

SWNCC 401 - SUPPLY DISTRIBUTION

LIST OF PAPERS

FILE NO. 401 SUPPLY DISTRIBUTION

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REMARKS:

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10 July 1948

Mr. W. L. Clayton
Assistant Secretary of State
Washington 25, D. C.

Dear Mr. Clayton:

In Mr. McCloy's absence, I acknowledge receipt of your letter of June 30, 1948 inclosing a memorandum outlining the State Department views with respect to proposals to be made to the British and the Canadians for the financing of civilian supplies and suggesting the further views of the State Department that a policy decision should be reached at the highest level as to the agencies of the Government which will be responsible for the initial financing of imports into Germany to serve the purpose of our Government.

As Mr. McCloy has previously advised you and the Secretary of War has advised the Secretary of State, the War Department is in entire accord with the view that decision as to the methods of financing imports into Germany and the agency of the United States which will be responsible therefor should be made at the highest level. It is the War Department view that recommendations on these questions should be made to the President in connection with the other vital problems involved, such as the way in which our Government's relief efforts will be coordinated and the position which we should take with respect to coordination by the European governments themselves of their efforts to meet their own economic problems. Moreover, we feel that such recommendations should result from a conference between Mr. Crowley and the Secretaries of State, Treasury, War and Navy, or their appropriate representatives.

Sincerely yours,

SIGNED

ROBERT A. LOVETT
Assistant Secretary of War for Air

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Mr. W. L. Clayton
Assistant Secretary of State
Washington 25, D. C.

Dear Mr. Clayton:

I acknowledge receipt of your letter of June 30, 1945 inclosing a memorandum outlining the State Department views with respect to proposals to be made to the British and the Canadians for the financing of civilian supplies and suggesting the further view of the State Department that a policy decision should be reached at the highest level as to the agencies of the Government which will be responsible for the initial financing of imports into Germany to serve the purpose of our Government.

As I have previously advised you and the Secretary of War has advised the Secretary of State, the War Department is in entire accord with the view that decision as to the methods of financing imports into Germany and the agency of the United States which will be responsible therefor should be made at the highest level. It is the War Department view that recommendations on these questions should be made to the President in connection with the other vital problems involved, such as the way in which our Government's relief efforts will be coordinated and the position which we should take with respect to coordination by the European governments themselves of their efforts to meet their own economic problems. Moreover, we feel that such recommendations should result from a conference between Mr. Crowley and the Secretaries of State, Treasury, War and Navy, or their appropriate representatives.

Sincerely yours,

John J. McCloy
The Assistant Secretary of War

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(June 30, 1945)

My dear Mr. McCloy:

I have studied your preliminary reply of June 21 to my letter of June 18 regarding German financing. As you may be aware, the whole subject was extensively discussed in a meeting in Mr. Mason's office on June 25 which was attended by Colonel Davis and Lt. Colonel Foehl. At that meeting tentative agreement was reached on a proposal to be made to the British and Canadians later this week with respect to interim financing as related to the zonal issues.

With respect to the type of imports to be financed, the Department believes that it is essential that a policy decision be reached at the highest level that the War Department should, for the reasons outlined in my previous letter, be responsible for all imports which serve the purpose of the United States Government in Germany.

There is attached a draft of memorandum covering both of these points.

Sincerely yours,

W. L. Clayton,
Assistant Secretary.

Enclosure:

German Finance.

The Honorable
John J. McCloy,
Assistant Secretary of War.

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German Finance

1. It is the expectation of the United States Government that the Control Council for Germany will begin to function quickly in accordance with existing Allied agreements and that redeployment of Allied Forces in conformity to agreed zonal boundaries can be carried through without delay. The present combined command (SHAEF) will be discontinued on July 1, 1945 or shortly thereafter.

2. Formulation of the principles governing the procurement and financing of essential German imports should be an immediate task of the Control Council. If possible, an agreed supply program for Germany as a whole should be put into effect as soon as redeployment into zones has been completed. Such a program should include provision for equitable inter-zonal distribution of supplies available within Germany so as to minimize the net deficit for, and imports into, Germany as a whole. The sum necessary to pay for imports into Germany should be a first charge on all German exports from current production or stocks on hand. In the event, and to the extent, that the proceeds of exports are insufficient to pay for approved minimum imports, the necessary arrangements for interim financing should be made by the Allied countries convened on a basis to be negotiated. Reimbursement for any net outlays made in connection with the provision of supplies for Germany should be sought from subsequent German exports. Claims for reimbursement of this type should rank above reparation.

3. The United States Government is not prepared to continue the present combined procurement and supply program and machinery beyond October 31, 1945.

4. Arrangements should be made effective August 1, 1945 for making records of all distribution of supplies into the three western zones. The three occupying powers, the United States, U.K. and France, would be billed for supplies distributed to their respective zones after August 1. The amounts for which the three governments would thus become individually responsible as well as the amount arising out of deliveries to Germany prior to August 1, 1945 would of course be a first charge on German exports.

5. If the Control Council has not reached agreement on a supply program along the lines of paragraph 2 by October 31, 1945, each occupying power should, in the view of the United States Government, assume procurement and financing responsibility for the supplies required in its zone.

6. Since the Commander-in-Chief of the United States Army Forces in Germany in his dual capacity as United States member of the Control Council and Commander of the zone of occupation is entrusted with full responsibility for carrying out all objectives of United States policy in Germany, it is the Department's view that the War Department should assume procurement and initial financing responsibilities with respect to imports not only for the consumption of occupying forces, displaced

persons, and such minimum consumption by German civilians as is necessary to prevent disease and unrest, but also all imports into Germany for which the United States Government assumes responsibility. In the view of this Department, moreover, the War Department's responsibility should extend to the United States' share of any combined financing which may be undertaken in concert with the occupying powers.

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JUL 4 1945

The Honorable

The Secretary of State

Dear Mr. Secretary:

I have given careful consideration to the points raised in the letter dated June 18, 1945 from the Assistant Secretary of State, Mr. Clayton, to the Assistant Secretary of War, Mr. McCloy, with respect to the responsibility in this Government for financing imports into Germany.

Mr. Clayton's letter was apparently written before the State Department had had an opportunity to consider my letter to the Acting Secretary of State dated June 14, 1945 in which I pointed out that no provision has been made by this Government to finance supplies which may have to be provided to Germany and Austria, from U.S. sources, beyond the limited provision the War Department is making to meet our strictly military obligation. As no funds have been appropriated for the purpose of financing imports to Germany beyond those necessary for purely military purposes, recourse to the Congress will be necessary. In my opinion, any approach to Congress for the purpose should be based upon an agreed governmental policy approved by the President.

General Eisenhower, during the period of the military government of Germany, will act in a dual capacity. As the Commanding General of U.S. forces in Germany his responsibility is purely a military one. In this connection he is responsible for the care, maintenance, and security of the troops under his command. The funds necessary to permit him to discharge this military responsibility, i.e., funds required to finance supplies for U.S. troops and for sufficient provision to civilians to assure the security of such troops in the zones which will be occupied by U.S. forces, have been included in the War Department budget estimates for 1946.

In addition to his purely military capacity, General Eisenhower will act as the U.S. member of the Control Council for Germany. In carrying on the military government in the U.S. Zone in Germany, General Eisenhower acts not merely as a soldier in accomplishing a military mission but as the representative of our Government in implementing the Government's foreign policy with respect to Germany.

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As a member of the Control Council General Eisenhower is also responsible equally with other governmental representatives on the Control Council for the government of the zones of Germany which our troops do not occupy. In this latter capacity the General will serve not as a military commander but exclusively as the representative of his government.

As Mr. Clayton states, directives have been given to General Eisenhower "in his dual capacity". Such directives are transmitted through the Joint Chiefs of Staff. As is stated in Mr. Clayton's letter, however, the directives represent "the basic objectives of United States policy". They do not reflect the views or responsibilities of any single department but represent the policy of the Government as a whole. It follows that responsibility for their implementation is a governmental responsibility and not merely a departmental one.

I recognize the validity of the statement in the letter from the Assistant Secretary of State to the Assistant Secretary of War that "it has been decided as a matter of government policy that this Government will seek to make the reimbursement of all expenses incurred by it in importing supplies into Germany a first charge on German ability to make foreign payments". At the present time, however, the stated policy has not been agreed by all of the governments who will be responsible for the government of Germany. Moreover, even if their agreement is obtained a substantial period of time will have elapsed before the expected reimbursement can be accomplished. In the meantime we are confronted with the problem of initial financing of German imports.

German imports during the period of military government will fall into the following categories:

1. Imports into the zone occupied by U.S. forces for the purpose of maintaining and protecting our troops.
2. Imports into the zone occupied by U.S. forces to implement the political policy of our Government.
3. Imports into the zones occupied by forces of the other occupying powers, either from abroad or from the United States Zone in Germany, for the maintenance and protection of their troops or to accomplish the political policy of the U.S. or of the other occupying powers.

It is probable that imports for the zone occupied by U.S. forces will be required not only from the U.S. but from other sources of world supply. It is also probable that the necessary imports for zones occupied by the forces of our Allies cannot be met completely

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from their sources, and that imports will have to be procured in the U.S. for introduction into zones which we do not occupy.

After full consideration of the factors involved it is the view of the War Department that, in the absence of an authoritative governmental policy to the contrary, its responsibility, as a military department, should be limited to providing the initial financing necessary to maintain the flow of supplies for U.S. troops and sufficient supplies for civilians in the zone occupied by U.S. forces to assure the security of our troops. If the War Department is to finance additional supplies for import into Germany, it should do so only pursuant to policy established on a governmental basis and approved by the President.

In summary, it seems to me that the foregoing analysis discloses the necessity for determining the answers to the following questions:

1. For what areas in Germany, for what purposes (production for reparations, to meet British or Russian military needs, for European relief, etc.) will our Government initially finance supplies (a) procured in the U.S. and (b) procured from non-U.S. sources?

2. To what agency of the Government should Congress be requested to appropriate the necessary funds to implement policy determined in answer to the preceding question?

The questions raised above are applicable to Austria as well as to Germany.

In my letter of June 14, 1945 to the Acting Secretary of State I stated my conviction that steps should be taken to centralize the administration of our assistance to Europe and that, as a prerequisite to our continued help, the European nations themselves should be induced to integrate the consideration of their own basic problems, such as coal and transportation. The question of how our Government will finance German and Austrian imports is merely one phase of the overall question as to what shall be our economic policy in Europe.

As I believe formulation of definite governmental policy on these questions is urgently required I renew the suggestion, made in my letter of June 14, that you or your representative call together Mr. Forrestal, Mr. Morgenthau, and Mr. Crowley, or their appropriate representatives, with Mr. McCloy and Judge Rosenman for the purpose of making recommendations to the President.

JUL 5 - 45 AM

Sincerely yours,

HENRY L. STIMSON

Secretary of War

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DISPATCHED
OFFICE OF THE
CHIEF OF STAFF

SECRETIn reply refer to
711

June 18, 1945

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My dear Mr. McCloy:

In recent conversations with representatives of the War Department, officers of the Department have been informed that the War Department does not consider itself responsible for exports from Germany except to the extent that the goods exported serve to meet some direct military use or responsibility. Consequently, in the judgment of these representatives, the War Department would not be able to finance the procurement of supplies needed to increase German production for export other than in the limited circumstances in which the military authorities have a direct interest in the goods exported.

The point came up in connection with a discussion of measures necessary to ensure the increased exportation of coal from Germany to the liberated countries of Northwest Europe. As I understand it, the War Department representatives recognized that an obligation rests upon the military authorities to see that coal is exported from Germany to these countries so long as SHAEF is responsible for the distribution of coal in Northwest Europe. However, once the period of military supply responsibility for Northwest Europe is terminated (as will soon occur), it was their view that the responsibility of the military authorities in Germany would be limited to ensuring the production only of the minimum amount of coal needed to prevent disease and unrest in Germany.

The

The Honorable
John J. McCloy,
Assistant Secretary of War.

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The expression of this narrow view of the responsibilities of the military authorities in Germany has caused considerable concern to the Department. It appears to me so clearly inconsistent with the directives which have been issued to the Commander-in-Chief of the United States Army Forces of Occupation in Germany, that it seemed desirable to inquire whether it does in fact represent the considered view of the War Department. Under the directive to the Commander-in-Chief approved by the President on May 11, 1945 (IFCMB 1/4), he is directed in his dual capacity as United States member of the Control Council and commander of the American zone of occupation to carry out certain basic objectives of United States policy. These include the provision of relief for the benefit of countries devastated by Nazi aggression, and the directive orders the taking of all feasible measures to facilitate the production of coal and, subject to certain limitations, other types of goods and services needed for this purpose. Since only the military authorities are in a position to implement this directive, it has seemed to us that the responsibility for determining what imported supplies are needed to make use of German resources for this purpose must be determined by the military, and that the responsibility for procurement of such supplies must rest with the military.

It is the State Department's view that for the period of Allied military government in Germany, the procurement and initial financing responsibilities of the military authorities with respect to imports are not limited to consumption of occupying forces, displaced persons, and such minimum consumption by German civilians as are necessary to prevent disease and unrest, such responsibility should include all imports which serve the purposes of the United States government in Germany. This responsibility, moreover, in the view of the Department, extends to the United States' share of any combined financing which may be undertaken in concert by the occupying powers. As you are aware, it has been decided as a matter of government policy that this Government will seek to make the reimbursement of all expenses incurred by it in importing supplies into Germany a first charge on German ability to make foreign payments.

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I should very much appreciate receiving your comments on this matter at an early date.

Sincerely yours,

F. L. Clayton
Assistant Secretary

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3&4 APPROVAL
5 SIGNATURE E&S, CAD
1&2 CONCURRENCE

Col Davis, 71721

WDSCA 387 (8 June 45)

Economic and Supply Problems in Germany
and Western Europe.

16 June 45

SUMMARY

1. On 8 June 1945 the Acting Secretary of State wrote to the Secretary of War stating that supply and economic conditions in Western Europe were such that serious disorders may develop during the coming months and raising certain specific points which the Secretary of War was requested to consider.

2. The points raised by Mr. Grew's letter may be summarized in general as follows: (a) it is desirable for an order to be issued to United States officers in ETO stressing the importance of developing and maintaining friendly relations with the French; (b) in order that the Secretary of State may advise the President on lend lease policy, he requests advice as to the interest of the War Department in avoiding disease and unrest in countries in Europe through which redeployment would be accomplished, the countries which would be involved, and the length of time redeployment would consume; (c) it is important that coal be exported by the military authorities from the United States to Western European countries; (d) it is necessary that General Eisenhower be instructed to make the production of German coal a first military priority and to distribute the coal so produced equitably among the Western European Allies; (e) it is undesirable to return to the Western European Allies their railroad cars and locomotives looted by the Germans so far as they may be identifiable; (f) pending the complete functioning of the Reparations Commission it is necessary to set up under General Eisenhower an interim reparations machinery by which raw materials and industrial equipment found in Germany can be provided to the Western European Allies; (g) it is necessary to provide supplies to Germany to accomplish its economic rehabilitation for the purpose of producing exports vitally needed by our Allies. The Acting Secretary of State stated his belief that all of the points raised were within the scope of the President's letter to the Secretary of War dated 21 May 1945 (JCS Memorandum for Information 404) which directed the War Department to terminate responsibility for civilian supplies in liberated European countries except as may be dictated by the actual necessities of the military situation and in so doing to cooperate with civilian agencies to accomplish a smooth transition.

3. No objection is perceived to complying with the State Department's request that General Eisenhower be advised of the importance of having his officers maintain friendly relations with the French and the further request that the State Department be advised generally as to the timing of planned military redeployment.

4. Except as stated in the preceding paragraph, the State Department letter would require the War Department to make decisions which are not believed to be within its competence. The question of providing supplies to Germany in order to maximize the production of coal and other products required by our Western European Allies raises the question as to which agency of the U.S. Government should be responsible for the financing of such supplies. On 14 June 1945 the Secretary of War wrote the Secretary of State

stating that no provision has been made by the War Department, nor so far as the War

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Department has been advised, by any other U.S. Government agency to finance supplies which may have to be provided to Germany and Austria from U.S. sources beyond the limited provision which the War Department is making to meet its strictly military obligations, i.e., to provide supplies for U.S. troops and sufficient provisions to civilians to insure the security of such troops in zones occupied by U.S. forces. The Secretary of War recommended that a government policy with respect to such financing be formulated and transmitted to the War Department. No reply to that letter has been received.

5. The compliance with the suggestions of the Acting Secretary of State with respect to the exporting of German production and German equipment to European Allied countries would require the military authorities to make decisions about reparations policy decisions. War Department policy has been that reparations questions were to be determined by the Reparations Committee sitting in Moscow. Pending the function of the Reparations Committee the War Department position has been that interim decisions with respect to reparations should be made as a matter of government policy and not by the military authorities. Pursuant to this policy the War Department has taken the position that the civilian agencies of the government should provide such interim reparations machinery as is desired and should furnish specific guidance to the military authorities as to the categories and amounts of supplies to be exported from Germany as reparations, and should further specify the categories to be received by each recipient nation. Upon receipt of such advice the military authorities would administer the policy so established. It is believed that the War Department should continue to adhere to the policy so established.

6. It is recommended that the attached letter be signed and dispatched.

COORDINATION

7. OPD (Major Cochrum) with respect to the redeployment information contained in the draft letter attached.

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

1 Incl
Draft ltr to Actg Secy State
frm S/W

NOTED-DEPUTY CHIEF OF STAFF

U. S. ARMY *WJH*
30 June 45-

NOTED CHIEF OF STAFF

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Col Davis/ngv
71721 CAD

WDCSA 430 (8 June 45)

JUL 4 - 1945

The Honorable

The Acting Secretary of State

My dear Mr. Secretary:

I have carefully considered the many points which you raised in your letter of 8 June 1945 with respect to conditions in Western Europe. I share your concern over what I think we all recognize to be a distressing situation.

I recognize the importance of all of the points which you raise and assure you that the War Department, in its appropriate sphere will cooperate in carrying out such policy as our government may establish. I feel, however, that many of the points you raise fall outside of the policy enunciated in the President's letter of 21 May 1945 to which you refer. The policy conveyed to the War Department by the President in his letter was that after prompt termination of military responsibility for the provision of civilian supplies in liberated areas the Army should assist the national governments involved to the extent the military situation permits, which assistance should include the transfer of military supplies in excess of essential military requirements to the extent legally permissible. Many of the questions which you raise such as the determination of this government's lend lease policy, the establishment of a reparations policy, and the policy of our government with respect to the provision of supplies to and the handling of exports from Germany seem clearly to fall outside the President's letter. As, however, I recognize fully the importance of the questions which you raise I will attempt to treat with them in the order in which they were submitted:

1. I will be very glad to advise General Eisenhower of the importance of maintaining friendly relations with the French people and of our desire that his officers in dealing with the French make every effort to maintain a satisfactory relationship.

2. As you know, it has previously been agreed that the necessities of the military situation no longer require the military authorities to provide civilian supplies in France and military responsibility for such provision was terminated, in agreement with the French government, on 1 May 1945. It, of course, continues to be of interest to the War Department so long as American troops remain in Europe that conditions which might lead to widespread disease and unrest should be prevented. It is expected that complete evacuation, from the European Theater, of American troops not required for the occupation of Germany and Austria will be

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completed before 31 May 1946. Although France will be the liberated country principally involved in the redeployment of U.S. troops, our forces, or supplies for them, are also expected to pass through Italy, Belgium, the Netherlands, and Germany. The relative extent to which these countries will be so utilized is not capable of definite ascertainment at this time.

3. You are correct in your assumption that the War Department has undertaken to ship coal to Northwest Europe during June, July, and August, within the limits of shipping and supply availabilities, to meet valid combined military import requirements therefor. It is expected that War Department responsibility for providing coal from the United States for Europe will terminate with August 1945 loadings.

At this time the combined British and American military authorities are making every effort to maximize the production of coal in the areas of Germany which they occupy. So long as combined military responsibility for the provision of coal in liberated areas of Europe continues, the combined military authorities will undertake to allocate any surplus of German coal which may be available on an equitable basis among those countries for the coal supply of which they are responsible. After the termination of combined military responsibility for the supply of coal, however, the amount of coal to be provided to liberated areas from Germany will involve reparations decisions which have not yet been made by this government. Moreover, to maximize the production of German coal will require the importation into Germany of substantial amounts of coal mining machinery. Determination to provide this machinery if it is to be financed by or provided from the U.S. involves a policy decision of our government and is not one for which the War Department should accept primary responsibility.

Much or all of such machinery may be placed in coal mines lying outside of zones of Germany for which the U.S. Army is responsible. The War Department has no funds to finance the procurement of such machinery and has been advised of no other funds available for the purpose. While I share your interest in this matter and your desire that everything possible be done to insure the maximum coal production in Germany, I feel that it is the responsibility of the civilian policy making agencies of our government to provide the solution to this financing problem. The War Department, in its administration of military government in Germany, will seek to carry out any policy so established. This subject was covered in greater detail in my letter to you of 14 June 1945.

4. Your letter poses the question as to whether it would be possible to return to the allied countries in Europe their own railroad cars and locomotives found in Germany. Up until the present time the military necessities of the situation in Europe have required that the military authorities operate all railroad power and rolling stock in Northwest Europe, without regard to the country of ownership, in a

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transportation pool. Only by this method has the limited amount of equipment available been found sufficient to meet military requirements. As operations have now terminated and as it is reasonable to expect that conditions in Germany will become more stabilized as time goes on, it should be possible, so far as military considerations are concerned, to gradually return to our Allies their cars and locomotives, where identification of the country of ownership is possible.

The fundamental problem raised by your question, however, is whether or not such restitution is consistent with this government's reparations policy. The War Department has received informal advice from the State Department staff that the government's policy was against recognition of an automatic right to restitution of the character under discussion and that it was desired that the return of property of this character found in Germany, even though capable of identification as to its national source, would be a matter of discussion in connection with reparations decisions. I would very much appreciate your definitive advice on this subject.

5. In this paragraph your letter raises the whole problem of interim reparations. I feel strongly that the War Department should not determine the reparations policy to be followed in the administration of military government in Germany. In my opinion such policy should not be the subject of military decision but should be established by the appropriate policy making agencies of the government and transmitted to the War Department for administration.

In your letter you pose several alternate methods of dealing with the reparations problem in the interim before the Reparations Commission begins to operate. In this situation any affirmative action by the War Department would of necessity result in determination by it in this policy field where, in my opinion, it is inappropriate for the War Department to function. If the State Department will transmit to the War Department a definite policy to be followed in the administration of Germany with respect to reparations pending action by the Reparations Commission, the War Department will gladly endeavor to carry out such a policy.

6. In this paragraph of your letter you raise again the two questions of the extent of supplies which will be imported to Germany from overseas and the program of exports from Germany which will be undertaken. I believe that my views on these two questions have been covered in the previous discussion.

Sincerely yours,

HENRY L. STIMSON

Secretary of War

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SECRETDEPARTMENT OF STATE
WASHINGTONIn reply refer to
EUF

June 8, 1945

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My dear Mr. Secretary:

I am deeply concerned over conditions in Western Europe and the possibility that serious disorders may develop during the coming months. If the people of that area, particularly those in France, have to face another winter without heat or without adequate food and clothing, I can foresee disturbances of such serious consequence as not only to involve conflict with our troops, but to imperil gravely our long-term interests. The outlook at best is a gloomy one. It is already aggravated by repatriated prisoners of war and deportees who, on returning, expect more in the way of food, clothing and employment than can be provided.

As I know that you are aware of the situation and of its implications, I am taking the liberty of seeking your assistance on the following points, which I believe are in line with the policy enunciated in the President's letter to you of May 21, 1945.

1. The continued use of France for some months to come as a base for redeployment and the continued use of French facilities for our lines of communications will inevitably create points of friction and give rise to

misunderstandings

The Honorable
Henry L. Stimson,
The Secretary of War,
Washington, D. C.

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misunderstandings between the French and ourselves. I fully realize that the military must continue to use French facilities and I am firmly convinced that the top ranking and many other U.S. officers and men appreciate the gravity of the problems which lie ahead of us. On the other hand, it must be extremely difficult for many soldiers who have participated in driving the enemy from France (either in the front lines or in the movement of supplies) to understand why the French are not always grateful and why they are at times so difficult to deal with. Unfortunately, many of the French will be or will appear to be ungrateful and difficult and they will tax our patience and make cooperation a trial.

In order to prevent to as great an extent as possible the growth of misunderstandings, would it not be desirable for General Eisenhower to issue an order to his officers, emphasizing the importance, in the enlightened self-interest of the United States, of developing and maintaining friendly relations with the French, and pointing out that, as our continued use of French Facilities will undoubtedly lead to misunderstandings and friction, it is necessary for our officers, in their dealings with the French, to exercise patience and to seek to foster good relations?

2. There is one other aspect of the redeployment of our troops in Europe which, I believe, is of concern to our military authorities. If, as I assume to be the case, it is in the military interest of this Government to assure that the redeployment of our troops in Europe be accomplished in and through territories free from disease and unrest and with the use of local transportation and harbor facilities maintained in reasonable working order, then it would be extremely helpful to me in advising the President on lend-lease policy to be able to inform him that you have officially confirmed to me the interest of the military authorities in these matters. It would also be helpful if you could give me a general idea of the period of time which it is now expected redeployment will require, and the countries in Europe which will be traversed or used as assembling and staging bases for redeployment or through which our lines of supply for American troops in occupation of Germany will pass.

3. Although there are of course many factors contributing to

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to social and economic instability in Western Europe, one of the most important is the lack of coal. I am convinced that drastic steps must be taken to provide coal for our Western European Allies, particularly France. I understand that steps are underway which may permit the shipment, under military auspices, of certain limited quantities of coal from this country to the Western European countries. I sincerely hope that this will be done.

I also understand that steps are being taken by the military authorities to push German coal production. I have been troubled, however, over reports to the effect that this production may, in large part, be allocated for use in Germany. I should therefore like to urge that an appropriate directive or order be issued which would

(a) make the production and transportation of coal from the Ruhr and Saar a matter of first military operational priority;

(b) assure equitable and prompt allocation of substantial quantities of such coal among our Western European Allies.

Pending the setting up of more definitive allocating machinery, it would appear necessary that this responsibility be vested in SHAEP, which should act in consultation with the European Coal Organization (when that body commences to function) and, in the interim, in accordance with the procedure suggested in the following paragraph 5 for allocations of German surpluses.

4. Another factor of importance to be considered in connection with this general matter is that of rail transportation. From fragmentary information, it would appear possible that the Germans have withdrawn into Germany a substantial amount of rolling stock from Allied countries, and that, despite war damage, their position in this respect is much more comfortable than that of our Western European Allies. If such should prove to be the case, would it not be possible to return to those Allies at least their own cars and locomotives found in Germany?

5. I understand that the U.S. and British military
authorities

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authorities in Germany have uncovered certain stocks of raw materials and industrial equipment which are of important interest to the liberated countries of Western Europe in their present economic straits. I realize that the disposition of such German materials and equipment involves the question of reparations. On the other hand, the need for certain of them is so great at the present time that I do not feel it would be appropriate to await action by the Reparations Commission before putting the materials to use. Adequate records, however, should be kept by SHAEF of any such deliveries in order that they may be taken appropriately into account in the later determinations of the Reparations Commission.

I accordingly urge that an allocations committee be set up immediately and that General Eisenhower be instructed to interpret liberally his outstanding directive on this subject. Pending the working out of more definitive machinery, I feel that such a committee should be set up within SHAEF, with a high ranking SHAEF officer as chairman. The balance of the Committee could be composed either of (a) representatives of the United States and British Ambassadors to the Western European countries, (b) representatives of the national authorities of those countries, or (c) representatives from the Four-Party Committees set up for those countries. The determination as to which of these alternatives should be accepted might well be the subject of agreement between SHAEF and the representatives of the U.S. and British Ambassadors to France, Belgium, the Netherlands and Norway.

Such a committee should be informal in nature and the chairman should make all of the decisions with the advice and counsel of the members of the committee. This is the device which has proven successful in the United States allocation system. I realize that SHAEF has only a temporary interest in this matter, but as there is no other authority presently capable of dealing with it, I feel that SHAEF should assume the responsibility. I hope steps can be taken to put some such machinery in action immediately.

I also hope that appropriate instructions will be prepared by the War Department providing for the continuation of such an arrangement in the American Zone after the dissolution of SHAEF if at that time the Reparations Commission

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Commission has not yet established permanent procedures for handling this problem

6. There is no longer disagreement concerning the need for assuring such essential economic rehabilitation in Germany as is necessary to the fulfillment of the purposes of occupation. We will doubtless have to ship some supplies into Germany from overseas. Also, the military will doubtless move into Germany certain types of equipment, such as cranes and other harbor and engineering facilities, which are now serving and are vitally needed by our Allies. In order that our Allies may recognize that our action in these respects is directly related to their own economic interests, an adequate program of exports from Germany, to be undertaken at once, is of crucial importance, and should be given clear priority over the satisfaction of needs within Germany. In the absence of clear and continuing guidance from Washington on this point, I fear that there would be an inevitable tendency for the occupying authorities in the field to become chiefly absorbed in meeting the needs of the area for which they have a direct responsibility.

Sincerely yours,

/s/ Joseph C. Grew

Acting Secretary

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STATE-WAR-NAVY COORDINATING COMMITTEE

DEPARTMENT OF STATE

Washington

February 2, 1945

STATE

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

WAR

- Col. Whitson *has*
- Col. McCarthy *sim*
- Major Field
- Lt. Massa

NAVY

- Comdr. Nutting
- Comdr. Richards
- Lt. Comdr. Rocke
- Lt. Geilfuss *yes*
- Ens. _____

- Note
- Circulate
- File

Secretary:

Receipt is acknowledged of your letter of 1945, countersigned by the Secretary, communicating to me the views of the Chiefs of Staff on the desirability from the standpoint of stopping or drastically curtailing diplomatic action the entry of supplies from Germany into Italy via Switzerland. The two paragraphs of the letter contain the views of the War and Navy Departments concerning the conditions under which supplies and transit might be offered the Swiss Government.

Views of the Joint Chiefs of Staff have been indicated to Mr. Lauchlin Currie, who is to be sent to Switzerland to renegotiate the War agreement. Mr. Currie has been likewise consulted with the suggestions contained in the paragraphs of your letter.

REMARKS:

of this letter is being sent to the Secretary of the Navy.

Sincerely yours,

/s/ Joseph C. Grew

Acting Secretary

The Honorable

Henry L. Stimson

Secretary of War

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DEPARTMENT OF STATE

Washington

TOP SECRET

February 2, 1945

My dear Mr. Secretary:

The receipt is acknowledged of your letter of January 25, 1945, countersigned by the Secretary of the Navy, communicating to me the views of the Joint Chiefs of Staff on the desirability from the military standpoint of stopping or drastically reducing by diplomatic action the entry of supplies in transit from Germany into Italy via Switzerland. The last two paragraphs of the letter contain the suggestions of the War and Navy Departments concerning the conditions under which supplies and transit facilities might be offered the Swiss Government.

The views of the Joint Chiefs of Staff have been communicated to Mr. Lauchlin Currie, who is proceeding to Switzerland to renegotiate the War Trade Agreement. Mr. Currie has been likewise acquainted with the suggestions contained in the last two paragraphs of your letter.

A copy of this letter is being sent to the Secretary of the Navy.

Sincerely yours,

/s/ Joseph C. Grew

Acting Secretary

The Honorable

Henry L. Stimson

Secretary of War

TOP SECRET

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TOP SECRET

DEPARTMENT OF STATE

Washington

TOP SECRET

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A copy of this letter is being sent to the Secretary of the Navy.

Sincerely yours,

/s/ Joseph C. Grew

Acting Secretary

The Honorable

Henry L. Stimson

Secretary of War

TOP SECRET

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TOP SECRET

DEPARTMENT OF STATE

Washington

TOP SECRET

February 2, 1945

My dear Mr. Secretary:

I enclose for your records a copy of my letter of today to the Secretary of War in reply to the latter's communication of January 25, 1945, countersigned by you, concerning the entry of supplies in transit from Germany into Italy via Switzerland.

Sincerely yours,

/s/ Joseph C. Grew

Acting Secretary

Enclosure:

Copy of letter
to Secretary of
War.

The Honorable

James V. Forrestal

Secretary of the Navy

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DEPARTMENT OF STATE

Washington

TOP SECRET

February 2, 1945

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/s/ Joseph C. Crew

Acting Secretary

Enclosure:
Copy of letter
to Secretary of
War.

The Honorable

James V. Forrestal

Secretary of the Navy

TOP SECRET