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II. Egyptian Request for Military Assistance

Decision:

1. No action to be taken with respect to Egyptian request for various types of military assistance.

2. If the Egyptians should ask for it, Secretary Royall to provide them with an unsigned list of private ammunition manufacturers.

Implementing Action:

None.

Discussion:

SECRETARY MARSHALL said that he understood that the War Department has been approached by the Egyptian Ambassador and the Egyptian Prime Minister for various types of military assistance, and that Secretary Royall wished to discuss the matter. He added that obviously the question of providing the Egyptians with a military mission, advisors, technicians, etc., raises definite implications of our relations with the British.

SECRETARY ROYALL said that he was of the opinion that there was little we could do at this time to assist the Egyptians. SECRETARY MARSHALL said that it was not desirable for us to take any active role now in this connection. He pointed out that we must also consider the fact that we will undoubtedly receive pressure for similiar requests from various nations, that we must carefully weigh the advisability of sending military missions to countries outside of the Western Hemisphere, and that we should take action in this connection only after a careful consideration of the political implications and the availability of suitable personnel.

SECRETARY ROYALL said that he had had prepared a list of private business concerns which manufactured small arms and munitions which the Egyptians might use in approaching these business interests on their own. He asked whether there was any objection to providing the Egyptians with such a list. He added that he did not intend to proffer such a list unless the Egyptians returned and asked for it. SECRETARY MARSHALL said that there appeared to be no objections to making such a list available but suggested however that it be unsigned. He added that if the list should be handed over to the Egyptians the British should be so advised.

III. Petroleum Potentialities in Latin America

Decision:

None. Action deferred.

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Implementing Action:

Problem to be examined in the State Department and the matter discussed further. (Mr. McWilliams will consult with appropriate officials in the State Department.)

Discussion:

MR. SULLIVAN said that it appeared desirable to place on the Agenda of the forthcoming Bogota Conference the subject of research and development of petroleum potentialities in Latin America. He suggested that possibly a Committee should be set up to consider this problem.

SECRETARY MARSHALL said that undoubtedly it would be a good subject to be considered at the Conference but that for tactical reasons it should not be put on the Agenda by the U.S. He said that one of the more important points in this connection was the need for appropriate legislation in the various Latin American countries which would allow American capital and American know-how to get in and develop the oil resources. He mentioned that Ambassador Pawley is working on this problem now in Brazil. He added that he would be glad to look into the problem and consider it at a later date.

IV. Russian Visits to U.S. Industrial Plants

Decision:

None.

Implementing Action:

The Navy Department will presumably refer the problem to SWNCC. Referred to SWNCC by Navy (Sec (SANA 5731))

Discussion:

MR. SULLIVAN said that he had recently received an inquiry from a prominent industrialist whether he should permit Russian visitors to inspect his plant. MR. SULLIVAN said that this inquiry posed the larger problem of what is our policy toward permitting Russians to inspect our industrial concerns. He stated that he thought that SWNCC was probably the proper agency to consider this matter.

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Document considered at Sept. 8, 1947 Com of Three Meeting (approved)

AUG 28 1947

~~CONFIDENTIAL~~

EXECUTIVE COMMITTEE ON REGULATION OF ARMAMENTS

Memorandum to the Secretaries
of
State, War and Navy
and the
Chairman of the Atomic Energy Commission

Subject: Approval of Working Papers of the United Nations Atomic Energy Commission Dealing with Various Aspects of International Control of Atomic Energy.

Pursuant to the decision of the Security Council with respect to the First Report of the United Nations Atomic Energy Commission, Committee 2 of the Commission, during the past four months, has discussed and developed in working groups certain of the principal provisions to be incorporated in a draft treaty or convention for the international control of atomic energy. These provisions, which relate to the functions of a proposed international agency for the control of atomic energy are contained in the attached documents.

The Deputy United States Representative on the Atomic Energy Commission has asked for instructions with respect to the position of this Government when these proposals are brought before the Commission for consideration. It is understood, of course, that final approval of any of these provisions is dependent upon the formulation of an effective overall plan for the international control of atomic energy and its acceptance by the United States. Subject to such qualifications, approval by this Government of these working papers is requested.

The Executive Committee on the Regulation of Armaments has given careful consideration to these provisions and, with the exception noted in the attached summary of AEC/C.2/37/Rev. 2, is of the opinion that they are in harmony with the original United States proposals on the international control of atomic energy as well as with the "General Findings" and "Recommendations" of the First Report of the Atomic Energy Commission. The Deputy United States Representative is prepared to request an appropriate amendment of AEC/C.2/37/Rev. 2, when that document is formally considered by Committee 2.

SWNCC SECRETARIAT

The Executive
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

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By CRD NARS, Date DEC 2 0 1974

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The Executive Committee on Regulation of Armaments recommends, therefore, with the exception noted above, (a) that the Secretaries of State, War and the Navy approve the attached documents and (b) that, upon such approval, the Deputy United States Representative on United Nations Atomic Energy Commission be instructed to support the adoption of these proposals by the Commission.

Executive Committee on Regulation
of Armaments

John C. Elliott
Executive Secretary

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Summaries of Atomic Energy Commission Working 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.2/44, Rev. 2

AEC/C.2/61, Rev. 1

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Functions of the International Agency in Relation to Research and Development Activities.

This is an interpretation of the basic principle contained in the first report of the AEC to the SC to the effect that the International Control Agency shall have positive research and developmental responsibilities in order to promote the beneficial uses of atomic energy and to eliminate its destructive ones. It is recommended that the exclusive right to carry on atomic research for destructive purposes should be invested in the International Control Agency. Research in nuclear physics having a direct bearing on the use of atomic energy should be subject to appropriate safeguards established by the International Control Agency in accordance with the treaty or convention. Such safeguards should not interfere with the prosecution of pure scientific research nor the publication of its results, provided no dangerous use or purpose is involved. The International Agency should encourage research by national and private agencies by making available to those agencies, under control, non-dangerous quantities of fissionable materials.

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Functions of the International Agency in relation to Location and Mining of Ores.

The International Control Agency as a first responsibility must exercise strict control over mining of Uranium and Thorium. The Agency must have complete knowledge concerning the occurrence of source materials. Unhindered rights of survey and other methods of investigation to determine the existence of such source materials must be granted to the Agency. The Agency must also have adequate authority to guard against misuse of materials.

The International Agency should have ownership of all Uranium and Thorium from the time they are removed from their place of deposit in nature. In the case of operations involving other important constituents, the Agency should have the right to assume ownership either before or as soon as these constituents have been extracted. The International Agency should assign national mining quotas and rates of production of source material against these quotas to nations in which deposits or dumps are located in order that comparable national deposits will be depleted proportionably.

Note:

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Note: The Executive Committee on Regulation of Armaments has taken exception to the provision contained in the last sentence of III (b) which reads as follows: "A nation shall have the right to seek an injunction or stop order from an appropriate international body in the event the nation believes that the agency is proposing to conduct an inspection, survey, or exploration in an area not likely to contain source material". It is felt that this provision must be eliminated or qualified as its effect could be to delay or generally to impede the international agency in discharging its legitimate responsibilities of inspection, survey and exploration. The Deputy U. S. Representative on the United Nations Atomic Energy Commission will seek to have this deleted or amended, when it is brought up for consideration in Committee 2.

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Functions of the International Agency in Relation to Processing and Purification of Source Material.

Refineries for the concentration of key substances in source material may be operated or licensed by the International Agency at its discretion. Refineries for the extraction of other important constituents from the source material would normally be operated by nations or persons under license by the Agency. Chemical or metallurgical plants for treating key substances should be owned, operated and managed by the International Agency.

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Functions of the International Agency in Relation to stockpiling, production, and distribution of nuclear fuel and the design, construction, and operation of isotope separation plants and of nuclear reactors.

The International Agency should have the exclusive right to own, operate, and manage dangerous facilities capable of production of power or radio--isotopes, dangerous facilities utilizing nuclear fuel for other beneficial purposes, and dangerous facilities handling or processing nuclear fuel. The International Agency should also have the authority to construct, own and operate non-dangerous facilities and to control by license or otherwise non-dangerous facilities involving nuclear fuel and key substences. Nuclear fuels should be transported or transferred only by or with the authority of the international agency.

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Operational and developmental functions of the International Agency and its relation to planning, coordination and direction of atomic activities.

Subject to conditions embodied in the treaty, the International Atomic Agency should be responsible for making and carrying out decisions regarding production, distribution, and stockpiling of nuclear fuel as well as the decisions regarding distribution and utilization of dangerous facilities involving nuclear fuel. The extent of the powers over atomic energy facilities which must belong to the Agency to give it the necessary amount of control has led to the proposal that the Agency own these facilities as well as all nuclear fuel.

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Rights of and Limitations on the International Agency in Relation to Inspections, Surveys and Explorations.

The Agency shall have unimpeded rights of ingress, egress and access to areas, facilities, and materials within the territory of every participating nation. The Agency shall undertake routine and special inspections of declared activities, and geological and mineralogical surveys and explorations of world supplies of source material, as well as inspection, ground surveys and aerial surveys for the detection of clandestine activities. The Agency is under obligations to cause as little interference as possible in the affairs of nations and its representatives will act as international civil servants in accordance with the terms of Article 100 of the Charter. In general these representatives will exercise restraint (e.g. no unreasonable search) and observe confidences in exercising their functions. In certain specific instances (e.g. in the case of privately owned facilities or military reservations) the Agency's representatives must have warrants before undertaking investigations.

Nevertheless, nations are under the general obligations to see that duly accredited representatives of the Agency are aided in every possible way and not hindered or delayed in fulfilling their proper functions.

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(Copies also to Adm. Woodward, Col Peyton, Mr. McNeil)

October 1,1947

AEC - Dr. Bacher

A-S - H. W. Moseley, Secretary,
Committee of Three

Minutes of the Meeting of the Committee of Three, of September 8, 1947

In his approval to these Minutes, as revised, Secretary Royall indicated that he did not make the statement at the bottom of Revised Page 2, which reads:

> "Secretary Royall asked just what reasons there would be for our stopping negotiations right at this point."

Accordingly, it is requested that you strike out this statement from the Minutes.

With the exception of the above noted change, it is presumed that these Minutes stand approved.

A-S:HWMoseley:bco

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NND 750057
By CO NARS, Date OCT 29 1974

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Com 1/3 File

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

Lovett / Schulgen / Field — War

PRESENT

STATE	WAR	NAVY
ACTING SECRETARY LOVETT	SECRETARY ROYALL	ASSISTANT SECRETARY KENNEY
MR. STILLWELL	COLONEL MUNSON	REAR ADMIRAL WOOLDRIDGE
MR. GULLION		
MR. McWILLIAMS		
Mr. Moseley (SWNCC), Sect.		

1. Sale of Ships to Foreign Countries.

Decision:

It was agreed:

a. That consideration of this matter would be deferred for two weeks pending a report from the JCS, who now have the matter under consideration.

b. That if the JCS study is not available in two weeks, the matter be referred to the Shipping Coordinating Committee for study and recommendation.

Implementing Action:

SECRETARY ROYALL and ASSISTANT SECRETARY KENNEY to speak to General Eisenhower and Admiral Nimitz regarding the JCS action in this connection.

Discussion:

ACTING SECRETARY LOVETT introduced the subject stating that the State Department understands that the Maritime Commission has requested the Secretary of the Navy to raise the limitation upon the sale of vessels with a speed of over 14 knots to non-citizens. The previous limit of 150 vessels set by the Navy has already been reached but approximately 75 additional requests for such vessels have already been made by friendly nations. He said that it is further understood that the Joint Chiefs of Staff are reconsidering the JCS 1145 series on this subject, and that they will probably come to the conclusion that no more vessels should be sold to foreign interests. He pointed out that the State Department is considerably concerned about the effect of such action on this Government's foreign economic policy and in particular upon possible programs for European reconstruction. He said that he wished to recommend that this entire matter be referred to the Shipping Coordinating Committee for study and recommendation.

ASSISTANT SECRETARY KENNEY said that as the matter was now under study by the

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JCS he would prefer to wait for their report before making a decision on this matter.

SECRETARY ROYALL said that he understood that the JCS report might not be ready for two months, and if this were the case, something should be done to expedite consideration of the problem.

ACTING SECRETARY LOVETT proposed that the matter be deferred for two weeks pending receipt of the JCS report with the alternative that the matter be referred to the Shipping Coordinating Committee if the JCS study is not ready within the prescribed time. SECRETARY ROYALL and ASSISTANT SECRETARY KENNEY agreed to this proposal and said that they would in turn speak to General Eisenhower and Admiral Nimitz in connection with the JCS study.

2. Request for Information From the Chairman of the Congressional Joint Committee on Atomic Energy.

Decision:

It was agreed:

a. That the study requested by Senator Hickenlooper should be undertaken but that the final estimate should be communicated only to him.

b. That the Central Intelligence Group should be requested to furnish the estimate requested by Senator Hickenlooper.

c. That the Committee screen this data before it is furnished to Senator Hickenlooper.

d. That representatives of the three Departments would consult with CIG in the preparation of this study.

Implementing Action:

1. CIG to be requested to undertake this study (actual request to be drafted by Mr. Cullion of the State Department).

2. The three Departments to make representatives available to consult with CIG in connection with this study.

Set up implementing letters routed for file

Discussion:

ACTING SECRETARY LOVETT said that Senator Hickenlooper had written the Secretaries of State and Defense, the Attorney General and the Chairman of the Atomic Energy Commission requesting that the Congressional Joint Committee on Atomic Energy be furnished with an estimate representing the combined judgment of the interested agencies of the Government on: (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 that such nation may be expected to produce additional bombs in numbers. He cited the obvious importance of such

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information and proposed that any such estimate should be communicated only to the Chairman of the Congressional Committee. He added that he did not see how it was feasible to turn down the Senator's request for this data.

SECRETARY ROYALL said that he agreed that the request could not be refused and he further felt that any information in this connection should be furnished only to the Chairman of the Congressional Committee. He added that he thought that the Central Intelligence Group was the best agency to prepare such an estimate. ASSISTANT SECRETARY KENNEY said that he favored both of these actions.

MR. GULLION said that he felt there was some question whether CIG had adequate facilities to handle such a matter, and that he was of the opinion that representatives of the three Secretaries empowered to consult with all interested agencies and individuals might be able to furnish a better estimate. Both SECRETARY ROYALL and ASSISTANT SECRETARY KENNEY reiterated that they felt that the CIG was the best agency to handle this study. ACTING SECRETARY LOVETT said that he was agreeable to having CIG made responsible for producing this estimate, provided the Committee of Three had an opportunity to screen the information before it was furnished to the Senator. He added further that it seemed desirable that the three Departments make available to the CIG, in connection with this study, their respective specialists in this field. SECRETARY ROYALL and ASSISTANT SECRETARY KENNEY agreed to ACTING SECRETARY LOVETT'S proposals in this connection.

3. Restoration or Non-Restoration of Reparation Deliveries from Germany.

Decision:

It was agreed:

a. That General Clay should be consulted for his latest views in this connection after he had discussed the matter further with Ambassador Douglas and the British.

b. That consideration should be given to stating at the time of the announcement of agreement on the level of industry for Germany that the question of reparations deliveries would be taken up at the next meeting of the Council of Foreign Ministers.

Implementing Action:

The War Department to draft a cable to General Clay in consultation with representatives of the State Department (it is understood that General Draper, Mr. Saltzman and Mr. Bohlen will take part in this drafting).

Discussion:

ACTING SECRETARY LOVETT stated that it had been reported from London that Mr. Bevin had taken the position that the United States and the United Kingdom were committed as the result of high-level conversations at the last Moscow Conference to resuming East and West deliveries of reparations once there was agreement on the level of industry for Germany. Apparently Mr. Bevin is of the opinion that such deliveries will have to be resumed after the planned announcement on September 1, 1947, of the agreement on the level of industry for Germany. ACTING SECRETARY LOVETT said that if we do have a committment we must not take

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any action which would result in discrimination; on the other hand, we did not want to resume deliveries to the Russians who have broken so many of their commitments.

SECRETARY ROYALL said that General Clay was opposed to any action which would result in providing the Russians with additional plants and equipment.

ACTING SECRETARY LOVETT said that he thought it was a good opportunity now that General Clay was in London to wire him for his latest views in this connection, and to ask him to discuss this matter with Ambassador Douglas and with the British. He suggested that we might state at the time of the announcement on September 1 of the agreement on the level of industry that the matter of restoration of reparation deliveries be taken up at the next meeting of the Council of Foreign Ministers.

SECRETARY ROYALL said that he was in general agreement with ACTING SECRETARY LOVETT'S proposals. He added that he did not wish to take any action which would recommit ourselves in any way to furnishing the Russians with any more reparations equipment. He added that he did not wish to tie this action too closely to the level of industry problem and that he wished to talk further with General Draper on the whole question.

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SWNCC

These letters written pursuant to Item 2 of Minutes of Aug 21

September 2, 1947

Dear Admiral Hillenkoetter:

I enclose a copy of a letter addressed by Senator B. B. Hickenlooper, Chairman of the Joint Congressional Committee on Atomic Energy to the Secretary of State, the Secretary of Defense, the Attorney General, and the Chairman of the Atomic Energy Commission. Senator Hickenlooper requests that a study be undertaken by the appropriate government agencies looking to the adoption of an official estimate as to the time which may be required by other countries to enter into production of atomic weapons.

I have discussed the Senator's request with Secretary Royall and Assistant Secretary Kenney representing the Secretary of the Navy, and we have agreed to ask the Central Intelligence Group to undertake the study in question in cooperation with other departments. I have asked the Secretaries of War and of Navy to designate representatives of their departments whom you may consult in preparing the study. The representative of this Department will be Mr. Edmund A. Gullion, Special Assistant to the Under Secretary (Republic 5600, ext. 2464).

I should appreciate confirmation of your readiness to undertake this project.

Sincerely yours,

ROBERT A. LOVETT

Robert A. Lovett
Acting Secretary

Rear Admiral S. H. Hillenkoetter,
Director, Central Intelligence Group,
Room 7131 North Interior Building,
Washington 25, D. C.

A true copy of the signed original

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SWNCC

°SECRET°

September 2, 1947

Dear Mr. Secretary:

In compliance with the decision taken at a meeting of the Secretaries of State, War and Navy (or their representatives) on August 21, 1947, I have addressed a letter, copy of which is attached, to the Director of the Central Intelligence Group asking it to undertake a study requested by Senator Hickenlooper, looking into preparation of a joint estimate as to the time by which other powers may be expected to begin the production of atomic weapons. You will observe that I indicate that the three service departments and the Atomic Energy Commission will each designate a representative to work with the Central Intelligence Group in the preparation of the study requested by Senator Hickenlooper.

The representative of this Department will be Edmund A. Gullion, Special Assistant to the Under Secretary.

I would appreciate receiving from you confirmation of this action and the name of the officer who will represent your Department on the work in the projected study.

Sincerely yours,

ROBERT A. LOVETT

Robert A. Lovett
Acting Secretary

A true copy of the signed original BH

The Honorable
Kenneth C. Royall,
Secretary of War.

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SWNCC

SECRET

September 2, 1947

Dear Mr. Kenney:

In compliance with the decision taken at a meeting of the Secretaries of State, War and Navy (or their representatives) on August 21, 1947, I have addressed a letter, copy of which is attached, to the Director of the Central Intelligence Group asking it to undertake a study requested by Senator Hickenlooper, looking into preparation of a joint estimate as to the time by which other powers may be expected to begin the production of atomic weapons. You will observe that I indicate that the three service departments and the Atomic Energy Commission will each designate a representative to work with the Central Intelligence Group in the preparation of the study requested by Senator Hickenlooper.

The representative of this Department will be Edmund A. Gullion, Special Assistant to the Under Secretary.

I would appreciate receiving from you confirmation of this action and the name of the officer who will represent your Department on the work in the projected study.

Sincerely yours,

ROBERT A. LOVETT

Robert A. Lovett
Acting Secretary

The Honorable
W. John Kenney,
Assistant Secretary of Navy.

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A true copy of the signed original

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SWNCC

SECRET

September 2, 1947

Dear Mr. Lilienthal:

On August 7, 1947 Senator Hickenlooper, Chairman of the Joint Congressional Committee on Atomic Energy addressed to you, to the Secretary of Defense, the Attorney General, and to me an identical letter in which he requested that an estimate be made of the time which would be required for other countries to enter into the production of atomic weapons. I discussed this request with Secretary Royall and Assistant Secretary Kenney representing the Secretary of the Navy, at a meeting on August 21, 1947 and we agreed that it would be desirable for the Central Intelligence Group to undertake to coordinate an interdepartmental study on this subject. Naturally great reserve would be observed in releasing any findings by the interdepartmental group. It is contemplated that any agreed figure would not be furnished to the whole committee but to Senator Hickenlooper only, as Chairman.

I have asked the Secretaries of War and Navy to designate a representative who would represent their departments in this study. The representative of this Department will be Edmund A. Gullion, Special Assistant to the Under Secretary.

I should very much appreciate an expression of your views as to this project. The cooperation of the Atomic Energy Commission would of course be indispensable in this joint undertaking. If you agree would you please indicate to me the name of the person at the Atomic Energy Commission whom you wish to participate in consultation on this subject?

Sincerely yours,

ROBERT A. LOVETT

Robert A. Lovett
Acting Secretary

The Honorable
David E. Lilienthal,
Chairman, Atomic Energy Commission.

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I certify that this is a true copy of the signed original
BY

SECRET

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SWNCC

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AUG 14 1947

~~JUL 23 1947~~

My dear Mr. Secretary:

It has come to our attention that the Maritime Commission has recently requested you 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 your letter to the Maritime Commission of 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 program 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.

In

The Honorable
James Forrestal
Secretary of Navy

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NND 750057
By GD NARS, Date OCT 30 1974

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In view of the important foreign policy aspects of this question, I hope that no final action will be taken before I have an opportunity to discuss the matter with you at our next meeting of the Committee of Three.

Sincerely yours,

ROBERT A. LOVETT

Acting Secretary

A true copy of the signed original

TRC:WARadius:eva 8/11/47

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State Dept's Brief

SALE OF SHIPS TO FOREIGN COUNTRIES

Discussion: Under the Ship Sales Act of 1946 the Maritime Commission has authority to sell vessels to non-citizens after consultation with the Secretary of the Navy "that such vessel is not necessary to the defense of the United States". Last year, in response to the Commission's request, the Navy stated that there would be no objection to such sales with the following exceptions:

1. Only 50 tankers could be sold to non-citizens (this figure has subsequently been increased by an additional 100);

2. Only 150 vessels with a speed of over 14 knots could be sold to non-citizens (this limit has now been reached);

3. No passenger ships should be sold to non-citizens.

The State Department understands that the Maritime Commission is requesting the Navy to raise the limitation upon the sale of vessels with a speed of 14 knots. If the Navy rejects this request and informs the Maritime Commission that the national defense needs will require the retention of all other ships under the American flag, sales to foreign operators will close. The United States is now operating about 27 million deadweight tons of shipping and has about 10.6 million tons in the laid-up fleet. This compares with a total pre-war fleet of about 11 million tons.

Since there are a large number of outstanding applications for the purchase of war-built vessels (TAB A), particularly from those countries cooperating in the Paris Conference, the placing of an embargo upon the sale of ships foreign might have unfortunate repercussions in the light of our offers to extend aid to Europe. The State Department believes that the important foreign policy aspects of this question should be given consideration before any final position is taken by the Navy.

Recommendation:

That the Three Secretaries refer this matter to the Shipping Coordinating Committee for study and recommendation.

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ACCESS RESTRICTED

The item identified below has been withdrawn from this file:

Folder File Designation = 334 Committee of Three
Doc. no. —

Date aug. 7, 1947

From B.B. Hickenlooper (chairman)

To George C. Marshall

In the review of this file this item was removed because access to it is restricted. Restrictions on records in the National Archives are stated in general and specific record group restriction statements which are available for examination. The item identified above has been withdrawn because it contains:

☒ Security-Classified Information

☐ Otherwise Restricted Information

Congress / no guides T.2. — Authority

1-5-76 — Date

WITHDRAWAL NOTICE

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GENERAL SERVICES ADMINISTRATION GSA FORM 7117 (2-72)

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334 COMMITTEE OF THREE

Return to

MA-Att'y Moeller

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OFFICE OF THE SECRETARY OF DEFENSE

~~SECRET~~

17 November 1947

Memo. for Mr. Moseley, SANACC Secretariat

Inclosed is a copy, for your information, of a letter sent to Secretary Marshall by Mr. Forrestal. It is the reply to the request made by Secretary Marshall at the meeting of the Committee of Two on 3 November 1947 for information on the status of the withdrawal of United States Armed Forces from China.

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NND 750057
By CRB NARS, Date OCT 29 1974

1 Incl

RB:djh

ROBERT BLUM

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

~~SECRET~~

A-2857

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SECRET

THE SECRETARY OF DEFENSE
WASHINGTON
15 November 1947

My dear Mr. Secretary:

At the Committee of Two meeting of 3 November 1947 you asked me to check on the status of withdrawals of United States Armed Forces in China so that you would have this information available in the event that it is needed during the forthcoming meeting of the Council of Foreign Ministers.

In your letter of 31 March 1947 to Mr. Molotov, you gave him the estimated figures for United States Armed Forces in China as of 1 June 1947, by which date it was expected that reductions then in progress would be completed. You will see from the following tabulation, which corresponds to the one in your letter to Mr. Molotov, that the strength of the Armed Forces could not be reduced by 1 June 1947 to the estimated ceiling but that Naval personnel and Marines are now below that ceiling. The reasons for this delay and the difficulty of reducing the Army and Air Force strengths to the estimated ceiling, although they are very close to that figure, are explained below.

	Estimated ceiling for 1 Jun 47	Actual Strength 1 Jun 47	Actual Strength 1 Oct 47		Projected Strength 1 Jan 48
UNITED STATES ARMY (All staff & services)				-	
Advisory Group	750	750	750		750
Office & Property Guards	351	444	460		516
Air Transport	160	308	161		187
Graves Registration Serv.	94	80	73		39
Miscel. Staff & Services	155	96	87		100
TOTAL ARMY	1510	1678	1531		1592
UNITED STATES NAVY				Actual Strength 1 Nov 47	
Advisory Group	128	142	84	-	
Services in connection with port & weather facilities, Shanghai, Tsingtao, and Tientsin.	1043	1382	1147	-	Not to exceed
TOTAL NAVY	1171	1524	1231	1150	1171
UNITED STATES MARINES				Actual Strength 6 Nov 47	
Combat type:					
Infantry	1636	2402	1591	-	
Air	499	565	417	-	
	2135	2967	2008	-	
Staff and Service:					
Ground	1154	3890	1379	-	
Air	210	441	383	-	
	1364	4331	1762	-	Not to exceed
TOTAL MARINES	3499	7298	3770	3452	3499

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You will see from these figures that by 1 June 1947 the strength of United States Army including Air Force personnel had been reduced to the estimated level except in two agencies, Air Transport Service and Office and Property Guards. It is now estimated that it will not be possible to reduce the figures for these two services to the original estimated ceiling. As of 1 January 1948 and for an indefinite period thereafter the Air Transport Service, including attached Airways Communications Service and Air Weather Service units, will require a strength of 187, which is 27 higher than the estimate. Also, because of increased pilferage and other changed local conditions it has become necessary to augment rather than decrease Office and Property Guard personnel so that the projected strength for an indefinite period beginning 1 January 1948 will be 516, which is 150 higher than the original estimate of 351. It is not expected that the ceiling will be exceeded for the other services. Fluctuations in strength of Miscellaneous Staff and Services are caused by the inclusion under that heading of personnel enroute to and from China. The American Graves Registration Service is scheduled for inactivation on 15 December 1947 but will require until 15 February 1948 a residual strength of 39 to close out contracts, dispose of property and arrange for the termination of services. After that date no personnel will be required for this work but in other respects the projected strength of United States Army personnel will continue at the figure given for 1 January 1948. The functions of the Army Advisory Group require the full complement of 750 and the other activities which are necessary to support the Army Advisory Group will continue to require the full services of the additional agencies listed.

The Naval and Marine Corps strength is now below the established ceiling and it is not expected that the ceiling figure will be subsequently exceeded. The delay in reducing strength to the ceiling figure was due to several reasons, including the following: non-availability of shipping lift; extensive damage by the Chinese Communist Forces to the rail line southwest of Chinwangtao which caused some delay in withdrawal of Executive Headquarters from Peiping to Tsingtao; the need to return or turn over enemy alien, foreign and Chinese property to the proper authorities; completion of the determination, declaration and turnover of surplus property; settlement of all foreign claims; the segregation and shipment control of items to be shipped to the United States and Guam from required stocks to be kept at Tsingtao.

I will be glad to furnish you any additional information should you desire it.

Sincerely yours,

James Forrestal

Honorable George C. Marshall
Secretary of State
Washington, D. C.

CC: Mr. Moseley
SANACC Secretariat

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COPY NO. 11

COMMITTEE OF TWO

Minutes of the Meeting Held in Room 5142,
The New State Department Building,
on Monday, 3 November 1947, at 1000.

MEMBERS PRESENT

Secretary Marshall
Secretary Forrestal

OTHERS PRESENT

State

Mr. Butterworth
Mr. McWilliams

Army

Under Secretary Draper
Lt. General Lutes
Colonel Byroade

Navy

Secretary Sullivan
Rear Admiral Wooldridge

Air Force

Secretary Symington
Assistant Secretary Whitney

Office of the Secretary of Defense

Mr. Ohly

Secretary

Mr. Moseley (SANACC)

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
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By C&R NARS, Date OCT 29 1974

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1. Aid to the Chinese

Decisions:

It was agreed:

a. That surplus munitions in the Marianas would be transferred under Surplus Property Act procedure, and that the State Department would approach the FLC to make the appropriate arrangements on a cash transaction basis.

b. That the 39 Division Program should be considered completed.

c. To expedite deliveries of equipment to complete the 8-1/3 Group Program, and that pressure would be put on the War Assets Administration and the Chinese to expedite negotiations and arrangements.

d. To investigate the availability of surplus munitions in the Philippines for possible transfer to the Chinese.

Implementing Action:

a. The State Department to approach the FLC to arrange for the appropriate procedures, including any further necessary agreements with the Chinese for the transfer of surplus munitions in the Marianas. The State Department to arrange for contacts with the Chinese in this connection where necessary.

b. The Army to give instructions to the overseas Commanders that the ammunition be declared surplus.

c. The Army to direct overseas Commanders to provide any necessary assistance in arranging for the transfer of the munitions in the Marianas pursuant to arrangements for transfer by FLC procedure.

d. The State Department to put pressure on WAA and the Chinese to expedite negotiations and delivery for the remaining equipment under the 8-1/3 Group Program. The Army and Air Force to cooperate to make the equipment available.

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(e) The State Department to ask our Embassy in the Philippines to investigate the availability of surplus munitions for possible transfer to the Chinese.

Discussion:

A. TRANSFER OF MUNITIONS IN THE MARIANAS

MR. DRAPER said that it was desirable to clarify some uncertainty which had arisen over the means of transfer of the munitions in the Marianas to the Chinese. He said that the Army had investigated and found that there was a considerable surplus of materiel in the Marianas and that considerable time, funds and personnel will have to be expended to dispose of these stocks by any method. He stated that there was no legal way by which the Army could turn over the ammunition to another nation by declaring it "unstable". He pointed out that the only legal means of transferring this materiel is under the Surplus Property Act procedure. Apparently the most expedient method would be a supplemental agreement to the existing Bulk Sale Contract with China, permitting the transfer of munitions.

MR. BUTTERWORTH said that State Department was agreeable to approaching the FLC to determine the best procedure for handling this transaction, and that he would get in touch with the representatives of that agency immediatley.

SECRETARY MARSHALL said it appeared that new contracts with the Chinese to effect this transfer were necessary.

MR. DRAPER said he thought that the Chinese would be able to provide the necessary labor to load the munitions along with the other material which they were picking up in the Islands.

SECRETARY MARSHALL said that besides furnishing the Chinese with some real material aid he believed that this transfer would have real psychological importance in boosting the morale of the Chinese government. MR. BUTTERWORTH raised the question of whether the transaction should be for credit or cash, pointing out that there would be much less publicity involved in a cash transaction. SECRETARY MARSHALL said that the cash transaction appeared preferable, and arrangements should be made to sell the ammunition at a very low price. He added that we could not avoid some publicity in this connection.

MR. BUTTERWORTH pointed out that as a matter of procedure it will, of course, be necessary for the Army to declare the ammunition surplus, and the FLC will not accept it unless it has evidence of a foreign buyer.

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B. THE 39 DIVISION PROGRAM

SECRETARY MARSHALL read a memorandum which set forth the view of the Army that The 39 Division Program had been completed.

MR. DRAPER pointed out that General Wedemeyer had also told the Generalissimo that it was considered that The 39 Division Program was now completed.

It was the substance of the discussion that the Army view was acceptable.

C. 8-1/3 GROUP PROGRAM

SECRETARY MARSHALL read a memorandum prepared by the Air Force on the status of the 8-1/3 Group Program. He recalled that there had been previous agreement to go ahead and complete this program. He pointed out that Mr. Butterworth had already arranged for the War Assets Administration to earmark 50 C-46's for the Chinese. He added that these planes were reported to be in good condition, that the price was low and that we were now urging the Chinese to buy them. He pointed out that the basic need of the Chinese is for transport planes.

MR. BUTTERWORTH said that the State Department was ready to go ahead now to expedite negotiations for the sale of the repair equipment which is now located in Hawaii. He said that the Department would put pressure on the WAA as well as the Chinese in this connection.

MR. SYMINGTON pointed out that even if the 8-1/3 Group Program was completed the amount of planes and spare parts involved would still be far short of what the Chinese want and expect. He said that the Air Force was looking further into this matter. MR. WHITNEY said that the inefficiency of the Chinese Air Force was such that he thought we might investigate to see whether we could help them by furnishing them additional advisory personnel. MR. BUTTERWORTH said that the training of the Chinese Air Force was quite efficient, but that their methods of operation were different than ours and that little could be done to help them in this respect. SECRETARY MARSHALL stated that we must accept the fact that they do things differently and less efficiently than ourselves.

MR. WHITNEY said that we have no fighter aircraft in the Pacific to complete the program and that we will have to find new sources in this country. MR. BUTTERWORTH pointed out that he was advised that there were available planes of this type now being held in Dayton.

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D. POSSIBLE AVAILABILITY OF SURPLUS MUNITIONS SOLD TO THE PHILIPPINES

SECRETARY MARSHALL said that it had been called to his attention that this government had recently approved the sale of over 100,000 tons of surplus munitions to the Philippines. He said that the question had been raised of possibly arranging for the re-transfer of some of this to the Chinese.

MR. BUTTERWORTH said that he would arrange to have our Embassy in the Philippines investigate this matter.

E. WEDEMEYER REPORT

SECRETARY FORRESTAL recalled that at the last meeting discussion on the Wedemeyer report had been deferred. He inquired what action the State Department was taking with respect to the report.

SECRETARY MARSHALL said that the State Department was actively working on the report and that particular attention was being given to the military phase as well as the financial phase. He said that the Department was studying the extent and the form of further assistance to the Chinese, and what controls would be necessary. He summarized by saying that apparently everyone is in agreement that we wish to prevent Soviet domination of China and that we wish to do something to provide for a stable government there, but there is no unanimity on the way in which assistance can be rendered. He said that the immediate problem is to determine what can we do effectively. He said that we must recognize that we have the problem of prolonging the agonies of a corrupt government, and that we probably have reached the point where we will have to accept the fact that this government will have to be retained in spite of our desire to change its character. He said that he was of the opinion that we can not afford to make the Wedemeyer Report public as to do so would do much more harm than good.

SECRETARY FORRESTAL said that he was concerned that it has never properly been publicized that the Russians are as committed to support the present Chinese government as we are. He pointed out that the average person is unaware of this and he thought something should be done about it. SECRETARY MARSHALL said that he was fully conscious of this fact, and that he was considering bringing this point out as a possible maneuver at the forthcoming meeting of the Council of Foreign Ministers.

MR. BUTTERWORTH said that care should be taken not to release information regarding the transfer of munitions to the Chinese during the Council meeting. SECRETARY MARSHALL said that our negotia-

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tions with the Chinese should be kept as quiet as possible and that any publicity regarding the transfer of materiel should come after the Council meeting.

MR. DRAPER said that Secretary Royall also wished to have the point made that there should be no publicity about private manufacturers' replacing ammunition which the Army may advance to the Chinese pursuant to a private contract now being negotiated by the Chinese with an American manufacturer.

II. Withdrawal of American Forces from China

Decision:

None

Implementing Action:

The Secretary of Defense to provide information to the Secretary of State regarding the latest figures on the withdrawal of Army, Navy and Marine personnel in China.

Discussion:

SECRETARY MARSHALL referred to his discussions with Mr. Molotov during their meeting in Moscow in March 1947, at which time the latter addressed a letter to Secretary Marshall making inquiry about the number of American Forces to be left in China. Secretary Marshall said that in his reply to Mr. Molotov's letter he stated that the United States had announced that upon the termination of hostilities in China our Forces there would be reduced considerably. He said that he had pointed out in this letter than when current reductions were completed (estimated date June 1, 1947) there would remain, at the request of the National Government of the Republic of China, approximately 6,180 military and naval personnel. SECRETARY MARSHALL asked Secretary Forrestal to have a check made on the status of withdrawals to date.

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SANACC 12/15

5 November 1947

STATE-ARMY-NAVY-AIR FORCE COORDINATING COMMITTEE

PROVISIONAL TERMS OF REFERENCE OF THE STATE-ARMY-NAVY-AIR FORCE COORDINATING COMMITTEE

Reference: SWNCC 12/14

Note by the Secretaries

1. The enclosure is circulated for information and guidance in connection with the above reference.

2. With reference to par. 11 b of SWNCC 12/14, at a meeting of the Secretaries of State, Defense, Army, Navy and Air Force (or their representatives) on 27 October 1947, it was agreed that:

a. The Committee of Three should become the Committee of Two (Secretary of State and Secretary of Defense), with the understanding that the Secretary of Defense would invite the Secretaries of Army, Navy and Air Force to attend meetings when appropriate.

b. The Committee of Two will continue to use the services of the Secretariat of SANACC.

H. W. MOSELEY
W. A. SCHULGEN
V. L. LOWRANCE
Secretariat

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NND 750057
By CLG NARS, Date OCT 29 1974

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ENCLOSURE

PROVISIONAL TERMS OF REFERENCE OF THE
STATE-ARMY-NAVY-AIR FORCE COORDINATING COMMITTEE

The State-War-Navy Coordinating Committee (SWNCC) is reconstituted as the State-Army-Navy-Air Force Coordinating Committee (SANACC) and is designated as the agency to reconcile and coordinate the action to be taken by the Departments of State, Army, Navy, and Air Force on matters of common interest, and under the Chairmanship of the Department of State will be responsible for the coordination of policy on politico-military questions referred to it.

Action taken and decisions made by the State-Army-Navy-Air Force Coordinating Committee will be construed as action and decisions by and the approved policy of the Secretaries of State and Defense, as well as the Secretaries of Army, Navy, and the Air Force. Dissemination of the decisions of the Committee will be accomplished by the departments concerned for the information and guidance of all concerned and, where appropriate, with necessary instructions for action.

(s) G. C. Marshall
Secretary of State

(s) Forrestal
Secretary of Defense

(s) Kenneth C. Royall
Secretary of the Army

(s) John L. Sullivan
Secretary of the Navy

(s) W. Stuart Symington
Secretary of the Air Force

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MINUTES OF THE MEETING OF THE SECRETARIES OF STATE, DEFENSE, ARMY, NAVY AND AIR FORCE (OR THEIR REPRESENTATIVES)
MONDAY, OCTOBER 27, 1947 - 10:30 A.M.

PRESENT

STATE

SECRETARY MARSHALL
UNDER SECRETARY LOVETT
MR. RUSK
MR. BUTTERWORTH
MR. WOODWARD
MR. McWILLIAMS
MR. MOSELEY (SANACC) Secretary

DEFENSE

SECRETARY FORRESTAL
MR. OHLY

ARMY

UNDER SECY DRAPER
COLONEL MUNSON
Col. Bygoade
Lt. Gen. Lutes

SECURITY COUNCIL

MR. SOUERS
MR. LAY

NAVY

CAPTAIN AUSTIN Secretary Sullivan's Rear Admiral Waldron

AIR FORCE

SECRETARY SYMINGTON
Asst Sect. Whitney

1. Future Status of the Committee of Three

Decision:

It was agreed that:

(a) The Committee of Three should become the Committee of Two (Secretary of State and Secretary of Defense), with the understanding that the Secretary of Defense would invite the Secretaries of Army, Navy and Air Force to attend meetings when appropriate.

(b) That the Committee will continue to use the services of the Secretariat of SANACC.

Implementing Action:

None.

Discussion:

SECRETARY FORRESTAL said that the proper relationships of the new agencies created by the National Security Act and the State Department will be worked out by pragmatic evolution and that experience will dictate the proper pattern of coordinating machinery. However, he said that he was of the opinion that SWNCC should be continued in its reconstituted form of State-Army-Navy-Air Force Coordinating Committee (SANACC). As for the Committee of Three, he said that he believed that it should become the Committee of Two using the secretarial services of the Executive Secretary of the National Security Council, and that the Secretaries of Army, Navy, or Air Force would be invited to attend when items were of particular interest to them.

UNDER SECRETARY DRAPER said that it was Secretary Royall's view that with the National Security Council and SANACC in existence there was no longer any

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H H Moseley

MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY

February 26, 1947 - 10:30 a. m.

Minutes

PRESENT

STATE	WAR	NAVY
SECRETARY MARSHALL	SECRETARY PATTERSON	SECRETARY FORRESTAL
UNDER SECRETARY ACHESON	ASST. SECRETARY PETERSEN	UNDER SECRETARY SULLIVAN
MR. HENDERSON	LT. GENERAL HIDGEWAY	CAPTAIN TICHENOR
MR. GANGE		
Mr. Moseley (SWNCC), Recorder)		

I. Greek and Turkish Situation with Reference to British Notes of February 24, 1947.

Implementing Action:

1. Discussions to be undertaken by the British and United States Members of the Combined Chiefs of Staff on the military position of Turkey and Greece.

2. The State Department to consult with the Governments of Turkey and Great Britain regarding the need for economic and financial assistance to Turkey.

3. The following steps set forth in paragraph 10 of the State Department memorandum on this subject distributed by SECRETARY MARSHALL:

(a) An appropriate reply be made to the British Government and the specific assurances mentioned above be sought, and this Government at once propose top secret conversations at a high level in regard to the whole international situation with a view to ascertaining British capabilities and intentions.

(b) The Secretary of the Treasury, the Secretary of Commerce, and various other members of the Cabinet be informed of this decision and the Secretary of the Treasury be invited to arrange for Treasury participation in any future discussions bearing on financial assistance. Steps be taken by the Administration to obtain the wholehearted support of all other interested executive agencies of this Government in executing the program outlined.

(c) Every effort be made at the highest governmental level to find means, without waiting for legislation, to alleviate the present Greek financial situation.

(d) That steps be taken to see that the Greek Government requests at once in a formal manner the assistance of this Government in the rehabilitation of its economic life.

(e) The problem be discussed privately and frankly by the leaders of the Administration with appropriate members of the Congress.

(f) Legislation be drafted, in the light of these discussions with

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members of Congress and of the findings of the Combined Chiefs of Staff, and this legislation be submitted to Congress; such legislation might well include authorization for the President under certain conditions within prescribed limits to extend loans, credits, or grants to Greece and/or Turkey; also for the transfer to Greece or Turkey or both of military supplies not transferable under existing laws; and any necessary authorization for the supply of personnel.

(g) In the meantime measures be taken immediately to transfer to Greece such available military equipment and other supplies as the three Departments find are urgently needed by Greece and are transferable under existing legislation.

(h) Measures be adopted to acquaint the American public with the situation and with the need for action along the proposed lines.
(SWNCC Subcommittee on Foreign Policy Information be directed to undertake a program to acquaint the public with the Greek situation.)
(SECRETARY MARSHALL to address a Press group on the situation in Western and Southern Europe and its relation to the strategic position of the United States.)

Decision:

The Committee agreed:

1. Subject to the changes set forth below, to approve in general the program set forth in the memorandum introduced by SECRETARY MARSHALL entitled "Position and Recommendations of the Department of State Regarding Immediate and Substantial Aid to Greece and Turkey."

2. That the program set forth in this memorandum be submitted immediately to the President for his approval.

3. The Committee agreed to the following changes in the State Department memorandum:

Paragraph 6 and Paragraph 7(a):

Instead of introducing the matter formally into the Combined Chiefs of Staff, the matter will be taken up directly with the British and United States members.

Paragraph 6:

If, as a result of discussions with members of the Combined Chiefs of Staff, it is determined that military supplies should be provided to Turkey, it was generally agreed that it would be preferable for the British to provide the supplies if feasible.

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Paragraph 8.
The Committee disagreed with the statement in this paragraph that "half-way measures will not suffice and should not be attempted."

Discussion:

1. SECRETARY MARSHALL referred to the British notes and asked for the views of the other members. SECRETARY PATTERSON said that from a military point of view the independence of Greece and Turkey were of vital importance to the U. S. strategic position. He then presented a Staff Study on the Greek and Turkish situation. SECRETARY FORRESTAL pointed out the strategic value of these areas to the Navy.

2. MR. ACHESON explained the difficulties of the British in their present financial situation. SECRETARY MARSHALL said that after careful consideration of the British notes the State Department was of the opinion that the British were definitely sincere in their presentation of these problems. MR. HENDERSON said that aid to Greece from UNRRA would be of only inconsequential value to their overall needs and that to prevent collapse Greece will need several hundred millions.

3. There was considerable general discussion of the position of Greece and Turkey in relation to the present financial difficulties of Great Britain and the implications of the situation to the United States' strategic position. There was also further discussion of the general difficulty being encountered in obtaining necessary appropriations from Congress to back up U. S. world responsibilities. Particular note was given to the need of advising the public of the present critical situation. In general, the Committee recognised that the Greek and Turkish problems were only part of a critical world situation confronting us today in many democratic countries and that attention must be given to the problem as a whole.

II. Inter-American Military Cooperation Act.

Implementing Action:

1. SECRETARY FORRESTAL introduced a letter giving the Navy's estimate of the cost of the Latin American Arms Program for use by the State Department in its study of the costs and possible effects of that program on the economies of the other American Republics.

Decision:

1. None.

Discussion:

1. SECRETARY PATTERSON presented the reasons why the War Department feels that the proposed legislation should be introduced into this session of Congress. GENERAL KENNEY outlined the need for securing the friendly support of our Latin American neighbors by means of the provisions of this Act.

2. MR. ACHESON said that the State Department was concerned with the

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effect on the economies of the Latin countries if they should buy arms as provided for in this Bill. He also said that the implementation of the proposed legislation might result in arming Argentina particularly due to that country's better financial position.

J. MR. PETERSEN said the effect on the economies of the Latin American countries of their purchase of arms from us could be mitigated by providing them with surplus weapons first and controlling the supply of other arms to them.

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W H Moseley

ANALYSIS OF THE PROPOSALS CONTAINED IN BRITISH NOTES OF FEBRUARY 24 RELATING TO GREECE AND TURKEY (FOR DISCUSSION PURPOSES ONLY)

OBLIGATIONS OR COMMITMENTS WHICH BRITISH PROPOSE THAT THE UNITED STATES UNDERTAKE

1. With reference to Greece:

The British propose that as of April 1, 1947 the United States Government assume financial responsibilities hitherto borne by Britain with regard to Greece. The British estimate that during the last nine months of 1947 Greece will require between $240,000,000 and $280,000,000 from abroad for its civilian and military needs in addition to that already furnished by the British. Since the British Government is unable to spend more on Greece, it expresses the hope that the United States Government will find itself in a position to afford this assistance.

The note, with its enclosures, also points out that the conclusion is inescapable that for several years subsequent to 1947 Greece "will not have anything even remotely approaching minimum financial resources needed to preserve its integrity and independence as such", and makes it clear that unless the United States continues after 1947 to give Greece financial aid and help in the form of military equipment, Greece can not survive as an independent country.

In this connection the note expresses the hope that "if a joint policy of effective and practical support for Greece is to be maintained, the United States Government will

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will agree to bear as from the first of April 1947 the financial burden of which the major part has hitherto been borne by His Majesty's Government".

It is suggested in the note that the State Department and the United States Chiefs of Staff examine papers now in the possession of the British Joint Staff Mission in Washington which have full details of the present organization of the Greek armed forces and of the reorganization proposed by the British military authorities; and that, in addition, the various military questions relating to Greece should be given urgent consideration by the Combined Chiefs of Staff.

The note further suggests that if the United States Government should find itself able to offer economic aid to Greece, it would probably desire to send to Greece a United States economic mission. It would appear that the role of this United States economic mission would be to supervise the utilization of funds made available to the Greek Government and to give the Greeks advice in the field of economic reconstruction.

2. <u>With regard to Turkey</u>:

With regard to Turkey, the British Government takes the position that in order to bring the armed forces of Turkey into a reasonable state of preparedness a large measure of re-equipment and considerable training will be

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necessary. It indicates that the British Government is not prepared financially to re-equip the Turkish armed forces. The British Government, however, is prepared to look after the needs of the Navy and the air forces, provided satisfactory financial arrangements can be made (apparently by the United States), and to furnish to Turkey additional military, naval and air advisers amounting to some sixty officers for whom the Turkish Government has asked.

It is pointed out that if Turkey is to be able to carry out any plan of extensive military reorganization and also a plan of a kind of economic development which would strengthen the ability of the Turks to defend themselves, Turkey must obtain financial assistance from abroad. It is emphasized that the British Government, in the existing financial situation of Great Britain, cannot make further credits available to Turkey and that, therefore, Turkey must look either to the United States Government or some American lending agency, such as the EXIMBANK, or to the International Bank or the International Monetary Fund. The British Government makes it clear that it has come to the conclusion that economic and financial assistance from abroad should be given to

Turkey

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Turkey. It does not, however, indicate how much financial assistance will be necessary. The specific suggestion is made that a study of the strategic and military position of Turkey should be made by the Combined Chiefs of Staff. The British ask whether the United States Government has any suggestions as to how a program of military reorganization that may be recommended by the Combined Chiefs of Staff should be financed.

DISCUSSION

The argument might be advanced that the British are not entirely sincere in presenting the proposals contained in these notes; that the world situation will compell them to continue to extend assistance to Turkey and Greece regardless of what we might or might not contribute; and that the notes have been presented with the idea of pushing the United States Government out in front in the Near East and of prevailing upon the United States to assume the financial and other

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other economic burdens which otherwise must be borne primarily by Great Britain. It might also be suggested that Great Britain has already decided to change its basic policies towards the Soviet Union and is now planning, instead of continuing to try to resist Soviet pressure, to endeavor to come to terms with the Soviet Union on a basis involving respective spheres of influence in various parts of the world, including Europe and the Near East, and the conclusion of a close military alliance extending perhaps beyond the framework of the United Nations. Persons following this line of reasoning might further argue that the notes have been sent in the belief that the United States will refuse to bear what the British Government considers to be an appropriate share of the financial and economic burdens and that this refusal would justify the British Government, in the eyes of the British people and before the whole world, in making such a change of policy.

After examining carefully the notes in the light of the present international situation and of the economic conditions in Great Britain, we are inclined to believe that the British Government is really convinced that it is unable any longer to expend funds, supplies and manpower in the Near East in the future

as

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as it has in the past; that it hopes that the United States, realizing how important it is that the independence of Turkey and Greece be maintained, will undertake to relieve Great Britain of these financial responsibilities and that the two Governments will be able in cooperation to resist Soviet pressure in the Near East. We feel, however, that if the United States finds itself unable to render assistance to an extent which promises successfully to resist Soviet pressure, the British Government may well find that it will be compelled to approach the Soviet Government in an effort to work out some arrangement which would have the effect of at least slowing up the Russian advance in the Middle East and elsewhere. Such an arrangement would undoubtedly mean widespread concessions to Russia in one or several areas.

We do not believe that the British Government has any present plans to enter into an arrangement of this kind, particularly since the effect of it would be certain to weaken the authority of the United Nations, on which the British Government gives every indication of basing its foreign policy. Nevertheless, the possibility exists that if Great Britain finds that the United States is unwilling to finance and otherwise

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back up the avowed policies of the American Government it may come to the conclusion that it has no other course open to it than to seek a breathing spell by coming to terms with the Soviet Union.

In the event that we should refuse to assume the type of responsibility for Greece and Turkey which the British are asking us to undertake, a number of consequences are possible, among which might be mentioned the following:

(1) Greece and Turkey, without financial and other aid from either the United States or Great Britain, may become Soviet puppets in the near future. Their loss to the western world would undoubtedly be followed by further Soviet territorial and other gains in Europe and in the Near and Middle East. The resulting chaos would be accompanied by an immediate weakening of the strategic and economic position of the whole western world, particularly of Great Britain, and the very security of the United States would be threatened.

(2) The British Government might decide that, in order to avert the immediate Soviet conquest of Greece it must come to an arrangement with the Soviet Union, including a military alliance and the setting up of spheres of influence. Such an arrangement would greatly strengthen the Soviet Union, would weaken

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Great Britain and would tend to isolate the United States. The restoration of spheres of influence would furthermore undermine the foundations of the United Nations.

In our opinion, either of these two consequences would bring us closer to a third world war in which we would find ourselves in a much more disadvantageous position than that in which we are at present. In case an arrangement should be effected between Great Britain and the Soviet Union of the character referred to above, we might become eventually involved in a world conflict, possibly without the effective military support of Great Britain. We feel, therefore, that it would be in the interest of the United States for this Government to relieve the British Government of the major share of the financial burden which it has been bearing on behalf of Greece and Turkey. We realize, however, that grave difficulties are involved since certain responsible officials of the Administration and members of Congress, as well as large sections of the general public, are not as yet fully cognizant of the seriousness of the situation and would not like for the United States to expend large sums of money in the Near East or for it to undertake to play a leading role in that part of the world.

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world. It is not yet generally realized that the future of the Near East is no less important to the security and welfare of the United States than is that of the Far East and Europe.

An accompanying document sets forth the Department of State's position and recommendations on this problem.

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Position and Recommendations of the Department of State Regarding Immediate and Substantial Aid to Greece and Turkey

1. In view of the wording and timing of the memoranda handed by the British Ambassador to the Secretary of State on February 24 the Department of State regards their presentation as a clear indication that unless the United States is willing to shoulder at once major financial and economic responsibility and a portion of the military responsibility for Greece and to discuss with the British joint measures which should be taken for the military and economic strengthening of Turkey:

(a) Britain will no longer be able to collaborate with us in joint efforts to hold the line in these countries in order to prevent a complete collapse which would lay these countries open to Russian domination.

(b) in an effort to salvage something of her political positions she may consider herself compelled to pursue policies of her own with regard to these countries.

2. In the light of Britain's situation the Department considers this warning to be serious and founded in fact.

3. The Department considers that this Government has only this choice: (a) either to accept the general responsibility implied in the British memoranda or (b) to face the consequences of a widespread collapse of resistance to Soviet pressure throughout the Near and Middle East and large parts of western Europe not yet under

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yet under Soviet domination or the adverse consequences, from the standpoint of United States interests, of a possible new British deal with the Russians.

4. For this reason the Department considers that this Government should accept the responsibilities in question and should do its best to discharge them in such a way as to maintain confidence in the United States and in their own ability to resist Soviet pressure.

5. The Department considers, however, that this Government should ascertain from the British Government that they on their part will continue, within the limits of their means, to assist in the solution of the problem presented by Greece and Turkey.

6. With respect to Turkey, the Department notes that the only specific British proposal thus far is for discussion in the Combined Chiefs of Staff of the strategic and military position of Turkey. The Department recommends that we agree to the immediate undertaking of such discussions and that if as the result of them the Departments of State, War and Navy find that certain assistance in the form of military supplies is important to the maintenance of Turkish independence, this Government endeavor to furnish an appropriate share.

The British also point out the need for further economic assistance to Turkey. The Department is giving further consider-

ation

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ation to this question. It recommends at this time, however, that if in the light of the studies of this Government and after consultation with Great Britain and Turkey the American Government should come to the conclusion that economic and particularly financial assistance to Turkey from abroad is important to the maintenance of Turkish independence, the United States Government endeavor so far as possible to furnish an appropriate share of such assistance under stipulated conditions assuring its most effective utilization.

7. With respect to Greece, the Department views the problem as falling into two parts, military and economic, which will require separate consideration and treatment. The Department's tentative views on these points are as follows:

(a) Military

The Department recommends that the United States Joint Chiefs immediately enter into conversations in the Combined Chiefs of Staff, as suggested in paragraph 9 of the British memorandum, with regard to the various military questions involved, and that if as a result of these conversations the Departments of State, War, and Navy should come to the conclusion that Greece must have continued assistance from abroad in the form of military supplies if it is to maintain its independence and restore domestic tranquillity, the United States Government so far as it is able furnish an appropriate share of such supplies.

(b) Economic

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(b) Economic

It is the view of the Department that the charges upon this Government involved in the assumption of military responsibility in Greece may continue indefinitely unless economic reconstruction in Greece is assured. The need for external assistance is unquestioned, though its exact magnitude cannot now be specified except to assert that such need is considerable. The British estimates as to the total external assistance which will be required to support both military and civilian programs need to be checked.

If this Government is to provide immediate financial assistance to Greece, U.S. interests can be adequately served only by establishing immediately the controls necessary to assure the effective utilization of such assistance. The Greek Government cannot itself provide these controls in the near future.

Nor is it possible for the Greek Government, as now organized and administered, to undertake by itself the detailed and systematic program of restoration required to make the Greek economy self-supporting within the near future. This consideration seems to the Department to call for the establishment of an American Administrative Organization

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Organization to undertake Greek rehabilitation. Such an Organization should have wide powers over Greek economic life. The establishment and operation of such an Organization would call for a considerable additional outlay in American funds and in American personnel of the highest competence and personal integrity. The Department would expect that such an Organization would be terminated as soon as its services were no longer required.

8. The Department considers that the program set forth in paragraphs 6 and 7, if put into effect promptly and in its entirety, offers a reasonable chance of success. Half-way measures will not suffice and should not be attempted. They would result merely in the waste of American money and manpower.

9. The Department recommends that the above program, if agreed to by the Secretaries of War and Navy, be submitted immediately by the three Secretaries to the President for his approval.

10. If the President's approval is forthcoming, the Department considers that the following further steps should then be taken:

(a) An appropriate reply be made to the British Government and the specific assurances mentioned above be sought, and this Government at once propose top secret conversations at a

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at a high level in regard to the whole international situation with a view to ascertaining British capabilities and intentions.

(b) The Secretary of the Treasury, the Secretary of Commerce, and various other members of the Cabinet be informed of this decision and the Secretary of the Treasury be invited to arrange for Treasury participation in any future discussions bearing on financial assistance. Steps be taken by the Administration to obtain the wholehearted support of all other interested executive agencies of this Government in executing the program outlined.

(c) Every effort be made at the highest governmental level to find means, without waiting for legislation, to alleviate the present Greek financial situation.

(d) That steps be taken to see that the Greek government requests at once in a formal manner the assistance of this Government in the rehabilitation of its economic life.

(e) The problem be discussed privately and frankly by the leaders of the administration with appropriate members of the Congress.

(f) Legislation be drafted, in the light of these discussions with members of Congress and of the findings of the Combined Chiefs of Staff, and this legislation be submitted to Congress;

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Congress; such legislation might well include authorization for the President under certain conditions within prescribed limits to extend loans, credits, or grants to Greece and/or Turkey; also for the transfer to Greece or Turkey or both of military supplies not transferable under existing law; and any necessary authorization for the supply of personnel.

(g) In the meantime measures be taken immediately to transfer to Greece such available military equipment and other supplies as the three Departments find are urgently needed by Greece and are transferable under existing legislation.

(h) Measures be adopted to acquaint the American public with the situation and with the need for action along the proposed lines.

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334 Comm. of Three
Minutes of 5th Meeting
19 Feb. 1947

10. SECRETARIAL SERVICES FOR THE COMMITTEE OF THREE

THE COMMITTEE agreed to direct the Secretariat to undertake the secretarial services requested by the Committee of Three, and further that future SWNCC Meetings would be held on Tuesday afternoon instead of Wednesday in order to pass matters for resolution up to the three Secretaries whenever necessary.

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NND 750057
By CRO NARS, Date NOV 6 1974

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27 February 1947

S/S - Mr. Humelsine

Subject: Implementation of Committee of Three Decisions with Respect to the Greek and Turkish Situation.

This memorandum will serve as a matter of record that it is my understanding that the Executive Secretariat will be responsible for seeing to it that the Committee of Three decisions with respect to the Greek and Turkish situation are carried out.

SWNCC has already issued a directive to the Subcommittee on Foreign Policy Information to proceed with a program for informing the public on the Greek situation.

I am attaching hereto a copy of the directive. I am also attaching for your information and guidance an extract from the Minutes of the Meeting of the Committee of Three on February 26 which sets forth the implementing action pursuant to the agreements at that Meeting.

H. W. MOSELEY
Secretary, SWNCC

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NND 750057
By CRO NARS, Date NOV 6 1974

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

PRESENT

STATE	WAR	NAVY
SECRETARY MARSHALL	SECRETARY PATTERSON	SECRETARY FORRESTAL
MR. MATTHEWS	ASST. SECRETARY PETERSEN	UNDER SECRETARY SULLIVAN
MR. ROSS		CAPTAIN DENNISON
MR. JOHNSON		

Mr. Moseley (SWNCC), Recorder

Report on the Progress in the Security Council of Consideration of the Atomic Energy Commission Report and the Resolution of the General Assembly regarding Principles Governing the General Regulation of Armaments.

Action:

Recommendation to be furnished by the intra-departmental working group (Mr. Johnson, Mr. Rusk, Colonel Hamilton, and Captain Dennison) to the Committee of Three and to the U.S. Atomic Energy Commission regarding Intra-Governmental Machinery for Developing the U.S. Position on Regulation of Armaments (including atomic energy) in the Security Council, United Nations Atomic Energy Commission and the Commission on Conventional Armaments.

Moseley interchange of letters (Acheson to Patterson-Sullivan) (Joe Johnson drafted)

Discussion:

1. Mr. ROSS summarized the U.S. and Soviet position in the Security Council discussions up to date.

2. Mr. JOHNSON referred to guidance (paper previously circulated) for Senator Austin for his use in the debate on the Atomic Energy Commission Report. He said that an intra-governmental group is now working informally on the question of our position with respect to the handling of all types of weapons. He added that it is expected to formalize this group shortly. (Establishment of such a group approved at Committee of Three meeting on January 29, 1947.)

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By CRO NARS, Date NOV 6 1974

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MEETING OF THE SECRETARIES OF STATE, WAR, AND NAVY
FEBRUARY 12, 1947 - 10 a.m.

PRESENT

STATE	WAR	NAVY
SECRETARY MARSHALL	SECRETARY PATTERSON	SECRETARY FORRESTAL
MR. MATTHEWS	ASS'T SECRETARY PETERSEN	UNDER SECRETARY SULLIVAN
MR. PENFIELD		ADMIRAL NIMITZ
		CAPTAIN DENNISON

Secretary - Mr. Gardiner (State) SWNCC

I. British Demarche on Atomic Plant Construction. [Letters dated February 11, 1947]

Action:

SECRETARIES PATTERSON and FORRESTAL to give further consideration to the letters.

Completed
(ed Geller ltrs 3/19)

Discussion:

1. SECRETARY MARSHALL passed to SECRETARIES PATTERSON and FORRESTAL identical letters signed by him dated February 11, 1947 which related to a British proposal to contruct large-scale atomic energy plants in the British Isles.

2. SECRETARY PATTERSON remarked that Mr. Atlee's proposal was, in substance, a renewal of the British request of last April, and that the British and American military had previously decided that no large-scale atomic energy plants would be constructed in the British Isles. It seemed, however, that the British scientists had brought pressure to bear on their Government to change the British position as taken by their military.

3. SECRETARY MARSHALL said that he was passing these letters on to SECRETARIES PATTERSON AND FORRESTAL for their consideration.

II. Security Council Discussion of Armaments and Atomic Questions. [Interdepartmental memorandum dated February 12, 1947]

Action:

None. (Information only)

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Discussion:

1. SECRETARY MARSHALL passed the subject memorandum which related principally to Senator Austin's position in the Security Council vis-a-vis disarmament and atomic energy problems to SECRETARIES PATTERSON and FORRESTAL remarking that it was for their information.

III. Current Problems of U. S. Policy Relating to China. [Identical letters dated February 11, 1947 from SECRETARY MARSHALL despatched to SECRETARIES PATTERSON and FORRESTAL as of that date]

Actions:

Replies being referred to JCS and SWNCC

a. SECRETARIES PATTERSON and FORRESTAL agreed to give the letter further consideration.

b. The three SECRETARIES agreed to defer active consideration of SECRETARY FORRESTAL'S proposal relating to a proposed mission until the return of Mr. Blandford from China.

c. SECRETARY MARSHALL agreed to make any information brought back by Mr. Blandford available to SECRETARIES PATTERSON and FORRESTAL.

Confuld says this was dropped

d. Agreed to give further consideration to SECRETARY FORRESTAL'S suggestion that General MacArthur visit China.

3/6

Discussion:

1. SECRETARY MARSHALL said that he had sent identical letters covering a proposed United States policy toward China to the other SECRETARIES for their consideration. Both SECRETARIES FORRESTAL and PATTERSON said that they wished to go into the subject in more detail with their own staffs. SECRETARY MARSHALL said that he believed he could furnish certain background material which might be useful to SECRETARIES PATTERSON and FORRESTAL in their consideration of his letter.

2. SECRETARY MARSHALL said further that in his opinion the most important civilian and military leaders of the Kuomintang had overestimated their ability to solve the Communist problem. He said that on the other hand he had been continually pressed for United States financial assistance to the Central Government.

3. SECRETARY MARSHALL stated further that it was the most difficult if not impossible to convince the Generalissimo that China could only be saved by drastic political and military reforms. The influence of the Generalissimo's reactionary political and military advisers had made his task even more difficult.

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4. SECRETARY MARSHALL added that in his opinion the only possible solution for China's troubles was to oust the reactionary clique within the Central Government and replace them by liberals from both the Kuomintang and Communist parties.

5. SECRETARY FORRESTAL said that the United States might as well face the fact that if the United States withdrew its support from the Central Government, the influence of the U.S.S.R. in China was bound to proportionately increase.

6. SECRETARY MARSHALL stated that in his opinion the U. S. was definitely in a negative position and that the basic question which must be answered and answered soon was what should the United States do at this junction?

7. SECRETARY FORRESTAL said that although he disagreed initially with some of the points raised in SECRETARY MARSHALL'S letter dated 11 February 1947 that he had certain proposals to offer. He went on to say that he believed that economically and financially China must "go through the wringer" as did Germany after World War I. He said that he believed that the United States position in China might be improved if a financial and economic mission were sent to China with the idea of setting-up a type of Dawes Plan. Such an operation should not necessarily comprehend any layout of funds on the part of this Government but would be intended to assist China in putting her own house in order. The matter of doing anything about China's current inflation would obviously be beyond the capabilities of such a mission. SECRETARY FORRESTAL further stated that he believed such a move by the United States would indicate to the Chinese that the United States was still very much interested in China and the problems in which she finds herself involved.

8. SECRETARY FORRESTAL went on to say that he believed that a visit by General MacArthur to China might have a beneficial effect on the situation there and indicate continued American interest in China.

9. SECRETARY MARSHALL said that Mr. Blandford who was now working closely with officials of the Chinese Government on economic problems would soon return to the United States. Any information which Mr. Blandford was able to provide would immediately be made available to SECRETARIES FORRESTAL and PATTERSON.

IV. Consideration of the War Department's Budget Requirements by the Joint Committee of Congress on the Legislative Budget

Action:

SECRETARIES PATTERSON and FORRESTAL agreed to provide SECRETARY MARSHALL with the memorandum which he requested.

Done
(Gardener confirms)

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Discussion:

1. SECRETARY PATTERSON stated that the Subcommittee of the Joint Committee of Congress on the Legislative Budget had recommended that the section of the War Department budget relating to overall army civilian activities be reduced by some five hundred million dollars. If this recommendation were sustained by the Congress it would have the effect of cutting the sub-section relating to the "disease and unrest" formula for occupied areas approximately in half. SECRETARY PATTERSON went on to say that if this unfortunate event took place it would be impossible for the Army to continue to occupy those conquered territories now under its control and that it might be necessary to decide upon a complete evacuation of one or more areas.

2. SECRETARY MARSHALL requested that SECRETARIES PATTERSON and FORRESTAL provide him with concise memoranda for his use during his appearance before the Senate Foreign Relations Committee on Friday February 14, and further asked that these memoranda give detailed explanation of the effect that the recommended cut would have on the Army's activities in occupied areas.

3. SECRETARY FORRESTAL said that he would provide SECRETARY MARSHALL with a memorandum indicating the effect that proposed reductions in the Navy Department's budget would have on the activities of his Department.

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WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D. C.

FEB 14 1947

STATE WAR & NAVY COORDINATING COMMITTEE

14 February 1947

MEMORANDUM FOR COLONEL SCHULGEN, SWNCC SECRETARIAT:

There is attached hereto for your information copy of a memorandum received from the Secretary of State in reply to the joint memorandum from the Secretaries of War and Navy, in which was suggested that the SWNCC Secretariat serve the "Committee of Three."

CHARLES W. McCARTHY
Colonel, General Staff Corps
Executive to the Assistant Secretary of War

1 Incl:
Cy. Memo fr Sec/State,
dtd 5 Feb 47, to
Sec/War

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NND 750057
By CRO NARS, Date NOV 6 1974

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14 February 1947

MEMORANDUM FOR COLONEL SCHULGEN, SWNCC SECRETARIAT:

There is attached hereto for your information copy of a memorandum received from the Secretary of State in reply to the joint memorandum from the Secretaries of War and Navy, in which was suggested that the SWNCC Secretariat serve the "Committee of Three."

(Signed) Charles W. McCarthy

CHARLES W. McCARTHY
Colonel, General Staff Corps
Executive to the Assistant Secretary of War

1 Incl:
cy Memo fr Sec/State,
dtd 5 Feb 47, to
Sec/War

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February 5, 1947

~~CONFIDENTIAL~~

MEMORANDUM FOR THE SECRETARY OF WAR

I have received the joint memorandum which you and the Secretary of the Navy sent me under date of February 4 suggesting the establishment of a permanent Secretariat to serve our meetings. I agree with your suggestion as to the utility of such a move and to your further suggestion that the Secretary of the State, War and Navy Coordinating Committee be designated for this purpose. I have informed the State Memberrof that Committee of the foregoing and would appreciate your likewise advising the War member.

I am sending a similar memorandum to the Secretary of the Navy.

EUR:HFMatthews

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NND 750057
By: CRO NARS, Date NOV 6 1974

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WAR DEPARTMENT

Washington, D.C.

February 4, 1947

MEMORANDUM FOR THE SECRETARY OF STATE:

At our meeting on January 29, you indicated that you were agreeable to the establishment of a permanent Secretariat to serve our meetings and to take care of such items as dissemination of approved actions and the preparation of the Agenda.

Heretofore we have availed ourselves of various persons to keep the Minutes of meetings, but each of them has had other important duties to engage the bulk of their time. Last year it was agreed by Mr. Acheson and us that there was need of a permanent Secretariat, but no action has ever been taken on the agreement.

It has occurred to us that it might be well to employ the Secretariat of the State-War-Navy Coordinating Committee to service our meetings. The existing machinery of that Secretariat can be adjusted as required to meet our needs. Furthermore, matters which cannot be resolved in the State-War-Navy Coordinating Committee because of divergent views could be presented to us through the Secretariat for consideration, with a view to obtaining three-way agreement. In order to assure that attendance at our meetings be held to the desired minimum, it would only be necessary for the Secretary of the State-War-Navy Coordinating Committee to be present as Recorder, or, in his absence, either his Army or Navy deputy.

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If you approve this action, it is only necessary for us to advise the State-War-Navy Coordinating Committee of our desire and direct that Committee to take the necessary implementing action.

(sgd) Forrestal
Secretary of Navy

(Sgd) R. P. Patterson
Secretary of War

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By [illegible] NARS, Date 6-12-75

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

Subject discussed at meeting of 3 Secretaries on July 10, 1947

Problem: To formulate a directive to General Clay.

Present Status: The SWNCC has had under consideration a directive for General Clay which would supercede JCS 1067/6 and its amendments under which he is now operating.

The proposed directive has been generally agreed to by the members of SWNCC with the exception of two paragraphs. The State Department supports Paragraph 21c (Tab A) as written. A memorandum outlining the State Department's position is at Tab C. With regard to Paragraph 21e (2), Tab B, the State Department recommends substitution of the wording as shown at Tab D.

Recommendation:

That the Three Secretaries consider these two paragraphs and resolve the language to be used.

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COPY NO. 1

SWNCC 327/4

7 July 1947

Pages 95 - 111, incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

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

References:
a. SWNCC 327/D
b. SWNCC 327/1
c. SWNCC 327/2/D
d. SWNCC 327/3
e. Item 2, Minutes of 58th SWNCC Meeting

Note by the Secretaries

1. The enclosure, a revision of reference d in response to reference e, is circulated for consideration by the Committee as a matter of PRIORITY.

2. A copy of this revision has been forwarded to the Joint Chiefs of Staff for comment from a military point of view as a matter of priority. These comments will be circulated to the Committee upon receipt thereof from the Secretary, Joint Chiefs of Staff.

J. P. GARDINER
W. A. SCHULGEN
V. L. LOWRANCE
Secretariat

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ENCLOSURE

DRAFT DIRECTIVE

7 July 1947

I

1. Purpose of this Directive

This directive, issued to you as Commanding General of the United States forces of occupation and as Military Governor in Germany, constitutes a statement of the objectives of your Government in Germany and of the basic policies to which your Government wishes you to give effect from the present time forward. It supersedes JCS 1067/6 and its amendments.

2. Authority of Military Government

a. Your authority as Military Governor will be broadly construed and empowers you to take action consistent with relevant international agreements, general foreign policies of this Government and with this directive, appropriate or desirable to attain your Government's objectives in Germany or to meet military exigencies.

b. Pending arrangements for the effective treatment of Germany as an economic and political unit, you will exert every effort to achieve economic unity with other zones.

II

3. United States Policy Toward Germany

The basic interest of the United States throughout the world is just and lasting peace. Such a peace can be achieved only if conditions of public order and prosperity are created in Europe as a whole. An orderly and prosperous Europe requires the economic contributions of a stable and productive Germany as well as the necessary restraints to insure that Germany is not allowed to revive its destructive militarism.

To accomplish the latter purpose the United States Government has proposed to the other Occupying Powers a treaty for the

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continuing disarmament and demilitarization of Germany and it has committed itself to maintaining a United States army of occupation as long as foreign occupation of Germany continues.

As a positive program requiring urgent action the United States Government seeks the creation of those political, economic and moral conditions in Germany which will contribute most effectively to a stable and prosperous Europe.

III

4. Demilitarization

There should be no relaxation of effort to complete and effectively to maintain the disarmament and the demilitarization of Germany.

IV

5. United States Political Objectives in Germany

It is an objective of the United States Government that there should arise in Germany as rapidly as possible a form of political organization and a manner of political life which, resting on a substantial basis of economic well-being, will lead to tranquillity within Germany and will contribute to the spirit of peace among nations.

Your task, therefore, is fundamentally that of helping to lay the economic and educational bases of a sound German democracy, of encouraging bona fide democratic efforts and of prohibiting those activities which would jeopardize genuinely democratic developments.

6. German Self-Government

a. You will continue to promote the development in Germany of institutions of popular self-government and the assumption of direct responsibility by German governmental agencies, assuring them legislative, judicial and executive powers, consistent with military security and the purposes of the occupation.

b. It is the view of your Government that the most constructive development of German political life would be in the establishment throughout Germany of federal German states (Laender)

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and the formation of a central German government with carefully defined and limited powers and functions. All powers shall be vested in the Laender except such as are expressly delegated to the Central Government.

c. Your Government does not wish to impose its own historically developed forms of democracy and social organization on Germany and believes equally firmly that no other external forms should be imposed. It seeks the establishment in Germany of a political organization which is derived from the people and subject to their control, which operates in accordance with democratic electoral procedures, and which is dedicated to uphold both the basic civil and human rights of the individual. It is opposed to an excessively centralized government which through a concentration of power may threaten both the existence of democracy in Germany and the security of Germany's neighbors and the rest of the world. Your Government believes finally that, within the principles stated above, the ultimate constitutional form of German political life should be left to the decision of the German people made freely in accordance with democratic processes.

7. Interzonal German Administrative Agencies

Pending the establishment of central German administrative agencies and of a central German government, you will continue, consistent with the objectives of paragraph 6, to make arrangements with other Zonal Commanders for the creation and operation of interzonal German administrative agencies.

8. Political Parties

a. You will adhere to the policy of authorizing and encouraging all political parties whose programs, activities and structure demonstrate their allegiance to democratic principles. Political parties shall be competitive in character, constituted by voluntary associations of citizens in which the leaders are responsible to the members, and with no party enjoying a privileged status.

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b. You will likewise give support to the principle that military government and the German authorities should afford non-discriminatory treatment to duly authorized political parties. Every authorized political party should have the right freely to state its views and to present its candidates to the electorate, and you will tolerate no curtailment of nor hindrance to the exercise of that right; if, however, you find that an authorized party is adopting or advocating undemocratic practices or ideas, you may restrict or withdraw its rights and privileges.

c. You will urge in the Control Council the recognition of nation-wide political parties and the uniform treatment of all authorized parties in all zones of occupation. You will advocate quadripartite supervision of political activities and of elections throughout Germany as a whole.

9. Denazification

You will implement in your zone the decisions on denazification taken April 23, 1947 by the Council of Foreign Ministers, as may be agreed in ACC.

10. War Crimes

You will make every effort to facilitate and bring to early completion the war crimes program subject to the conclusions and recommendations with respect to organizations and members thereof contained in the judgment of the International Military Tribunal.

11. Courts and Judicial Procedures

a. You will exercise such supervision over German Courts as is necessary to prevent the revival of National Socialist doctrines, to prohibit discrimination on grounds of race, nationality, creed or political belief, to enforce the application of the principles expressed in Control Council Proclamation No. 3 and compliance with the provisions of Control Council and Military Government legislation. You will foster the independence

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of the German judiciary by allowing the courts freedom in their interpretation and application of the law and by limiting the control measures instituted by Military Government to the minimum consistent with the accomplishment of the aims of the occupation.

b. You will maintain sufficient Military Government Courts to try persons accused of offenses involving the safety and security of United States and Allied personnel and all cases in which the interest of Military Government requires such procedure.

c. You may extend the jurisdiction of the German courts to all cases which do not involve the interests of Military Government or persons under the protective care of Military Government. You may permit the German courts to exercise jurisdiction in civil cases. Further, any German Tribunal established for the purpose of determining internal restitution claims may exercise jurisdiction over any person irrespective of his status who institutes a proceeding therein.

d. As a basic objective of the occupation is the reestablishment of the rule of law in Germany, you will require all agencies under your control to refrain from arbitrary and oppressive measures. Except when it clearly appears that detention is necessary for the security of the occupying forces, no person will be detained except when he is charged with a specific offense and is subject to trial by a duly constituted tribunal. You will protect the civil rights of persons detained under charges assuring them a fair trial and ample opportunity to prepare their defense. You will by regulation limit arrests for security purposes to cases where overriding considerations of military necessity require such procedure. Persons so detained will be permitted to communicate with their nearest relative or friend unless urgent security considerations require an exception, and you will review their cases periodically to determine whether further detention is warranted. When in your opinion it will be compatible with security considerations, you will eliminate such arrests without prejudice to a revival of the practice in emergencies.

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12. Legislation

You will exercise your power of disapproval over German legislation only when such legislation conflicts with the legislation or other policies of Military Government.

13. Movement of Persons

a. You will implement the decisions taken 23 April 1947 by the Council of Foreign Ministers with regard to United Nations displaced persons and population transfers.

b. You will, in cooperation with IRO, facilitate the emigration to other countries of those displaced persons unwilling to be repatriated.

c. Pending the movement of displaced persons you will retain basic responsibility for their appropriate care, maintenance and protection. You will utilize the IRO to the maximum possible extent in assisting you to discharge this responsibility.

d. The term displaced persons as used above refers to displaced persons and refugees as defined in the IRO Constitution.

e. You will hold the German authorities responsible for the care and disposition of nationals of former enemy countries not otherwise provided for herein and you will continue to facilitate their repatriation.

14. Prisoners of War

In carrying out the decision of the Council of Foreign Ministers of 23 April 1947, you will press in the Control Council for the earliest possible return of all German prisoners of war still located in the territories of the Allied Powers and in all other territories.

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V

15. General Economic Objectives

The economic objectives of the United States Government in Germany are:

a. to eliminate industry used solely to manufacture and to reduce industry used chiefly to support the production of arms, ammunition and implements of war;

b. to exact from Germany reparation for the losses suffered by United Nations as a consequence of German aggression; and

c. to encourage the German people to rebuild a self-supporting State devoted to peaceful purposes, integrated into the economy of Europe.

Although the economic rehabilitation of Germany, within the framework of these objectives, is the task and responsibility of the German people, you should provide them general policy guidance, assist in the development of a balanced foreign trade and ensure that German efforts are consistent with, and contribute to the fulfillment of your Government's objectives.

16. Economic Disarmament and Reparation

a. Your Government continues to desire the general fulfillment of the principles of the Potsdam Agreement regarding reparation and industrial disarmament.

b. Your Government believes that the level of industry eventually agreed upon for Germany as a basis for reparation removals, while eliminating excess industrial capacity which has been used by Germany for the purpose of making war, should not permanently limit Germany's industrial capacity. The German people after the period of reparation removals should not be denied the right, consistent with continued disarmament, to develop their resources for the purpose of achieving higher standards of living.

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c. Your Government does not agree to reparation from Germany greater than that provided by the Potsdam Agreement. Nor does your Government agree to finance the payment of reparation by Germany to other United Nations by increasing its financial outlay in Germany or by postponing the achievement of a self-sustaining German economy. Your Government reaffirms the principle that the proceeds of authorized exports shall be used in the first place for the payment of authorized imports.

d. You will attempt to obtain Control Council recognition of the principle of compensation for property taken for reparation or where it has been necessary to destroy property under the agreements for economic disarmament, such compensation to constitute a charge against the German economy as a whole. Except in prohibited industries, you will endeavor to ensure, to the greatest extent practicable, that no plant in which there is foreign ownership or control is removed for reparation as long as German-owned plants are available for that purpose.

e. You will continue to assist in the location of cloaked German-owned assets abroad and where possible you will assist in their liquidation.

17. Restitution

a. You will proceed, consistent with agreements on restitution reached in the Control Council, to restore such identifiable property other than gold and transport essential to minimum German economy, to the government of the country from which it was taken. You will not consent to any extensive program for the replacement of looted or displaced property which has been destroyed or cannot be located whenever such replacement can be accomplished only at the expense of reparation, a self-sustaining German economy, or the cultural heritage of the German people.

b. You will turn over monetary gold uncovered in Germany to the Tripartite Gold Commission in Brussels for distribution in accordance with the terms of the Paris Act on Reparation.

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c. In accordance with JCS 1570/9, you will make available for the rehabilitation and resettlement of non-repatriable victims of German action valuable personal property looted from Nazi victims which is not restitutable.

d. It is the policy of your Government that persons and organizations deprived of their property as a result of National Socialist persecution should either have their property returned or be compensated therefor and that persons who suffered personal damage or injury through National Socialist persecution should receive indemnification in German currency. With respect to heirless and unclaimed property subject to internal restitution you will designate appropriate successor organizations.

18. Economic Unity and Recovery

a. Your Government is desirous of securing agreement in the Control Council to the treatment of Germany as an economic unit, the formulation of common policies in all matters affecting Germany as a whole, and the establishment of central German administrative agencies for the purpose of implementing such common policies in the fields of finance, transport, communications, agriculture, economics (including industry and foreign trade) and such other fields as the Control Council may consider necessary and appropriate.

b. Your Government likewise desires to secure the adoption of a production and foreign trade program for Germany as a whole which should be directed toward an increasing standard of living in Germany and the attainment at the earliest practicable date of a self-sustaining German economy. Such a program should give highest priority to increased production of coal, food and export goods; provide for such allocation and distribution of German indigenous output and approved imports throughout Germany as are necessary to carry out the production program and attain the agreed standard of living; ensure full payment for all goods and services exported from Germany (other than reparation or restitution) in approved imports or in foreign exchange which

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can be utilized for the payment of approved imports; and provide for the pooling of all export proceeds to be made available first to meet the import needs of Germany as a whole and secondly, under terms of repayment to be determined later, to compensate the occupying powers for past expenditures, priority in the latter case being given to repayment of costs sustained for essential imports in direct proportion to the expenditures made by the occupying powers for such imports.

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 insofar as such countries can provide in payment needed imports for Germany or foreign exchange which can pay for such imports. 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 contravene the fiscal principle just stated, should be referred to this Government for decision.

d. You will support the removal of existing trade barriers and will encourage the return of foreign trade to normal trade channels.

19. Finance

a. Your government views the reorganization of German finances on a sound basis and the attainment of financial stability in Germany as among the main factors essential to German economic recovery along democratic and peaceful lines. To that end, you will endeavor to have the Control Council adopt uniform financial policies in conformity with the principles and the objectives set forth in this directive.

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b. Pending agreement in the Control Council, or until receipt of further directive from your government, you will continue to be guided by the following policies in your zone:

(1) you will control, within the scope of your authority, all financial transactions of an international character in order to keep Nazi influence out of the field of finance and prevent outward movements of capital from Germany;

(2) You will exercise general supervision over German public expenditures and measures of taxation in order to insure that they are consistent with the objectives of the Military Government;

(3) you will take such action as may be necessary to prevent the establishment of a centralized German banking system and an undue concentration of financial power, but will encourage the establishment of a central authority for the production, issuance and control of currency and for technical banking supervision. You will also encourage the Germans to reestablish normal banking facilities within the limitation prescribed above and within the present blocking of assets and accounts under Military Government Law No. 52;

(4) you will use the resources of the German economy to the maximum extent possible in order to reduce expenditures from appropriated funds of your government. You are authorized, as provided in the Potsdam Agreement, to use the proceeds of exports to pay for imports which you deem essential, subject to strict accounting and auditing procedures;

(5) you will continue to aid economic recovery by collection of full payment for exports of German goods and services; and

(6) you will continue to prevent non-essential imports.

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c. You will press for the adoption by the Control Council of a program for financial reform which provides for a substantial and appropriate reduction in outstanding currency and monetary claims, including public and private debt; for the equitable sharing of the costs of war and defeat; and for ancillary measures including adjustments in the wage-price structure necessary to the restoration of balance between the financial structure and the economic realities.

d. (1) You will maintain such accounts and records as may be necessary to reflect the financial operations of the Military Government (U.S.) in Germany, including also such operations undertaken jointly by you with the Military Government in the British and other zones of occupation in Germany.

(2) You will take measures necessary for calculating occupation costs distinguishing those now incurred within Germany and supported by the German economy, and external occupation costs for eventual settlement with Germany. You will endeavor to agree on a definition of occupation costs of both types within the Control Council and to limit and control internal occupation costs on a quadripartite basis.

20. Agriculture

a. In accordance with the decision of 23 April 1947 of the Council of Foreign Ministers, you will ensure the carrying out and completion of land reform in your zone in 1947.

b. You will require the appropriate German authorities to adopt and implement policies and practices which will:

Maximize the production and provide for the effective collection and distribution of agricultural products.

c. You will require the appropriate German authorities to adopt and implement similar policies and practices in respect to forestry and fishing resources.

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21. Economic Institutions

a. Pending agreement among the occupying powers you will in your zone prohibit all cartels and cartel-like organizations, and effect a dispersion of ownership and control of German industry through the dissolution of such combines, mergers, holding companies and interlocking directorates which represent an actual or potential restraint of trade or may dominate or substantially influence the policies of governmental agencies. You will not, however, prohibit governmental regulation of prices or monopolies subject to government regulation, in fields where competition is impracticable. In so far as possible, you will coordinate your action in this field with the commanders of other zones of occupation.

b. You will permit the formation and functioning of cooperatives provided they are voluntary in membership, and are organized along democratic lines and do not engage in activities prohibited under the above paragraph.

c. While it is your duty to give the German people an opportunity to learn of the principles and advantages of free enterprise, you will 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. No measure of public ownership shall apply to foreign-owned property unless arrangements which are satisfactory to your Government have been made for the compensation of foreign owners. Pending ultimate decision as to the form and powers of the central German Government, you will permit no public ownership measure which would reserve that ownership to such central government.

d. Pending agreement among the occupying powers, you will limit new foreign investment in your zone of Germany and will continue to ensure that all property, however owned, and all production and manpower in your zone are subject in all respects to the decisions and directives of the Control Council, and to Military Government and German law.

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e. (1) You will permit the organization, operation, and free development of trade unions provided that their leaders are responsible to the membership and their aims and practices accord with democratic principles. Any federation of trade unions shall not impair the financial and organizational autonomy of member unions. You will encourage the trade unions to support programs of adult education and to foster an understanding of democratic processes among their members. You will permit trade unions to act in the interests of their members and to bargain collectively regarding wages, hours and working conditions within the framework of such wage and price controls as it may be necessary to maintain.

B

(2) You will permit trade unions to participate in the administration of labor and social insurance institutions and to have an appropriate voice, with other economic organizations, in the determination of labor and social policies by German governmental agencies.

f. You will permit the organization and functioning of work councils on a democratic basis for the representation of the interests of employees in individual enterprises and will not prohibit the cooperation of trade unions therewith.

g. You will also permit the establishment of machinery for the voluntary settlement of industrial disputes.

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VI

22. Cultural Objectives

Your Government holds that the reeducation of the German people is an integral part of policies intended to help develop a democratic form of government and to restore a stable and peaceful economy; it believes that there should be no forcible break in the cultural unity of Germany, but recognizes the spiritual value of the regional traditions of Germany and wishes to foster them; it is convinced that the manner and purposes of the reconstruction of the national German culture have a vital significance for the future of Germany.

It is, therefore, of the highest importance that you make every effort to secure maximum coordination between the occupying powers of cultural objectives designed to serve the cause of peace. You will encourage German initiative and responsible participation in this work of cultural reconstruction and you will expedite the establishment of these international cultural relations which will overcome the spiritual isolation imposed by National Socialism on Germany and further the assimilation of the German people into the world community of nations.

23. Education

a. In recognition of the fact that evil consequences to all free men flow from the suppression and corruption of truth and that education is a primary means of creating a democratic and peaceful Germany, you will continue to encourage and assist in the development of educational methods, institutions, programs and materials designed to further the creation of democratic attitudes and practices through education. You will require the German Laender authorities to adopt and execute educational programs designed to develop a healthy, democratic educational system which will offer equal opportunity to all according to their qualifications.

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b. You will continue to effect the complete elimination of all National Socialist, militaristic and aggressively nationalistic influences, practices and teachings from the German educational system.

24. Religious Affairs

a. You will, in the United States Area of Occupation, continue to assure freedom of religion. You will assure protection of religious activity and support these principles in the deliberations of the Control Council.

b. You will give freedom to the Germans to decide all questions concerning the constitution, the religious activity and the amalgamation of purely ecclesiastical bodies.

c. You will continue to take such action as may be necessary to prevent the revival of National Socialist and militaristic activity under the cloak of a religious program or organization.

25. Monuments, Fine Arts, and Archives

a. You will respect, and permit German authorities to protect and preserve, the property of all cultural institutions dedicated to religion, charity, education, the arts and sciences, historic monuments and historic archives, together with their collections and endowments. You will apply the same principle to all other property of cultural value, whether publicly or privately owned, except for institutions and monuments specifically devoted to the perpetuation of National Socialism or to the glorification of the German militaristic tradition.

b. You are authorized to make such use of German records and archives as may be appropriate.

26. Public Information

a. You will, in the United States Area of Occupation, supervise, encourage and assist in the development by the Germans of media of public information designed to advance the political and cultural objectives stated in this directive.

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b. You will arrange through the Allied Control Council for the implementation of the decision of 23 April 1947 of the Council of Foreign Ministers on the free exchange of information and democratic ideas by all media in all of Germany.

c. You will develop and maintain organizations and facilities for the operation of media of information, including those sponsored by Military Government, designed to further the objectives of your Government.

27. Reestablishment of International Cultural Relations

In furtherance of the program of the reorientation of the German people and the revival of international cultural relations, you will permit and assist the travel into and out of Germany of persons useful for this program within the availability of your facilities. You will also permit and assist, to the extent of your facilities, the free flow of cultural materials to and from Germany.

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Additional Paragraph in Brief on
Paragraph 21c, Revision JCS 1067 (SWNCC 32/4)

The War Department has proposed introducing Paragraph 21c with the phrase: "While it is your duty to emphasize to the German authorities the principles and advantages of free enterprise, you will otherwise refrain, etc." It is believed that this language might be interpreted to indicate the intention of the United States to impose a free enterprise system on Germany by pressure on the German authorities, who are naturally very susceptible, under a military occupation, to suggestions coming from the US Military Government. The words "your duty to emphasize" are believed to be too strong. Enlightenment on the benefits of free enterprise should more properly be addressed to the German people rather than the "German authorities". We surely do not want the German authorities at our instigation to impose institutions of free enterprise against the will of the German people. The State Department believes that public ownership must eventually be a question for decision by the German people. Accordingly, the State Department has proposed the following wording for the beginning of Paragraph 21c: "While it is your duty to give the German people an opportunity to learn of the principles and advantages of free enterprise," .

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DEPARTMENT OF STATE
Central
DIVISION OF EUROPEAN AFFAIRS

July 8, 1947

C

A-H: General Hilldring

MEMORANDUM ON PARAGRAPH 21c (PUBLIC OWNERSHIP)
REVISED JCS 1067 (SWNCC 327/3)

It is U.S. policy in Germany to turn over ever-increasing governmental responsibilities to the German people. In line with this policy it is believed that the right to determine measures of public ownership should be permitted the German people, provided such measures are taken in accordance with democratic processes. This would also be consistent with traditional U.S. policy not to oppose public ownership measures in other countries, if adequate compensation to American owners is provided for.

On December 17, 1946, Secretary Byrnes in a press statement said, "We have not expressed any opposition to the socialization of industries in Germany if the Germans themselves wish to socialize their industries through democratic processes".

There is considerable evidence of a strong popular desire among the Germans to adopt public ownership measures. In the October 1946 Berlin Municipal Elections, the three parties which made public ownership a major plank in their platforms obtained 91% of the votes. The voters of Land Hesse in the U.S. Zone on December 1, 1946 approved by a special referendum Article 41 of their new constitution which provides for public ownership of coal, potash and ore mines, iron and steel plants, power plants and rail and trolley lines. 1,081,000 votes were cast in favor of Article 41; 422,000 against. Even in Bavaria (U.S.Zone) and Rhineland-Palatinate (French Zone), where the conservative CDU parties predominate, the new state constitutions contain provisions permitting public ownership of certain important economic resources and public utilities.

From

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From the foregoing it is evident that Military Government thus far has recognized the right of the German people to adopt measures of public ownership. Any interference at this time in the question of public ownership would represent a reversal of established U.S. policy. Furthermore, in view of the clear popular trend toward public ownership in Germany, it would be politically undesirable for the U.S. to adopt an anti-public ownership policy. Opposition on the part of this Government to socialization measures desired by the Germans would arouse German resentment toward the U.S. and would play into the hands of the Communists, who could make political capital out of what they would surely represent as a definite manifestation of "American economic imperialism".

In accordance with the traditional U.S. position on compensation to American owners in cases of foreign nationalization, provision has been made in paragraph 21c to prevent the application of German public ownership measures to foreign-owned property unless satisfactory arrangements have been made for the compensation of foreign owners.

At the Moscow Conference Secretary Marshall indicated that the U.S. regarded as dangerous the over-concentration of economic power in a strong central government. Accordingly, it is believed undesirable to permit any public ownership measure adopted at this time to reserve ownership to an eventual German central government. A provision prohibiting such reservation of ownership is also included in paragraph 21c.

Finally, it should be said that this Government has not refused its assistance to European countries whose governments have embarked upon extensive public ownership programs, notably the U.K. and France. The German trend toward public ownership should be regarded as a part of the general European tendency in that direction. To oppose it in Germany will present the Communists with an issue which they will utilize throughout Western Europe.

James W. Riddleberger
James W. Riddleberger
Chief, Division of
Central European Affairs

CE:EALightner,Jr.
HTrivers:AMR

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Since the issuance of the revised MG regulations Title 15, Part 5, Labor Relations, April 14, 1947, we prefer to substitute for the present text of 21, e, 2, the following language which reproduces that of the MG regulations:

> "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".

D

Basis of Recommendation:

1. This language merely incorporates language already promulgated by OMGUS (MG Regulations 15-510.2, paragraph 2, are attached).

2. It is permissive, not mandatory.

3. 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.

4. 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.

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TITLE IS, PART 5, "MANPOWER DIVISION", MILITARY GOVERNMENT REGULATIONS.

(OMGUS, AG 010.6 (MD), 14 April 1947, as transmitted by Dispatch No. 9698, Berlin, April 24, 1947: "ADVANCE AMENDMENT TO TITLE 15, PART 5, 'LABOR RELATIONS', MILITARY GOVERNMENT REGULATIONS.")

15-510.2

Functions of Trade Unions. Trade unions may represent, subject to compliance with Military Government legislation and policy, the occupational, economic and social interests of their members in accordance with the authority contained in their constitutions. In particular their basic functions may include:

a. Participation in the negotiation and conclusion of collective agreements.

b. Participation in the settlement of labor disputes.

c. Participation in the activities undertaken by works councils in accordance with Control Council Law No. 22.

d. Participation in the education of the German people in democracy.

e. Participation with appropriate authorities in the establishment and development of a peaceful economy.

f. Participation with appropriate authorities in the elimination and prohibition of cartels, trusts, syndicates and other monopolistic organizations.

g. Participation with appropriate authorities in denazification and elimination of militarism.

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SOCIALIZATION OF RUHR COAL MINES

TAB A - Summary and Recommendations.

TAB B - Letter Secretary Patterson to Secretary Marshall, June 13, 1947.

TAB C - Telegram Ambassador Murphy to Secretary of State, June 17, 1947.

TAB D - SWNCC Policy Statement on Public Ownership in Germany.

TAB E - Extract of SWNCC 327/3.

material was discussed at meeting of Three Secretaries on June 19, 1947.

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SOCIALIZATION OF RUHR COAL MINES

Problem: To increase the amount of coal for Germany.

Discussion: Secretary Patterson in his letter to the Secretary of State, dated June 13, 1947 (TAB B) advises that he considers that experiments in socialization are certain to interfere with production of coal. General Clay has expressed similar views (TAB C). General Clay recommends that the mines be placed immediately under a German trusteeship.

The comments of the Secretary of War and of General Clay have been carefully considered in the Department. Several major considerations emerge:

a. No evidence is at hand with respect to the coal industry which justifies deviation from the general policy which would leave to the German people the right to choose by democratic processes for or against public ownership.

b. The principal factors known to the Department to have had an obstructive effect on coal production include failure to provide adequate incentive goods and food to the miners; failure to provide to coal production an overriding priority in manpower, steel and other materials; failure to reestablish discipline in the coal mines and effective means of consultation and cooperation by miners in the management of the mines; and failure to make increased coal production a matter of acute public interest and concern to all German communities.

c. In view of the fact that the considerations enumerated in (b) above appear to the Department to be matters of prime importance, it is difficult to agree with the significance attached by General Clay to doubts concerning the future status of mine ownership. His suggestion regarding trusteeship has not been explained to the Department and is not clearly understood. However, if uncertainty as to future ownership is a deterrent to coal production it appears that the trusteeship compromise would merely prolong the uncertainty.

There is attached (TAB D) a draft statement embodying the recommended governmental position on public ownership of property in Germany. Your attention is called to the conclusions in this paper, pages 7 and 9 (TAB D). These conclusions merely amplify the general statement of policy on this issue, which is embodied in the Revised JCS 1067

Tab A

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(SWNCC 327/3) which was approved by the Secretaries of State, War and Navy subject to General Clay's comments. The pertinent provision from the SWNCC paper is attached as TAB E.

Mr. Peterson reports that General Clay is opposed to this statement of policy and would prefer to receive instructions either to oppose socialization measures at this time, or as a minimum, to receive instructions to emphasize to the German people the advantages of free enterprise.

Recommendations:

1. That the general policy regarding public ownership as embodied in TABS D and E be approved by the three Secretaries.

2. That these policies be applied to the coal mining industry.

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WAR DEPARTMENT
Washington

June 13, 1947

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

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By CRB NARS, Date NOV 7 1974

Tab B