date by which other nations may have developed the atomic bomb be furnished him. (TAB A) The Senator points out that this information is necessary for proper planning for the Joint Committee on Atomic Energy of which he is Chairman. The Acting Secretary of State replied for the State Department that he would consult with appropriate authorities and keep the Senator informed. (TAB B)

An agreed estimate would be extremely valuable to the State and Service Departments; however, there is some doubt as to whether it is possible to arrive at a concrete date.

Senator Hickenlooper specifically asks:

1. The earliest date by which any other nation, without our aid, may be expected to produce its first atomic bomb, and
2. The time thereafter when such nation may be expected to produce additional bombs in numbers.

He also raises the question of participation by the Justice Department, the Atomic Energy Commission and the Central Intelligence Group in the formulation of the estimate.

It should be pointed out that any estimate we arrive at would be of enormous interest and value, if it becomes known, to the Soviet Union. Therefore, the question arises as to whether it is desirable to reveal such information to the Joint Congressional Committee.

Recommendations:

1. That the Three Secretaries reach a decision as to whether or not an estimate should be furnished to the Joint Committee.

(2) That, if

SECRET

SECRET

2. That, if an estimate is made, it be communicated only to the Chairman of the Committee and that every effort be made to impress upon him that knowledge of the estimate would be very useful to the Soviet Union's counter intelligence.
3. That the Three Secretaries each appoint a representative to represent him in formulation of a joint estimate which should be reported back to the Committee of Three.

The Representatives would be empowered to consult as widely as they may deem necessary with other agencies and individuals, in order to arrive at a reliable estimate. The names of the representatives should be reported to the Secretary of the Committee of Three.

SECRET

SWNCC SECRETARIAT

- 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 _____

7M
to

AUG 14 1947

~~JUL 23 1947~~

Col Field

Circular

Full in

Com of 3 files

My dear Mr. Secretary:

It has come to our attention that the Maritime Commission has recently requested the Secretary of Navy to authorize the sale of additional vessels with a speed of over 14 knots to non-citizens. This request was prompted by the fact that the 150 vessels of this category authorized by the Secretary of Navy in a letter to the Maritime Commission on August 5, 1946, have already been sold, and there are still a considerable number of applications pending before the Commission. It is also our understanding that the Joint Chiefs of Staff are reconsidering JCS 1454 and will probably come to the conclusion that practically all ships now under the American flag, including the faster vessels as well as Liberty ships, are necessary for national defense purposes and that the Maritime Commission will be so informed. Since the Maritime Commission is required by the Ships Sales Act of 1946 to consult with the Secretary of Navy on sales to non-citizens to assure "that such vessel is not necessary to the defense of the United States," the receipt of such a statement from the Secretary of Navy would effectively preclude any future sales to non-citizens.

Assuming the accuracy of the above information, the Department of State is considerably concerned about the effect of such action upon this Government's economic foreign policy and in particular upon possible programs for European reconstruction. The largest number of the outstanding applications for the purchase of war-built vessels have been made by governments and citizens of those countries now cooperating in the Paris Conference, and the placing of an embargo on the sale of ships might have unfortunate repercussions in the light of our offers to extend aid to the friendly countries of Europe.

The Honorable
Kenneth C. Royall
Secretary of War

(J. Forrester)

- 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 _____

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
NND 750057
By CEB NARS, Date OCT 30 1974

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 2 -

In view of the important foreign policy aspects of this question, I have requested the Secretary of Navy to take no final action before we have an opportunity to discuss the matter at our next meeting of the Committee of Three.

Sincerely yours,

ROBERT A. LOVETT

Acting Secretary

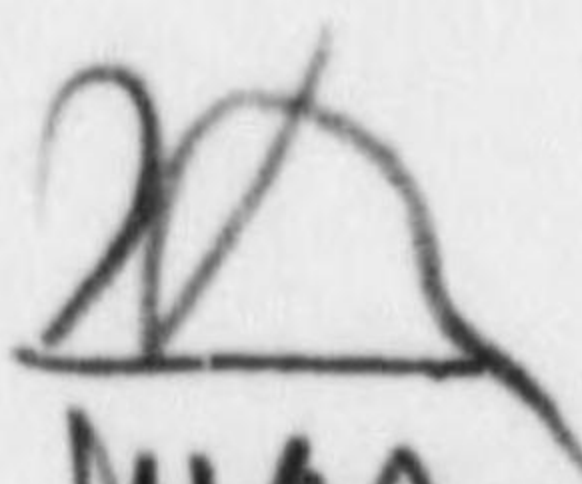
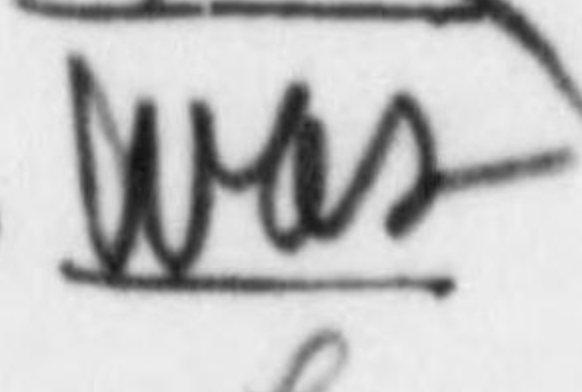
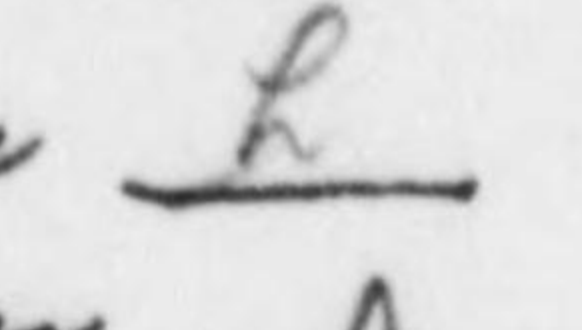

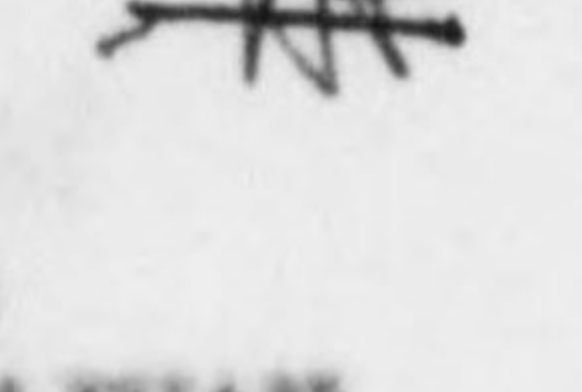
A true copy of
the signed original
62

TRC:WARadius:eva 8/11/47

~~CONFIDENTIAL~~

SECRET

MINUTES
MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
AUGUST 7, 1947 - 10:30 A.M.

Mr. Moseley 
Col. Schulgen 
Capt. Lorraine 
Mr. Gardner 
Col. Field 

STATE
SECRETARY MARSHALL
ASSISTANT SECRETARY HILDEBRAND
MR. SAITZMAN
MR. RUSSE
MR. McWILLIAMS
Mr. Moseley (S-100), Secretary

ARMY
WAR
SECRETARY ROYALL
COLONEL HUNSON

NAVY
SECRETARY FORBES
UNDER SECRETARY SULLIVAN
REAR ADMIRAL WOODBRIDGE

AIR
MR. PIKE
MR. VOLPE

I. Policy Regarding the Eventual Destruction of Atomic Weapons

Decisions:

It was agreed to defer consideration of this matter pending consultation with Mr. Osborn, the U.S. Representative on the United Nations Atomic Energy Commission, on the question of approaching certain member governments of the Atomic Energy Commission with a view to having further discussion of the subject matter postponed indefinitely.

Implementing Actions:

Mr. Rusk of the State Department to give Mr. Osborn the benefit of the views expressed at this meeting and report on his reaction.

Discussion:

SECRETARY MARSHALL raised as the first item the need for instruction to the U.S. Representative on the United Nations Atomic Energy Commission as to how he should vote on the question of the eventual destruction of atomic weapons. SECRETARY MARSHALL read the position proposed by the State Department:

"Our atomic weapons will not be destroyed or disposed of unless or until a fully effective system of international control of atomic energy, including international inspection, operation and ownership of dangerous atomic activities, has been established and has progressed to that stage at which it shall have been agreed atomic weapons are to be eliminated from national armaments. The United States considers that at that point all atomic weapons should be destroyed, and that nuclear fuel contained therein should be diverted to peaceful purposes."

~~SECRET~~

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
NND 750057
By *CSB* NARS, Date NOV 14 1974

SECRET

SECRETARY MARSHALL also read excerpts from the President's letter of instructions to Mr. Baruch of June 7, 1946 and from a series of public statements by U.S. officials indicating the attitude of this Government toward the eventual destruction of atomic weapons.

MR. PIKE indicated that the United States Atomic Energy Commission considered the question primarily one for the State Department as a basic policy matter, and stated that the Commission accepted the proposed views of the Department of State.

SECRETARY ROYALL stated that the War Department considered that the U.S. should not extend its position on this matter since discussions thus far in the United Nations Atomic Energy Commission have indicated no agreement on basic principles with the Russians, and that the U.S. should not make any amendments of the type proposed at this time. He indicated that the War Department accepted the views of the Joint Chiefs of Staff and read the following summary of their views:

"The Joint Chiefs of Staff see no objection, after successful establishment by treaty or convention of a control agreement embodying the principles of the United States (Baruch Plan) proposal for the control of atomic energy, and after adequate demonstration of the plan's effectiveness, to the disposal of existing atomic weapons by any means, including destruction, which may be agreed upon at that time.

"From the point of view of the National Security, the Joint Chiefs of Staff are of the opinion that an agreement by the United States as to the ultimate disposition of atomic weapons should not be made at this time."

SECRETARY MARSHALL asked Mr. Rusk to indicate the situation in the United Nations on this question. MR. RUSK stated that although the question is not now immediately before the Atomic Energy Commission, it would undoubtedly be raised during the Commission's debate on its second report to the Security Council and it would probably come up for discussion in the Security Council itself and in the General Assembly. He stated further that Mr. Geborn had asked for and obtained the assistance of his colleagues on the Atomic Energy Commission in dealing with this question when it was raised by the Russians and that Mr. Geborn had assured his colleagues that the U.S. position would be clarified in the near future.

MR. SULLIVAN indicated his concern lest the "disposal" of atomic weapons would in fact be more harmful to U.S. interests than "destruction" since we are already committed to the elimination of atomic weapons from national armaments, when an international control system has been effectively established.

MR. PIKE stated that one of the reasons for his Commission's agreement with the view proposed by the State Department was that they had considered very

~~**SECRET**~~

SECRET

carefully the various ways and means of disposing of the weapons and had concluded that destruction was by all doubts the method of disposal most acceptable to the U.S.

MR. VOLPE stated that the U.S. position on this question would be determined to a considerable extent by whether discussions in the United Nations Atomic Energy Commission should continue beyond September, in the light of complete lack of progress in these discussions today.

MR. RUSK indicated that Mr. Osborn was desirous of not having to meet this question and would in any event do what he could to keep it from arising, but that it might be dangerous to leave him without instructions on a point on which it would be possible in a parliamentary sense for the Russians to insist upon an expression of a U.S. position.

SECRETARY FORRESTAL asked whether it might not be useful to make a further approach to the member governments of the Atomic Energy Commission to get their assistance in postponing discussion on this matter.

After considerable discussion MR. RUSK suggested that he be permitted to give Mr. Osborn the benefit of the views expressed at the meeting to determine whether an approach might not be made to certain member governments of the Atomic Energy Commission to get further discussion of this point indefinitely postponed. The Committee members agreed to this procedure.

II. Allocation of Reduction Made by Congress in Occupied Areas Appropriation

Decision:

Agreement was reached that there should be a proportionate allocation of the reduction made by Congress in the occupied areas appropriation.

Implementing Action:

1. Appropriate allocation pursuant to this decision by the War Department.
2. Plans to be made by the War Department to request a deficiency appropriation for occupied areas administration at the January session of Congress.

Discussion:

SECRETARY MARSHALL referred to the 125,000,000 reduction Congress had made in the War Department request for funds for occupied areas. He said that the State Department hoped that this cut in appropriation would be applied proportionately to each area.

SECRETARY ROYALL said that the War Department did not intend to discriminate against Korea or any other area in allocating the reduction. He said that plans were being made to approach Congress in January for an additional \$240,000,000. He stated that he had informally approached Congressman Taber and Senator Bridges in regard to the need for these additional funds and they both appeared to view the matter favorably.

- 3 -
~~SECRET~~

SECRET

MINUTES
MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
AUGUST 7, 1946 - 10:30 A.M.

URGENT

STATE

WAR

NAVY

SECRETARY MARSHALL
 ASSISTANT SECRETARY HILLENBURG
 MR. SARTZMAN
 MR. RUSE
 MR. McWILLIAMS
 Mr. Moseley (S-100), Secretary

SECRETARY HOYALL
 COLONEL HUNSON

SECRETARY FORNISTAL
 UNDER SECRETARY SULLIVAN
 REAR ADMIRAL WOODBRIDGE

AND

MR. FINE
 MR. VOLPE

I. Policy Regarding the Eventual Destruction of Atomic Weapons

Decisions

It was agreed to defer consideration of this matter pending consultation with Mr. Geborn, the U.S. Representative on the United Nations Atomic Energy Commission, on the question of approaching certain member governments of the Atomic Energy Commission with a view to having further discussion of the subject matter postponed indefinitely.

Implementing Actions

Mr. Rusk of the State Department to give Mr. Geborn the benefit of the views expressed at this meeting and report on his reaction.

Discussion

SECRETARY MARSHALL raised as the first item the need for instruction to the U.S. Representative on the United Nations Atomic Energy Commission as to how he should vote on the question of the eventual destruction of atomic weapons. SECRETARY MARSHALL read the position proposed by the State Department:

"Our atomic weapons will not be destroyed or disposed of unless or until a fully effective system of international control of atomic energy, including international inspection, operation and ownership of dangerous atomic activities, has been established and has progressed to that stage at which it shall have been agreed atomic weapons are to be eliminated from national armaments. The United States considers that at that point all atomic weapons should be destroyed, and that nuclear fuel contained therein should be diverted to peaceful purposes."

~~SECRET~~

DECLASSIFIED
 E.O. 11652, Sec. 3(E) and 5(D) or (F)
 NND 750057
 By CRB NARS, Date NOV 14 1974

SECRET

SECRETARY MARSHALL also read excerpts from the President's letter of instructions to Mr. Baruch of June 7, 1946 and from a series of public statements by U.S. officials indicating the attitude of this Government toward the eventual destruction of atomic weapons.

MR. PINE indicated that the United States Atomic Energy Commission considered the question primarily one for the State Department as a basic policy matter, and stated that the Commission accepted the proposed views of the Department of State.

SECRETARY ROXALL stated that the War Department considered that the U.S. should not extend its position on this matter since discussions thus far in the United Nations Atomic Energy Commission have indicated no agreement on basic principles with the Russians, and that the U.S. should not make any amendments of the type proposed at this time. He indicated that the War Department accepted the views of the Joint Chiefs of Staff and read the following summary of their views:

"The Joint Chiefs of Staff see no objection, after successful establishment by treaty or convention of a control agreement embodying the principles of the United States (Baruch Plan) proposal for the control of atomic energy, and after adequate demonstration of the plan's effectiveness, to the disposal of existing atomic weapons by any means, including destruction, which may be agreed upon at that time.

"From the point of view of the National Security, the Joint Chiefs of Staff are of the opinion that an agreement by the United States as to the ultimate disposition of atomic weapons should not be made at this time."

SECRETARY MARSHALL asked Mr. Rusk to indicate the situation in the United Nations on this question. MR. RUSK stated that although the question is not now immediately before the Atomic Energy Commission, it would undoubtedly be raised during the Commission's debate on its second report to the Security Council and it would probably come up for discussion in the Security Council itself and in the General Assembly. He stated further that Mr. Osborn had asked for and obtained the assistance of his colleagues on the Atomic Energy Commission in dealing with this question when it was raised by the Russians and that Mr. Osborn had assured his colleagues that the U.S. position would be clarified in the near future.

MR. SULLIVAN indicated his concern lest the "disposal" of atomic weapons would in fact be more harmful to U.S. interests than "destruction" since we are already committed to the elimination of atomic weapons from national armaments, when an international control system has been effectively established.

MR. PINE stated that one of the reasons for his Commission's agreement with the view proposed by the State Department was that they had considered very

SECRET

SECRET

carefully the various ways and means of disposing of the weapons and had concluded that destruction was by all doubts the method of disposal most acceptable to the U.S.

MR. VOLPE stated that the U.S. position on this question would be determined to a considerable extent by whether discussions in the United Nations Atomic Energy Commission should continue beyond September, in the light of complete lack of progress in these discussions today.

MR. ROSE indicated that Mr. Osborn was desirous of not having to meet this question and would in any event do what he could to keep it from arising, but that it might be dangerous to leave him without instructions on a point on which it would be possible in a parliamentary sense for the Russians to insist upon an expression of a U.S. position.

SECRETARY PURPHEAL asked whether it might not be useful to make a further approach to the member governments of the Atomic Energy Commission to get their assistance in postponing discussion on this matter.

After considerable discussion MR. ROSE suggested that he be permitted to give Mr. Osborn the benefit of the views expressed at the meeting to determine whether an approach might not be made to certain member governments of the Atomic Energy Commission to get further discussion of this point indefinitely postponed. The Committee members agreed to this procedure.

IX. Allocation of Reduction Made by Congress in Occupied Areas Appropriation Decision

Revised (See next page)

Agreement was reached that there should be a proportionate allocation of the reduction made by Congress in the occupied areas appropriation.

Implementing Action:

1. Appropriate allocation pursuant to this decision by the War Department.
2. Plans to be made by the War Department to request a deficiency appropriation for occupied areas administration at the January session of Congress.

Discussion:

SECRETARY MARSHALL referred to the 125,000,000 reduction Congress had made in the War Department request for funds for occupied areas. He said that the State Department hoped that this cut in appropriation would be applied proportionately to each area.

SECRETARY MARSHALL said that the War Department did not intend to discriminate against Korea or any other area in allocating the reduction. He said that plans were being made to approach Congress in January for an additional \$240,000,000. He stated that he had informally approached Congressman Taber and Senator Bridges in regard to the need for these additional funds and they both appeared to view the matter favorably.

Approved revision of Item 2 of Minutes of 7 Aug.

SECRET

(Revised) approved by: Stetson, Williams, War, Col. Benson, Harry, John, Nozdick

2. Allocation of Reduction Made by Congress in Occupied Areas Appropriation.

(Revised)

Decision:

Agreement was reached that the War Department program for expenditures for occupied areas would be carried out without concentrated cuts in funds on any particular area, provided Congressional leaders would agree to expenditures in excess of an average fifty million dollars per month and acknowledge that such larger expenditures would probably mean a supplementary appropriation request next January or February. If at any time the War Department contemplated making disproportionate cuts in any occupied area, the matter will be discussed again in the Committee of Three.

Implementing Actions:

1. Appropriate allocation pursuant to this decision by the War Department.
2. Plans to be made by the War Department to request a deficiency appropriation for occupied areas administration at the January session of Congress.

Discussion:

SECRETARY MARSHALL referred to the 125,000,000 reduction Congress had made in the War Department request for funds for occupied areas. He said that the State Department hoped that this cut in appropriation would be applied proportionately to each area.

SECRETARY ROYALL explained to the Committee, that the Congress had appropriated only \$600,000,000 of the \$725,000,000 that the War Department had requested for Germany, Japan and Korea. SECRETARY ROYALL also explained that in view of the fact that even \$725,000,000 was an insufficient amount of money for the job to be done, he had approached several leaders of Congress in an effort to get authority from them to expend for these areas at the rate of \$70,000,000 a month. This obviously would create an expenditure over the 12 month period of \$840,000,000 or a deficit in the appropriation of \$240,000,000. Under this enlarged program, Korean expenditures would not exceed the \$137,000,000 contained in the \$725,000,000 budget. Over the week-end he intended to consult or to have General Richards consult Mr. Taber and perhaps several other Members of Congress in an effort to get authority to expend from his Occupied Areas funds at the rate of \$70,000,000 a month. Until this reconnaissance has been finished, SECRETARY ROYALL requested that the three Secretaries postpone any decision about the division of funds among the three countries concerned. Secretaries Marshall and Forrestal concurred.

~~SECRET~~

SWNCC SECRETARIAL

~~SECRET~~

MINUTES
MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
JULY 10, 1947 - 10:30 a.m.

PRESENT

STATE

SECRETARY MARSHALL
 MR. MIDDLEBROOK
 MR. RUSK
 MR. McWILLIAMS

WAR

SECRETARY PATTERSON
 ASSISTANT SECRETARY PETERSEN
 COL. SCHULGEN (SWNCC),
 Secretary

State Member _____
 Army Member was
 Navy Member 2
 Ass't State Member _____
 Ass't Army Member _____
 Ass't Navy Member _____
 Executive Secretary _____
 Ass't Exec. Secretary _____
 State Adm. Assistant _____
 Navy Adm. Assistant 2
 UNDER SECRETARY SULLIVAN _____
 CAPTAIN AUSTIN _____

I. U. S. Position on Armaments and Armed Forces Within the Competence of the Commission for Conventional Armaments.

Decision:

It was agreed that the United States position should be:

- a. that the Commission for Conventional Armaments deal with
 - (1) all armed forces, and
 - (2) all armaments not specifically exempted by being classified as major weapons adaptable to mass destruction.
- b. that the only weapons presently adaptable to mass destruction are:
 - (1) atomic explosive weapons.
 - (2) radioactive material weapons.
 - (3) lethal chemical weapons.
 - (4) biological weapons
- c. that in the future any weapons developed which have characteristics comparable to those of the atomic bomb should be classified as in the same category above.

Implementing Action:

The State Department would inform the U. S. Representative to the United Nations' Commission for Conventional Armaments.

Discussion:

SECRETARY MARSHALL stated that the problem was to formulate the U. S. position on armaments and armed forces within the competence of the Commission for Conventional Armaments as this is Item #1 on the Plan of Work drawn up by the United Nations' Commission for Conventional Armaments. He read the recommended U. S. position as presented by the Executive Committee on Regulation of Armaments and stated the position outlined was in harmony with the views of the Joint Chiefs of Staff as given in JCS 1731/28.

MR. SULLIVAN questioned the discussion in the United Nations of the types of armed forces.

~~SECRET~~

DECLASSIFIED
 E.O. 11652, Sec. 3(E) and 5(D) or (E)
 NND 75 0057
 By CLO NARS, Date OCT 30 1974

- 2 -

SECRETARY MARSHALL discussed the availability of trained personnel and stated the U. S. should not reduce its armed forces too severely, also any discussions under disarmament should be handled with extreme care regarding the armed forces.

SECRETARY FORRESTAL stated that the U. S. position, decided above, be understood that it is for negotiation and not used as an idea for the U. S. people and Congress that the U. S. should further reduce our armed forces.

II. Revision of Directive to Commander-in-Chief of U. S. Forces of Occupation Regarding the Military Government of Germany.

Decision:

It was agreed that SWGCC 327/4, paragraph 21, e-2, be deleted and the following substituted:

"Trade unions may represent the occupational, economic and social interests of their members in accordance with the authority contained in their constitutions. Their basic functions may include participation with appropriate authorities in the establishment and development of a peaceful economy.

Implementing Action:

SWAOC to amend the paper accordingly.

Discussion:

SECRETARY MARSHALL stated the revised directive was under consideration by SWGCC and that the three Secretaries were to consider two paragraphs of the directive not presently resolved, and that the State Department desired to substitute for the present text of SWGCC 327/4, paragraph 21, e, 2, the following language:

"Trade unions may represent the occupational, economic and social interests of their members in accordance with the authority contained in their constitutions. Their basic functions may include participation with appropriate authorities in the establishment and development of a peaceful economy."

He stated this language merely incorporates language already promulgated by COMUS and is permissive, not mandatory. He further stated that collective bargaining, as such, hardly exists in the scarcity economy of Germany. Trade union leadership of a pro-Democratic and anti-Communist orientation is, therefore, at a great handicap both in building the unions as democratic forces, and in its internal struggles with Communist elements if it cannot show that the unions of our zone may participate in some of the general social and economic processes of Germany today. Such labor representation and participation have become usual in Germany and the Democratic Western European countries since the first World War. Even in the United States the value of labor participation was recognized in many of the defense and war-time programs. The State Department

SECRET

~~SECRET~~

proposal is all ready in effect in Germany.

SECRETARY PATTERSON stated that he accepted the State Department wording in both of the paragraphs under consideration.

SECRETARY FORRESTAL agreed to the change proposed.

~~SECRET~~

~~SECRET~~

MINUTES
MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
JULY 10, 1947 - 10:30 a.m.

PRESENT

STATE
 SECRETARY MARSHALL
 MR. RIDDLESHROER
 MR. HUSK
 MR. McWILLIAMS

WAR
 SECRETARY PATTERSON
 ASSISTANT SECRETARY PETERSEN
 COL. SCHULOHN (SWHCC),
 Secretary

NAVY
 SECRETARY FORRESTAL
 UNDER SECRETARY SULLIVAN
 CAPTAIN AUSTIN

I. U. S. Position on Armaments and Armed Forces Within the Competence of the Commission for Conventional Armaments.

Decisions:

It was agreed that the United States position should be:

- a. that the Commission for Conventional Armaments deal with
 - (1) all armed forces, and
 - (2) all armaments not specifically exempted by being classified as major weapons adaptable to mass destruction.
- b. that the only weapons presently adaptable to mass destruction are:
 - (1) atomic explosive weapons.
 - (2) radioactive material weapons.
 - (3) lethal chemical weapons.
 - (4) biological weapons
- c. that in the future any weapons developed which have characteristics comparable to those of the atomic bomb should be classified as in the same category above.

Implementing Action:

The State Department would inform the U. S. Representative to the United Nations' Commission for Conventional Armaments.

Discussion:

SECRETARY MARSHALL stated that the problem was to formulate the U. S. position on armaments and armed forces within the competence of the Commission for Conventional Armaments as this is Item #1 on the Plan of Work drawn up by the United Nations' Commission for Conventional Armaments. He read the recommended U. S. position as presented by the Executive Committee on Regulation of Armaments and stated the position outlined was in harmony with the views of the Joint Chiefs of Staff as given in JCS 1731/28.

MR. SULLIVAN questioned the discussion in the United Nations of the types of armed forces.

~~SECRET~~

DECLASSIFIED
 E.O. 11652, Sec. 3(E) and 5(D) or (E)
 NND 750057
 By CEC NARS, Date OCT 30 1974

~~SECRET~~
- 2 -

SECRETARY MARSHALL discussed the availability of trained personnel and stated the U. S. should not reduce its armed forces too severely, also any discussions under disarmament should be handled with extreme care regarding the armed forces.

SECRETARY FORRESTAL stated that the U. S. position, decided above, be understood that it is for negotiation and not used as an idea for the U. S. people and Congress that the U. S. should further reduce our armed forces.

II. Revision of Directive to Commander-in-Chief of U. S. Forces of Occupation Regarding the Military Government of Germany.

Decision:

It was agreed that SWGCC 327/h, paragraph 21, e-2, be deleted and the following substituted:

"Trade unions may represent the occupational, economic and social interests of their members in accordance with the authority contained in their constitutions. Their basic functions may include participation with appropriate authorities in the establishment and development of a peaceful economy.

Implementing Action:

SWGCC to amend the paper accordingly.

Discussion:

SECRETARY MARSHALL stated the revised directive was under consideration by SWGCC and that the three Secretaries were to consider two paragraphs of the directive not presently resolved, and that the State Department desired to substitute for the present text of SWGCC 327/h, paragraph 21, e, 2, the following language:

"Trade unions may represent the occupational, economic and social interests of their members in accordance with the authority contained in their constitutions. Their basic functions may include participation with appropriate authorities in the establishment and development of a peaceful economy."

He stated this language merely incorporates language already promulgated by COMUS and is permissive, not mandatory. He further stated that collective bargaining, as such, hardly exists in the scarcity economy of Germany. Trade union leadership of a pro-Democratic and anti-Communist orientation is, therefore, at a great handicap both in building the unions as democratic forces, and in its internal struggles with Communist elements if it cannot show that the unions of our zone may participate in some of the general social and economic processes of Germany today. Such labor representation and participation have become usual in Germany and the Democratic Western European countries since the first World War. Even in the United States the value of labor participation was recognized in many of the defense and war-time programs. The State Department

~~SECRET~~

~~SECRET~~

- 3 -

proposal is all ready in effect in Germany.

SECRETARY PATTERSON stated that he accepted the State Department wording in both of the paragraphs under consideration.

SECRETARY FORR STAL agreed to the change proposed.

~~SECRET~~

SWNCC SECRETARIAT

MINUTES ~~TOP SECRET~~

MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
July 13, 1947 - 10:30 a.m.

PRESENT

STATE
Secretary Marshall
Mr. Thorpe
Mr. Riddleberger
Mr. Morgan
Mr. McWilliams

WAR
Secretary Patterson
Assistant Secretary Peterson
Col. Schulgen (SWNCC),
Secretary

State Member -----
Army Member -----
Navy Member -----
Asst State Member -----
Ass't Army Member -----
NAVY Navy Member -----
Executive Secretary -----
Ass't Exec. Secretary -----
State Adm. Assistant -----
Army Adm. Assistant *EB* -----
Navy Adm. Assistant -----
Secretary Forrestal -----
Under Secretary Sullivan -----
Rear Admiral Wooldridge -----

I. Role of Germany in European Recovery Plan

Decision:

It was agreed:

a. The United States make public its willingness, when the question is put, to have its zone of Germany collaborate fully in the preparation of European proposals to reduce the European requirement for aid from the United States, and carry out agreed recommendations. No initiative on the part of the United States Zone of Germany is called for, but the occupied area must be represented when European recovery plans are being prepared.

b. In cases where the restoration of normal international commercial relations between Germany and the rest of Europe would involve an increase in United States dollar expenditures for the account of Germany, or a delay in the attainment of a self-supporting German economy at an appropriate standard of living, funds for German expenditures shall be increased, or the German economy compensated, through provisions by the United States of sufficient relief moneys to the country or countries so benefited to enable them to pay Germany.

c. The Commander-in-Chief of United States Occupational Forces in Europe will consult other European countries and international organizations representing such countries in matters of German production and trade mentioned above, and ensure that emphasis is given, in the selection of items for export, to goods needed by European countries for their economic recovery and rehabilitation, insofar as such countries can provide in payment needed imports for Germany or foreign exchange which can pay for such imports.

d. Proposed transactions of a substantial nature which would lead to a restoration of general European trade or restore normal trade exchanges between Germany and other European countries but which would controvert the fiscal principle just stated, should be referred to this government for decision.

REVISED AND APPROVED 10 JULY 1947

DESTROY ALL OTHER COPIES

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
NND 750057
By *CPA* NARS, Date *OCI 3.0* 1974

~~TOP SECRET~~

- 2 -

Implementing Action:

The War Department would inform General Clay.

~~TOP SECRET~~Discussion

SECRETARY MARSHALL stated that while the initiative for planning European recovery will rest in Europe, it is anticipated that the United States Government will shortly be required to indicate publicly its position on the extent to which the American Zone of Germany (or the American participation in the combined US-UK zones) should be included in such a plan and the extent to which American occupation authorities in Germany would participate in the formulation and execution of such a plan.

It is assumed that Germany must cooperate fully in any effective European plan, and that the economic revival of Europe depends in considerable part on a recovery in German production - in coal, in food, steel, fertilizer, etc., and on an efficient use of such European resources as the Rhine River.

SECRETARY PATTERSON while agreeing fully that it was necessary to integrate German Economic recovery, with that of the rest of Europe, argued that liberated countries should not be subsidized at the expense of German economy or United States expenditures for Germany. He believed any aid to a particular country should be earmarked to that country direct.

SECRETARY MARSHALL agreed to the changes recommended by the War Department and believed the addition of a paragraph to the policy to make it clear that there would be no back-passing to General Clay and the three Secretaries would resolve any major transactions which depart from the agreed upon policy.

II. U. S. Policy Regarding the German Patent System.

Decision:

The position to be taken before the ECEFP by the three Departments is that the previously established policy be revised to eliminate the compulsory licensing provision and the problem of opening up of past patents to former users be left to General Clay for handling as he may see fit.

Implementing Action:

The State, War and Navy representatives of ECEFP to revise the proposed policy in line with the decision.

Discussion:

SECRETARY PATTERSON discussed at length the U. S. attitude regarding patents and urged that the compulsory licensing system proposed in the policy be abandoned. He stated that the three Secretaries should authorize General Clay to effect an agreement on this matter in Berlin.

MR. THORPE stated the Executive Committee on Economic Foreign Policy was

REVISED AND APPROVED 10 JULY 1947

DESTROY ALL OTHER COPIES ~~TOP SECRET~~

- 3 -

~~TOP SECRET~~

ready to abandon the compulsory licensing clause but was of the opinion that patents should be restricted in connection with cartels and subject to control under Military Government.

III. Purchase of Fish From Iceland for Use in Germany

Decision:

It was agreed to instruct Mr. Edward Acheson that he could purchase Iceland wet salted fish for Germany, details to be agreed to by the State, War and Navy Members of SWNCC.

Implementing Action:

The War Department would instruct Mr. Acheson.

Discussion:

SECRETARY MARSHALL stated that the Secretary of War has indicated a desire to discuss the question of instructions to be issued to Mr. Edward Acheson to govern his forthcoming negotiations in Iceland for the purchase of fish for consumption by the bizonal German population.

In view of the vital interest of the War Department and the Army Air Forces in Iceland, it is felt that attention should be given to all available means by which that interest can be secured. The purchase of Iceland fish by COMUS would be one of the most direct and effective of such means.

MR. PETERSEN discussed the War Department view on this matter, stating the total money available for the purchase of fish for Germany was about seven million dollars and that for political considerations, although Iceland fish was a small part of the total surplus available and fish purchased there might be more expensive, the War Department favored the allocation of some of the available funds for purchase of fish in Iceland.

REVISED AND APPROVED 10 JULY 1947

DESTROY ALL OTHER COPIES

~~TOP SECRET~~

~~SECRET~~PURCHASE OF FISH FROM ICELAND FOR USE IN GERMANY

Problem: To formulate instructions to Mr. Edward Acheson.

Discussion: The Secretary of War has indicated a desire to discuss the question of instructions to be issued to Mr. Edward Acheson to govern his forthcoming negotiations in Iceland for the purchase of fish for consumption by the bizonal German population.

In view of the vital interest of the War Department and the Army Air Forces in Iceland, it is felt that attention should be given to all available means by which that interest can be secured. The purchase of Iceland fish by OMGUS would be one of the most direct and effective of such means.

Iceland lives almost exclusively from the export of fish but due to high production costs (resulting in part from an inflation which had its beginning in the United States occupation of Iceland) and greatly increased production in other countries since the close of the war, Iceland is experiencing the greatest difficulty in disposing of its 1947 fish production.

The fish crisis has been rendered particularly acute by the recent refusal of the USSR, contrary to promises given the previous Government in which Communists shared, to purchase Iceland wet salted fish. The Icelandic Communists are currently making great political capital out of the failure of the new non-Communist Government to market Iceland's fish. If the United States in turn is unable to provide a market for Iceland fish in areas under its control, the resultant economic distress in Iceland may well bring about the fall of the present Government. Any new Cabinet which might be formed would necessarily include the Communists, who would re-enter the Government with greatly increased power and prestige. It may be stated with certainty that a primary objective of Communist participation in a new Government would be the nullification of our military rights in Iceland.

Iceland's unsold 1947 surplus of wet salted fish amounts to approximately seventeen thousand tons. Mr. Acheson is being separately authorized to expend one million dollars for Iceland wet salted fish under our Mediterranean relief program. This sum will purchase about three thousand tons, leaving fourteen thousand tons still unsold. Although the Icelandic Government pays a guaranteed price of 17 cents per pound to Iceland producers, and has previously offered this surplus to OMGUS at 13.5 cents, it is believed to be now willing to export to Germany at 12.5 cents per pound. At this price, plus 20 per cent allowance for shipping costs, the fish will cost about \$330 per ton at German ports.

Recommendations:

1. That Mr. Acheson be given instructions authorizing him to negotiate in Iceland on behalf of OMGUS for the cash purchase, at a reasonable price, of all of the fourteen thousand ton surplus of Iceland wet salted fish remaining

after purchase

~~SECRET~~

DECLASSIFIED

E.O. 11652, Sec. 3(E) and 5(D) or (F)

NND 750057

By CZO NARS, Date OCT 30 1974

~~SECRET~~

after purchase of three thousand tons for Mediterranean relief. The cost would approximate \$4,620,000. That the War Department instruct General Clay in the same sense.

2. In case the issuance of instructions in these terms is not practicable, a less desirable alternative would be for Mr. Acheson to be authorized to purchase ten thousand tons on behalf of ONGUS at a cost of approximately \$3,300,000.

of which would be the prevention of the resurgence of cartels in the German economy. The State Department believes that the proposed standards are desirable and would not have adverse effects on German research or invention.

Recommendation:

That the three Secretaries resolve the difference in opinion between State and War.

1. War Department View:

That our policy recognize the right of the patent holder to exclusive control and exploitation of his patent.

2. State Department View:

That all future patents should be available for compulsory licensing when the public interest requires.

The State Department position has been concurred in by representatives on the Executive Committee of Justice, Treasury, Labor and the Federal Trade Commission.

~~SECRET~~

2 July 1947

TO: Rear Admiral Wooldridge
Lt. Colonel Pixton

Subject: Role of Germany in European Recovery Plan.

The following information was furnished by the State Department for discussion at the Committee of Three Meeting 3 July 1947:

The question of the relationship of Germany to a general European plan may well come up at the meeting of the Economic Commission for Europe starting July 5 at Geneva. Mr. Clayton, the United States Delegate, must have guidance as to what position he can take with assurance that there is United States governmental agreement behind him.

It is recommended that the Secretaries of State, War and Navy agree that:

(a) The United States make public its willingness, when the question is put, to have its zone of Germany collaborate fully in the preparation of European proposals to reduce the European requirement for aid from the United States, and carry out agreed recommendations. No initiative on the part of the United States Zone of Germany is called for, but the occupied area must be represented when European recovery plans are being prepared.

(b) In cases where the restoration of normal international commercial relations between Germany and the rest of Europe would involve an increase in United States dollar expenditures for the account of Germany, or a delay in the attainment of a self-supporting German economy at an appropriate standard of living, the United States interest in the gain to liberated areas must be weighed against the cost to the United States or loss to Germany before a decision can be taken.

(c) The Commander-in-Chief of United States Occupational Forces in Europe will consult other European countries and international organizations representing such countries in matters of German production and trade mentioned above, and ensure that emphasis is given, in the selection of items for export, to goods needed by European countries for their economic recovery and rehabilitation.

RECOMMENDATION:

That the Committee of Three approve the policy statements set forth above.

~~SECRET~~

W. A. Schulgen
Acting Secretary

DECLASSIFIED

E.O. 11652, Sec. 3(E) and 5(D) or (E)

NND 750057

By CEG NARS, Date OCT 30 1974

THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

June 27, 1947

Col. Shulgren
Captain Lowrance
Mr. Gardiner

Re: Servicing the Committee of Three

The following is set forth as helpful hints in servicing the Committee of Three:

1. The regular meetings take place in the Conference Room behind the Secretary's Office - Room **5142** every Thursday morning at 10:30. If it develops that there are no items for the Agenda no meeting is held.
2. Contact should be made with Col. Munson, War extension 4078; Admiral Wooldridge, Navy extension 3917 and Mr. McWilliams, State extension **2961**, on Monday or Tuesday to determine whether they have any items for the Agenda. A deadline of Wednesday noon has been established, though exceptions are made for urgent matters.
3. At the meeting the secretary sits at the end of the table opposite Secretary Marshall.

Secretary Marshall normally inquires whether the Minutes for the previous meeting have been approved. Accordingly, it is advisable to obtain clearance of the Minutes from Col. Munson and Admiral Wooldridge in advance.

4. Mr. McWilliams prepares a "black book" for the Secretary. He is very helpful in making a copy of this available both in advance of the meeting and afterwards. This is most helpful as he prepares a brief for the Secretary, as well as the recommendations on specific items.

Also, after the meeting I have found it most helpful to discuss with Mr. McWilliams the exact points agreed upon and any implementation that might be necessary. The Secretary of the Committee of Three has a certain responsibility to see that implementation is carried out on any items agreed to at the meeting.

The burden of implementation, of course, is on the three Departments, but it is advisable to see that something has been done on any matter requiring action.

I suggest you look over previous minutes to see the form followed.

In preparing the Minutes, 2 copies are sent to Hanson, Woldring, + McWilliams, one copy filed, + I have made one for the other State officials present (Gen. Woldring, Mr. Vincent...)

H. W. Moseley
H. W. Moseley

~~SECRET~~

TAB A

STATE-WAR-NAVY COORDINATING COMMITTEE

DECISION AMENDING SWCC 327/3

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

18. Economic Unity and Recovery

c. You will consult other European countries and international organizations representing such countries in matters of German production and trade mentioned above, and ensure that emphasis is given, in the selection of items for export, to goods needed by European countries for their economic recovery and rehabilitation (in so far as these countries may provide in payment needed imports for Germany, or foreign exchange which can pay for such imports). 1/

1/ War Department and OMCUS desire to add qualification set forth in parentheses. Department of State at working level opposes.

DECLASSIFIED

E.O. 11652, Sec. 3(E) and 5(D) or (E)

NND 750057

By CEB NARS, Date OCT 30 1974

~~SECRET~~

June 18, 1947

S - Mr. Secretary

Subject: U.S. Economic and Financial Policy in Germany
in Relation to the Rest of Europe.

The following principles have been developed in response to your request and with reference to General Clay's letter of May 2, 1947, to serve as a basis for testing U.S. Policies in Germany which affect the foreign exchange position both of Germany and of other countries in Europe. Brief statements of the facts and arguments leading to these principles are attached as Appendix "A".

1. In determining policy for and administering Germany, the U.S. must consider U.S. interests in the economic recovery of other European countries as well as the direct U.S. interest in German recovery.
2. Special help from Germany to other European countries, above and beyond normal economic relations, should not be made at the expense of U.S. funds, or a reduction in the German standard of living which would endanger U.S. objectives in Germany.
3. Steps to restore normal and historically constructive international relationships between Germany and third countries should be taken when these involve no increase in U.S. dollar outlays in Germany, and no postponement of German recovery.
4. In other cases, where the restoration of normal international commercial relations involves an increase in U.S. dollar expenditures in Germany, or a delay in the attainment of a self-supporting German economy at an appropriate standard of living, the U.S. interest in the gain to liberated areas must be weighed against the cost to the U.S. or loss to Germany before a decision can be taken.
5. To accomplish these purposes intelligently and to have our decisions understood, fuller and more regular consultation on economic relations between Germany and the other European countries is essential.

J. H. Hilldring

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
NND 750057
By CRD NARS, Date OCT 30 1974

U.S. POLICY REGARDING THE GERMAN PATENT SYSTEM

Problem: To resolve difference in opinion between Departments of State and War.

Discussion: The Secretary of War presented a memorandum to the Secretaries of State and Navy (Tab A) outlining the War Department's objection to the position taken by the Executive Committee on Economic Foreign Policy. The Secretary of War objects particularly to the provision which would make mandatory that future patents should be licensed when the public interest requires.

On September 17, 1946, the President adopted a United States Government policy with respect to Germany's domestic patent system; the adopted policy was one which had been developed by the Executive Committee on Economic Foreign Policy. A basic provision of this policy was that all German patents should be licensed to all applicants on a non-restrictive basis at a reasonable royalty.

The policy was transmitted to OMGUS for execution. In practice, such execution would consist of negotiation in the Allied Control Council in Berlin with a view to obtaining quadripartite adoption of the policy.

OMGUS took strong exceptions to the policy. OMGUS was of the view that the policy, if negotiated, would not be adopted and, if adopted, would stifle research and invention in Germany. The Executive Committee, after hearing OMGUS' representative on the matter, referred it back to its appropriate subcommittee for reconsideration.

The subcommittee is now ready to report to the Executive Committee a proposed revision of the present policy. The new proposal would provide that any German patent already in existence should be available for licensing to any applicant at a reasonable royalty, but that all future patents should be available for compulsory licensing only if the public interest requires.

The provision that existing patents should be generally available is believed by the subcommittee to be necessary for the maximizing of German productivity. Under government compulsion and cartel agreements, German industry for the past 10 years has pooled all its major patents. German plants are tooled and organized on that basis. It is believed that any barrier to the continued availability of existing patents may adversely affect German productivity or lead to clandestine agreements among business men limiting their use.

The proposed provision that future patents should be licensed when the public interest requires it is a traditional provision in German patent law. The only aspect of the subcommittee's proposal differing from the position of OMGUS is in its setting out certain standards of "public interest," the chief

of which

~~SECRET~~

SWNCC - Col Schulz

July 1, 1947

MEMORANDUM

TO: The Under Secretary
The Secretary

THROUGH: S/S

FROM: Willard L. Thorp

SUBJECT: Role of Germany in European Recovery Plan

DISCUSSION:

1. While the initiative for planning European recovery will rest in Europe, it is anticipated that the United States Government will shortly be required to indicate publicly its position on the extent to which the American Zone of Germany (or the American participation in the combined US-UK zones) should be included in such a plan and the extent to which American occupation authorities in Germany would participate in the formulation and execution of such a plan.

2. It is assumed in the Department that the proposals embodied in your Harvard address of June 5 were developed with recognition that Germany must cooperate fully in any effective European plan, and that the economic revival of Europe depends in considerable part on a recovery in German production - in coal, in food, steel, fertilizer, etc., and on an efficient use of such European resources as the Rhine River.

3. Because of its special responsibility for Germany, the War Department gives a higher priority to the satisfaction of German needs than to the needs of Europe as a whole. As you have been advised, Secretary Patterson wants to qualify the language of paragraph 18(c) of the Revision of Directive to the Commander-in-Chief of United States Forces of Occupation Regarding the Military Government of Germany (SWNCC 327/3) by limiting the obligation of the American Zone of Germany to produce products urgently needed for European recovery to such products as will be paid for by useable imports of freely convertible foreign exchange (see Tab A).

DECLASSIFIED

E.O. 11652, Sec. 3(E) and 5(D) of (E)

NND 750057

By Cee NARS, Date OCT 30 1974~~SECRET~~

OMGUS

- 2 -

OMGUS and the War Department have been shown a memorandum (substantially in the form of Tab B) prepared for submission to you and outlining the Department's views as to the desirable relationship between financial policy in Germany and United States financial policy throughout Europe. OMGUS and the War Department concur in points 1 to 3 and 5 of the memorandum but object strenuously to point 4. It is understood that the objections to the policy views formulated by the Department of State are based upon the fact that the War Department budget for occupied areas might have to be enlarged if German trade and financial policy were to be based upon European-wide rather than narrowly limited German considerations. An increase of appropriations for Germany may be a necessary incident of carrying out this Government's European policy as expressed by you at Cambridge on June 5.

4. The telegram approved by the three Secretaries and sent to General Clay and Ambassador Murphy on June 19 (Tab C) goes some distance toward making the point that the working out of this Government's proposals for Europe must include Germany. It is considered necessary for the success of the Government's European policy that the three Secretaries agree at the earliest possible meeting to further decisions respecting the role of Germany in Europe as indicated in paragraph 5.

The question of the relationship of Germany to a general European plan may well come up at the meeting of the Economic Commission for Europe starting July 5 at Geneva. Mr. Clayton, the United States Delegate, must have guidance as to what position he can take with assurance that there is United States governmental agreement behind him.

5. It is recommended that the Secretaries of State, War and Navy agree that:

(a) the United States make public its willingness, when the question is put, to have its zone of Germany collaborate fully in the preparation of European proposals to reduce the European requirement for aid from the United States, and carry out agreed recommendations. No initiative

on the part

~~SECRET~~

- 3 -

on the part of the United States Zone of Germany is called for, but the occupied area must be represented when European recovery plans are being prepared.

(b) in cases where the restoration of normal international commercial relations between Germany and the rest of Europe would involve an increase in United States dollar expenditures for the account of Germany, or a delay in the attainment of a self-supporting German economy at an appropriate standard of living, the United States interest in the gain to liberated areas must be weighed against the cost to the United States or loss to Germany before a decision can be taken.

(c) the Commander-in-Chief of United States Occupational Forces in Europe will consult other European countries and international organizations representing such countries in matters of German production and trade mentioned above, and ensure that emphasis is given, in the selection of items for export, to goods needed by European countries for their economic recovery and rehabilitation.

RECOMMENDATION:

That the Committee of Three approve the policy statements set forth ~~in paragraph 5.~~

above.

CONCURRENCES:

This memorandum has been cleared with A-T: General Hilldring and with EUR: Mr. Matthews.

OFD:CPKindleberger:mpo
EUR:WGJackson:all

~~SECRET~~

~~CONFIDENTIAL~~

need for the Committee of Three. CAPTAIN AUSTIN stated that although he did not know the views of the Secretary of the Navy on the matter, that Under Secretary Kenney also felt that SWNCC should continue as SANACC but the probably the establishment of a formal committee to replace the Committee of Three was not necessary. SECRETARY SYMINGTON said that he held similar views except that if the Committee of Three were not abolished it should become a Committee of the five Secretaries, or the Committee of Two (Secretaries of State and Defense).

MR. SOUERS said that although there had been considerable thought given to the National Security Council taking over SWNCC, he believed that it was better at least for the time being, that it continue as a separate entity working in close liaison with the Council. He said that there was a need for separate coordinating machinery which would also be an operating agency that could direct action; he pointed out that the Council did not take action but could only recommend. He added that experience in the functioning of the National Security Council will indicate the proper place and relationships for the coordinating mechanisms.

UNDER SECRETARY LOVETT pointed out that the Committee of Three is a voluntary Committee which was established during the war to facilitate the agreement of the top Presidential advisors on politico-military matters, and that there was no necessary relationship between this Committee and SANACC or the National Security Council. He said that it was the view of the State Department that SWNCC should be continued and also that the Committee of Three should continue in the form of the Committee of Two. The Committee of Two should be retained for the purpose of resolving numerous problems that need not be referred to the National Security Council or which can be referred to that agency after prior consideration. SECRETARY MARSHALL said that his views were similar, and he felt that the Committee of Two should continue with the Service Secretaries in attendance where appropriate. He said, however, that he favored retaining the services of the existing Secretariat. SECRETARY FORRESTAL said this was agreeable.

UNDER SECRETARY DRAPER raised the question of voting procedure and SECRETARY MARSHALL pointed out that in actual practice no votes were taken and that decisions generally represented a compromise of views.

II. Plans for Guided Missile Experiments over Mexican Territory

Decision:

It was agreed that the problem should be referred to the Joint Chiefs of Staff with a view to recommending alternative locations for a guided missile experimental range, which locations could then be discussed with the State Department for the purpose of deciding upon which would meet technical requirements and those of foreign relations.

Implementing Action:

The Secretary of the Committee to refer the matter to the Joint Chiefs of Staff.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~Discussion:

SECRETARY MARSHALL said that the State Department has been approached by officers of the Research and Development Board who advise that it has been decided that the most appropriate site for a guided missile experimental range is from Southern California southward over the Gulf of California, Mexico, with the possibility that sometime in the future the range would be extended as far as the Galapagos Islands. It would be necessary to build control stations on Mexican territory. The State Department has been requested to consider approaching the Mexican Government in this connection. He said that the State Department did not wish to approach the Mexican Government at this time in this connection for the following reasons: (a) the fact that certain disclosures would have to be made to the Mexicans is a factor insofar as security is concerned, (b) there is also the possibility that the project could be built up into an anti-American campaign by one of several Mexican factions, (c) the fact that two objects allegedly recently landed and exploded near Juarez, Mexico will make it difficult if not impossible to obtain permission, (d) that if guided missiles are sent over populated areas of any other country, the immediate assumption will be that the United States has less regard for these people than it has for its own. Furthermore, it is not inconceivable that ratification of the Inter-American Treaty on Reciprocal Assistance signed at Rio de Janeiro in September might be jeopardized if we proceed with this proposal at this time. SECRETARY MARSHALL summarized by stating that we are having some difficulties with the Mexicans now which should not be agitated, and that it was the opinion of the State Department that it was inadvisable to take up this matter with the Mexican Government at this time. He said that the State Department wished to propose that this problem be referred for study to the JCS to determine alternative locations for a guided missile experimental range, which sites could then be discussed with the State Department with a view to any necessary negotiations with foreign governments.

SECRETARY SYMINGTON said that he understood that Banana River, Florida - Bahama Islands was a second choice for an experimental range of this type and the feasibility of using this location should be further explored.

SECRETARY FORRESTAL said that he was agreeable to having the JCS look into this matter.

III. Aid to China and the Wedemeyer Report

Decision:

None. Consideration deferred.

Implementing Action:

None.

Discussion:

(Discussion on this subject will be continued at the next meeting and supplemental minutes will be issued on this item).

~~CONFIDENTIAL~~

~~Top Secret~~

File

MINUTES
MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
SEPTEMBER 21, 1947 - 10:30 A.M.

PRESENT

STATE

SECRETARY MARSHALL
 UNDER SECRETARY LOVETT
 ASSISTANT SECRETARY ARMOUR
 MR. BOHLEN
 MR. KENNAN
 MR. HUSE
 MR. GULLICH
 MR. McWILLIAMS
 MR. MOSELEY (SMIC), Secretary

WAR

SECRETARY ROYALL
 BRIG. GENERAL SCHUYLER
 COLONEL HAMILTON
 COLONEL BRINSON

NAVY

SECRETARY FUGERSTAL
 UNDER SECRETARY SULLIVAN
 REAR ADMIRAL WOODBRIDGE

I. U.S. Position Toward Atomic Energy Control

Decisions:

a. It was the sense of the discussion that the question of financial aid to European countries should not be linked to procurement of raw materials for the U.S. atomic energy program.

b. It was also the sense of the discussion that the United States take no initiative at this juncture in the United Nations Atomic Energy Commission, in the Security Council, or in the General Assembly to terminate negotiation looking toward international control of atomic energy. We should, however, review our whole position in view of the situation arising out of failure to reach agreement in the UNATC thus far, particularly with respect to our defense plans and our atomic energy relationship with Great Britain and Canada.

Implementing Actions:

None.

Discussions:

SECRETARY FUGERSTAL said that he wished to raise the question whether we considered ourselves bound by the terms of the alleged Churchill-Roosevelt agreement on the atomic bomb.

MR. GULLICH said that we have never taken a categorical position whether we are still bound by these agreements, although we do admit their validity. He said that the question of the extent to which the agreement is still valid in the postwar period is something to be decided in connection with the projected discussions with the British and the Canadians. He added that it must be recognized that the operation of our atomic energy program relies largely on cooperation with Great Britain and Canada. The pattern for some aspects of this cooperation particularly

DECLASSIFIED
 E.O. 11652, Sec. 3(E) and 5(D) or (E)
 NND 350057
 By CSO NARS, Date OCT. 29 1974

~~Top Secret~~

- 2 -

~~Top Secret~~

in procurement was set in war-time agreements, and we are continuing that cooperation without prejudice to the question of the continuity of the agreements. On the other hand the exchange of information apparently envisaged in the agreements was largely held up on our decision. Certain provisions of the MacMahon Act might be held to preclude furnishing such information.

SECRETARY MARSHALL said that one factor we must face is that we are deficient in our supply of essential raw material for atomic energy production. He said that the question has been raised of tying in our aid to various countries with our needs for this essential raw material. MR. KENNAN said that the project of aid to Europe must fall or stand on its own merits and this program should not be connected with the problem of our atomic material shortages. He added that we would be subject to the severest criticism if it should become known that we were bargaining relief aid for rights to atomic materials. SECRETARY ROYALL said that he agreed that we should not mix these two matters together.

SECRETARY MARSHALL referred to the discussion at the last meeting of the Committee regarding our future position toward international atomic energy control. He said that it appeared certain that we should not break off negotiations in the UN Atomic Energy Commission until we have considered and decided upon our position following a break-off. He said that before we decide upon any future course of action we undoubtedly should have some quiet and informal talks with the Canadians and the British on the present situation. He then read the various recommendations set forth in the State Department Policy Planning Committee paper. MR. KENNAN pointed out that the line of action proposed by this paper was based on the present Government policy which is based upon the principles of the Baruch plan.

SECRETARY ROYALL said that he could not accept the fact that our policy should be based upon the Baruch plan and he believed that we should reconsider our entire position including the abandonment of the Baruch plan.

SECRETARY FURNSTAL asked what we would do if the Soviets agreed to the plan thus far developed. SECRETARY MARSHALL replied that we would have to accept this adherence, that we were committed to it - but he pointed out that our measure of confidence in the Soviet's good faith would be reflected in the discussions which would take place on staging the transition from national (US) control to international control. We would, of course, reexamine our position very carefully with reference to the entire international picture before agreeing on any time table for the transition.

~~Top Secret~~

~~TOP SECRET~~

- 3 -

II. Coordination Between the State Department and Other Government Agencies with Respect to Public Addresses by Officials of the Various Agencies

Decision:

None.

Implementing Action:

SECRETARY MARSHALL indicated that he would have the State Department take this matter under consideration.

Discussion:

SECRETARY FORRESTAL said that he wished to inquire whether the State Department has any method by which it disseminates to other Government departments its wishes with respect to public addresses; in other words, does it think of itself as initiating the line which government speakers and representatives should take. MR. LOVETT said that under Executive Order the State Department is of course responsible for coordinating with the other departments public speeches which in any way touch upon matters within the jurisdiction of other departments. He said that the State Department did not have any formal arrangement with other departments whereby it asked officials of the other agencies to adopt a particular line or deliver a speech on a specific subject. He said that there had been isolated cases where the Department has asked some official from another agency to make an address on a particular topic.

MR. RUSK indicated that there was in existence a SWNCC Subcommittee (Foreign Policy Information Subcommittee) which coordinated the action of the State, War and Navy Departments with respect to public relations on broad foreign policy issues. SECRETARY MARSHALL indicated that apparently this Subcommittee did not deal with the type of public relations media which SECRETARY FORRESTAL had in mind. He said that he agreed that it would be desirable to look into this matter and indicated that the State Department might arrange for more formal coordination in this connection. He added that we should be careful that any arrangement would not be restrictive.

III. U.S. Policy Toward Spain

Decision:

None.

Implementing Action:

None.

~~TOP SECRET~~

~~TOP SECRET~~

- 4 -

Discussion:

SECRETARY FORRESTAL said that he wished to inquire whether we proposed to continue our policy toward Spain. MR. ARMOUR said that there were no plans to change our policy toward Spain at this time but our position was that we should not agree to any action in the UN Assembly which would result in increasing pressure upon Spain.

SECRETARY FORRESTAL said that from a military point of view Spain was obviously very important and it was hoped that nothing would be done which would weaken our relations with Spain.

IV. Proposal to Recommend to the Cabinet Voluntary Abstinance by the American People of Critical Foods

Decision:

It was the sense of the discussion that the results from this proposal would be beneficial from the standpoint of food supply but that action on the proposal should be deferred until the Harriman Committee report has been made available.

Implementing Action:

None.

Discussion:

SECRETARY FORRESTAL said that he believed that the food situation might be aided by an appeal to the American public for voluntary abstinence on certain days of critical foods.

MR. LOVETT said that the food shortage is world wide and was recognized to be extremely serious. He said that the State Department was giving active consideration to this matter in consultation with representatives of other government agencies. He said he believed that the policy of this government should be to buy up all the food we can as soon as possible in order to have it available for delivery and to obtain it before prices rise still higher. He said that our purchasing program was going well but that he believed it should be stepped up in order to prevent paying exorbitant prices to other countries. He referred to an apparent need for our purchasing food supplies in Argentina as soon as possible. He said that he thought we should await the report of the Harriman Committee before making any specific recommendations although he considered Secretary Forrestal's proposal of voluntary abstinence as one which would have good effects.

~~TOP SECRET~~

*Questions asked by Sec. Forrestal at Com. of three meeting
of Sept. 11, 1947*
THE SECRETARY OF THE NAVY ~~Secret~~
WASHINGTON

11 September 1947

I should like to make the following inquiries of the State Department:

(1) Do we consider ourselves bound by the terms of the alleged Churchill - Roosevelt agreement on the A-Bomb?

(2) Does the State Department have any method by which it disseminates to other government departments its wishes in public addresses; in other words, does it think of itself as initiating the line which Government speakers and representatives should take.

(3) Do we propose to continue our policy toward Spain?

(4) Mr. Lovett said yesterday that we had no request from the British Government for aid and that their attitude was that they propose to battle the thing through without any request. How can this be made consistent with the urgency surrounding the present talks on English needs.

Not discussed at meeting

(5) Do we want to recommend to the Cabinet voluntary abstinence by the American Public of critical foods.

~~Secret~~

SECRET

*File Copy
was*

MINUTES
MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
SEPTEMBER 8, 1947 - 10:30 A.M.

PRESENT

STATE

SECRETARY MARSHALL
MR. HUNK
MR. GULLION
MR. McWILLIAMS
Mr. Moseloy, Secretary, (SNECC)

WAR

SECRETARY ROYALL
COLONEL HAMILTON
COLONEL MUNSON

NAVY

UNDER SECRETARY SULLIVAN
ASSISTANT SECRETARY KENNEY
REAR ADMIRAL WOODBRIDGE

AEC

DR. BACHER
MR. VOLPE

I. Proposed U.S. Position on Documents of the United Nations Atomic Energy Commission

Decision:

Approval of the Atomic Energy Commission documents. (AEC/C.2/36, Rev. 2, AEC/C.2/37, Rev. 2, AEC/C.2/38, Rev. 2, AEC/C.2/39, Rev. 2, AEC/C.2/40, Rev. 2, AEC/C.2/41, Rev. 1. The Committee was informed at the meeting that AEC/C.2/41, Rev. 2 had been revised to satisfy the exception to certain provisions of this paper originally taken by the Executive Committee on the Regulation of Armaments.

Implementing Action:

State Department (Mr. Gullion) to advise Mr. Osborne, U.S. Representative on the UN Atomic Energy Commission, of the Committee's action.

Discussion:

SECRETARY MARSHALL referred to the working papers of the UN Atomic Energy Commission dealing with various aspects of international control of atomic energy which have been referred to the Secretaries of State, War and Navy and the Chairman of the US Atomic Energy Commission for approval by the Executive Committee on the Regulation of Armaments. He said that the State Department had already approved these papers and he understood that they were acceptable to the Navy and the US Atomic Energy Commission but that Secretary Royall had certain reservations concerning the documents which he would like to discuss. He indicated that Mr. Osborne had to have immediate instructions regarding the U.S. position on these papers.

SECRETARY ROYALL said that he had two general misgivings with respect to these papers, one of which had already been clarified. He said that at first he had been uncertain whether the substance of these documents extended our position beyond the Baruch plan, but that he is now convinced that they do not. However,

DECLASSIFIED

E.O. 11652, Sec. 3(E) and 5(D) or (E)

~~SECRET~~
NND 750057

By C&P NARS, Date NOV 14 1974

SECRET

(S 5)

- 2 - (revised)

his other misgiving was whether it was proper that we should take any action at all in connection with these papers. He said that he understood that the Russians had indicated that they would not take any action on these documents, and therefore this might be a good opportunity to adopt the position that we would stop any further consideration of the problem in the UN Commission. He said that he believed that we must now determine whether we have to withdraw the original proposal of the Baruch plan or agree to do nothing further about it from now on.

MR. SULLIVAN said that he shared Secretary Royall's misgivings. He added that he was fearful that if the report was approved by us at this stage and generally accepted by the UN, he wondered what would happen if the Senate refused to ratify the agreement in treaty form.

DR. BACHER said that it was his understanding that the documents were consistent with the original Baruch proposals, containing some amplification of detail, and that he saw no objection to approving them.

MR. RUSK said that the problem before the Committee could be divided into two parts: the first is the more immediate problem of approving the documents of the working groups of the UN Atomic Energy Commission and secondly, there was the question of what position toward international control the U. S. should take from now on as a result of the situation arising from the failure to reach agreement in the UNAEC. He indicated that the documents in question would constitute the main part of the Commission's forthcoming report, which would be an interim report showing a clear division in the Commission. Ten nations, including the US supported the proposals contained in the documents under discussion, with only the Soviet Union and Poland dissenting. It was the hope of the US delegation to make the submission of this report an occasion for demonstrating the solidarity of the majority. Under its working schedule the Commission still had to consider a number of important subjects, such as the staging of the transition from national to international control if it was to fulfill its mandate to work out specific proposals. It was nevertheless planned to point out in the report that there would be difficulties in developing specific proposals on subjects yet to be discussed because of failure to agree on the earlier topics on the work schedule. i.e., the functions and attributes of the international control agency. He indicated that Secretary Royall's fundamental points regarding our future position toward agreement on international atomic energy control are now being given active consideration by Mr. Kennan's planning group and others. He pointed out that it was planned to ask for a resurvey of our original position in light of developments. He said that he favored our going ahead and approving these documents pending a resurvey of our entire position.

SECRETARY ROYALL asked just what reasons there would be for our stopping negotiations right at this point.

MR. GULLION replied that there was general agreement among those

~~SECRET~~

out
at request
of Sec Royall

SECRET

- 2a - (revised)

who had been discussing the problem at working level that the onus for a break ought never to be placed on this country. Moreover, there was no doubt that these majority proposals before this Commission were of American inspiration - and we had exerted great effort to preserve a solid front among the UNAEC nations opposed to the Soviet Union and Poland. In the last week there had been particular difficulty in keeping Britain and Brazil in line. We were committed by the whole course of negotiation thus far to follow through in putting these working papers to a vote and in completing the effort to draw up specific proposals for atomic energy control. A reversal now would be inconceivable. If we were to break off now, we would not be supported by the other nations now behind us in the majority group of ten.

MR. VOLPE said that in view of the fact that the Russians have refused to participate in the working groups, approval of these documents by 10 nations would show up the Russians in their true light.

MR. SULLIVAN said that he agreed that we should take advantage at this time of indicating the underlying differences between our position and that of the Russians.

MR. RUSK pointed out that our present policy as indicated in the Baruch plan, as well as in statements of the President, is that we favor the international control of atomic energy. He said that approval of the documents in question would in no way depart from our commitments under our present policy.

SECRETARY MARSHALL called attention to the exception to one Atomic Energy Commission document (AEC/G.2/37, Rev.2) taken by the Executive Committee on the Regulation of Armaments.

MR. GULLION said that word had been received from Mr. Osborne by telephone that agreement had been reached to amend this particular document in such a way that it met the U.S. objections.

SECRETARY MARSHALL said that in view of this development it was understood that the Committee need not consider this particular provision of that document, and it was assumed that it was now in satisfactory form. SECRETARY MARSHALL cited the importance of our retaining the support of other friendly member nations of the UN Atomic Energy Commission, particularly as several of these countries contained the raw materials from which atomic energy is derived.

SECRETARY ROYALL said that he appreciated the importance of retaining the support and cooperation of such countries as England, Belgium, Canada and the Netherlands and that he was agreeable to approving the documents. He added that he believed we should start immediately to reconsider our entire position towards international control. MR. GULLION said that this was now being done and that the Kennan group would soon make a report available.

~~SECRET~~