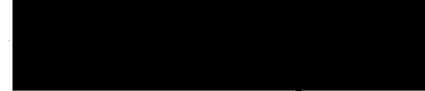


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PROVISIONAL INTELLIGENCE REPORT

SOVIET CONTROL AND PROCUREMENT AGENCIES IN AUSTRIA: USIA

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SOVIET CONTROL AND PROCUREMENT AGENCIES IN AUSTRIA*

Summary

The primary organization utilized since 1946 to control significant segments of the Austrian economy seized by the USSR as "German foreign assets" is USIA (Upravleniye Sovetskogo Imushchestva v Avstrii -- Administration of Soviet Property in Austria). The major components of USIA, which has some 650 Soviet and 60,000 Austrian employees, are the Central Administration, the Central Commercial Bureau, and the Production Administrations, which supervise several hundred enterprises. Other Soviet organizations in Austria -- the Soviet Mineral Oil Administration, the Danube Shipping Company, and the Soviet Transport and Dispatching Office -- are nominally subordinate to USIA but operate rather autonomously.

The nine identified Production Administrations supervise plants in the general categories of metallurgy and coal, machine construction, automotive and fine mechanics, electrical equipment, construction, chemicals, light industry, food processing, and agriculture and forestry. In addition, the Main Administration of Retail Stores manages over 200 retail stores located throughout the Soviet Zone of Austria and the Soviet Sector of Vienna.

The Central Commercial Bureau initially acted as a central buying agency for all of the Production Administrations and their subordinate enterprises, but in recent years some enterprises apparently have handled negotiations with the Soviet Bloc and with Western customers rather independently. The pattern of supervision of USIA enterprises varies from exclusive management by Soviet officials to operation by Austrians, who may allocate much of their output to Austria but are subject to considerable Soviet organizational and marketing control. In a few cases there is very little Soviet control at the plant level, and there is one category in which the unit in the Soviet Zone is a branch plant associated with other plants and a main office in the Western Zone.

According to some sources, the Moscow supervisory organ, GUSIMZ (Glavnoe Upravleniye Sovetskogo Imushchestva Zagraditsey -- Main Administration of Soviet Property Abroad), controls USIA rather closely and frequently. USIA

* The estimates and conclusions contained in this report represent the best judgment of the responsible analyst as of 1 February 1954. The information contained in this report is generally applicable to an earlier period, so that the organization is described as it existed about the end of 1952.

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probably has some relationships with other Moscow organs, especially trading organizations, such as Techno-Export, and production ministries. In Vienna, liaison is maintained with Soviet political and military authorities, the Soviet Trade Delegation, and Intrac, the trade agency of the Austrian Communist Party, which, in some respects, competes with USIA. USIA also is in frequent contact with representative of Satellite agencies, especially USIG (Upravleniye Sovetskogo Imushchestva v Germanii -- Administration of Soviet Property in Germany).

Only a small fraction of Austrian industrial capacity is represented by USIA enterprises, but USIA has a near monopoly or controls an important share of the output in some important sectors. Reportedly, a few larger firms are still profitable, but many are in serious financial difficulties and some have been reorganized or even liquidated.

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I. Introduction.

USIVA (Upravleniye Sovetskogo. Imushchestva Vostochnov v Avstrii -- Administration of Soviet Property in Eastern Austria) was created in the spring of 1946 by the USSR and subsequently became known as USIA when "Eastern" (Vostochnov) was dropped from the title. It was set up as a Soviet state organization responsible to Moscow (GUSIMZ -- the Administration of Soviet Property Abroad)**for the purpose of administering such industrial, mineral, and agricultural property in the Soviet Zone of Austria as had been confiscated by the USSR as "German foreign assets." The confiscations were theoretically based on the London and Moscow Declarations of 1943 and the Potsdam Agreement of July 1945. The first of these accords voided all transfers of property rights in regions controlled by enemy governments; the second expressed the refusal of the Allies to recognize any changes carried out in Austria after the 1938 Anschluss, and the Potsdam Agreement had assigned all "German assets" in Eastern Austria to the USSR. 1/***

Wide disagreement, however, soon developed between the USSR on the one hand and the Western powers and the Austrian government on the other concerning the extent and identity of "German assets." The point of view, for example, of the Austrian government was recently reiterated in Chancellor Raab's speech before the Austrian Parliament on 30 October 1953 (observing the tenth anniversary of the Moscow Declaration) in which he contended that only a very small part of the USIA enterprises had been German property in 1938. 2/ He also described it as "grotesque" to classify Austrian oil resources and the Danube Shipping Company as "German assets."*** The seized petroleum and shipping properties were placed under the operation of two other Soviet organizations which are only nominally subordinate to USIA: the Soviet Mineral Oil Administration (Sowjetische Mineraloelverwaltung -- SMV) and the Danube Shipping Company (Donau Dampfschiffahrts Gesellschaft -- DDSG).

Furthermore, Soviet policy and Western policy regarding the handling of "German assets" have differed sharply. After World War II the Western Allies promptly assigned the assets that they had acquired to Austrian government trusteeship. Pending a treaty and financial settlement, the Soviet properties continue under direct Soviet operation and exploitation.

* The nature of control over USIA from Moscow and from the chief Soviet officials in Vienna is indicated briefly in Section III of this report.

** Footnote references in arabic numerals are to sources listed in Appendix E.

*** The detailed subjects of "German assets" and the nature and amount of Soviet confiscations are not within the scope of this report. Summary information regarding the categories and importance of Austria's industry under USIA is presented later in Sections II and IV of this report.

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II. Probable Organizational Structure of USIA.*

The primary components of USIA are the Central Administration (CA), the Central Commercial Bureau (CCB), and the Production Administrations. Also within the complex of USIA are several Soviet organizations, which, however, operate in a relatively autonomous manner. They are the Soviet Mineral Oil Administration (SMV), the Danube Shipping Company (DDSG), and the Soviet Transport and Dispatching Office (Juschwneschtrans).**

1. Central Administration.

Of the estimated 650 or more Soviet officials and other employees in all USIA (total Austrian employees are about 60,000), approximately 200 are in the CA. 3/ This total includes the Director-General and his Deputy, the heads of the main departments and their deputies, and the Soviet secretarial staff, which is composed largely of the wives of Soviet officials and officers stationed in Austria.

CA headquarters is located in the international sector of Vienna in the Trattnerhof building, the first floor of which is occupied by the Soviet Military Bank. As of late 1952, no passes were required for entry into the first floor, but red passes for Soviet and blue for Austrian employees were needed for admittance to the CA offices on the second floor and above. 4/ Soviet employees reportedly have a 48-hour week and Austrians a 46-hour week in the CA as well as in the CCB. CA office conditions and equipment are said to be adequate.

The CA includes three primary branches -- Technical, Personnel, and Commercial -- each headed by a Deputy to the Director-General of USIA. Although intelligence on USIA has not clarified fully the respective jurisdictions, structure, and interrelationships of these branches, the following pertinent information has been obtained.

The Technical Branch comprises four departments: Planning, Quality Control, Accounting, and Financial. The operations of the first two undoubtedly are closely coordinated. The Quality Control Department works out production standards to be observed by the individual USIA enterprises. The Accounting Department examines and approves budgets for the various production administrations and, in connection with the Soviet Military Bank, keeps final records for all USIA plants. The chief accountant controls finance in the CA as well as in the Production Administrations. The Financial Department, responsible to the Accounting Department, examines production costs in the USIA factories.

* See the Chart following p. 4.

** These organizations are not examined in this report. Juschwneschtrans is the German transliteration of Yuzhyneshtrans (Yuzhnoveshniv Transport -- Southern Foreign Transport). This agency is also referred to in German as Transport- und Speditionskontor (Transport and Dispatching Office).

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The Auxiliary Administrations, although generally responsible to the Deputy for Administration and Technical Matters and through him to the Director-General of USIA, are relatively autonomous and specialized in function. In general, they carry on research and legal activities relating to former German property and patents in Austria which are of interest to USIA. Each is headed by a Director-General whose identity in all cases is unknown.

The Survey of German Properties Department examines enterprises and properties in order to ascertain the percentage of ownership by German creditors. Questionnaires are used. Values are determined with reference to the assets figures in the 1945 balance sheets, and, in case of real estate, to the Austrian cadastral records (Grundbuch) in 1945 schilling values.

The Legal Department reviews the legality of the decisions of the German Properties Department and handles USIA cases in Austrian courts. In this function, of course, Soviet interests are served. In-service training of young lawyers in USIA departments is also supervised by this department.

The Patent Department examines USIA plant records in order to determine which patents can be declared to be German-owned and therefore subject to Soviet retention.

The Personnel Branch is composed of the Labor Regulations Section (Trud -- Labor), which prescribes labor policy for all USIA plants; the Central Bookkeeping Section (ASO), which supervises all salary matters of USIA **employees**; the Austrian Personnel Section, which maintains liaison between USIA with the Austrian Communist Party (Kommunistische Partei Oesterreich -- KPOe); and the Administration and Services Section, which is in charge of repair and maintenance crews in USIA buildings. The appointment of all Austrian personnel, even to the most minor jobs, reportedly must be approved by the head of the Personnel Branch. In theory, the senior Austrian posts must be filled by KPOe members. In practice, however, the Soviet authorities, in order to obviate the development of KPOe control over Austrian USIA personnel, have frequently appointed non-Party men, even former Nazis, to important positions in USIA enterprises. Subsequent KPOe protests have not been heeded. 5/

The Commercial Branch comprises the CCB, the Economic Research Department, and the National Desks, which handle liaison with the European Satellites and the USSR. The Economic Research Department maintains records of black-market and world prices for the wide range of goods and commodities of concern to USIA. It also follows foreign currency trends, provides information needed by USIA department and enterprises, and in general is responsible for economic intelligence dealing with the non-Soviet portion of Austria.

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2. Central Commercial Bureau.

The Central Commercial Bureau is located in a large building at 10 Stalinplatz in the Soviet Sector of Vienna. It employs some 200 Soviet nationals in the senior and Soviet secretarial positions, including the CCB Director-General, his Deputy, and the Heads of the Departments and Satellite desks as well as their Deputies. 6/ According to one source, no passes are required to enter the CCB offices. In June 1952 the CCB Director-General considered introducing passes, since "otherwise any spy can come in," but at least until October 1952 no change was made. 7/ Certain categories, such as officials of the Austrian Ministry of Trade, were, however, reportedly excluded from free access by order of the CCB Director-General. 8/ In any case, it is probable, in terms of general Soviet practice, that special sections exist into which unauthorized persons may not enter. Document security controls undoubtedly are maintained. For example, USIA barter agreements with European Satellites are considered to be highly secret and are kept in safes, which are not only locked but sealed every night with a thin steel wire secured at the ends with a lead or iron seal. 9/ The Soviet mentality apparently puts as much, if not more, reliance on seals as on safe locks.

The Director-General of the CCB is subordinate to the USIA Deputy Director-General for Commercial Matters, but the extent and nature of such supervision are not known. The CCB chief has been a main figure in USIA affairs. From 1946 to 1952 this post was held by an Austrian, Dr. Hutschnecker, who had spent several years in Moscow. [REDACTED]

[REDACTED] His successor is Alexander Daderkin (Dederkin), a Soviet national.

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3. Production Administrations.*

These Administrations are, to some extent, separate entities, each headed by a Director-General. They are subject to some functional supervision by the previously described branches of the CA, but they are directly responsible to the Director-General of USIA. Each has an internal structure somewhat similar to that of the CA with technical, commercial, and personnel sections and a sales and purchasing office (Ein- und Verkaufstellen). The buying and selling offices, except that of the Automotive Administration (Avtodelo -- see below), are located outside the Trattnerhof building. This physical decentralization was introduced in order to facilitate contacts with customers by relieving them of the necessity of complying with the very strict security regulations as to passes and so on, in effect in most parts of the Trattnerhof building. 11/

* Some sources indicate that these are part of the CA, but for analytical clarity they are listed and examined here separately.

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The Production Administrations that have been identified are listed below. 12/:

a. Metallurgy Coal (Marten -- Martin steel) supervises and serves 13 enterprises manufacturing profiles, cables, band steel and iron, precision steel pipes, mining equipment, industrial knives, magnets, files, wires, sheet metal, fittings, aluminum wire, and alloy and nonferrous compounds. The address of buying and selling agency is Brucknerstrasse 2. 13/

b. Machine Construction (Podyomnik -- elevator, crane) includes 24 enterprises manufacturing bridges, cranes, winches, steam boilers and installations, elevators, oil drilling equipment, locomotives, tank and freight cars, turbines, paper machinery, watch-making machinery, lathes, saws, washing machines, armatures, steel bottles, oil burners, and kitchen equipment.

c. Automotive and Fine Mechanics (Avtodelo -- automotive industry) includes 9 enterprises manufacturing motors, diesel trucks, buses, lighting equipment, and hunting cartridges.

d. Electrical Equipment (Kabel -- cable) includes 12 enterprises constructing rectifiers, motors, compressors, generators, high- and low-tension equipment, transformers, light bulbs, precision instruments, and optical instruments.

e. Construction (Tsement -- cement) includes 21 enterprises producing window panes, pipes, rods, porcelain stoves, chimneys, tiles, bathtubs, and stone crushers. The address of buying and selling agency is on the Argentinienstrasse. 14/

The assignment of responsibility to one Administration for output of an assortment of such rather unrelated categories of products is particularly notable in this case.

f. Chemicals (Kraska -- paint) includes 20 enterprises manufacturing paints, asphalt, printing inks, technical oils, liquid soap, acids, hydrogen, acetylene, pencils, gelatin, pharmaceuticals, and miscellaneous chemicals.

g. Light Industry (Letex -- textile) includes 19 enterprises making silk, cloth, cotton and cellulose cloth, napkins, towels, table cloths, bed sheets, flannel, worsteds, woolens, socks and stockings, rayon, and all types of leather goods. The address of buying and selling agency is on the Favoritenstrasse. 15/

h. Food (Vkus -- taste) includes 15 enterprises producing molasses, spirits, sugar, rum, fats, and peanut butter.

i. Agriculture and Forestry (Les -- forest) includes 7 enterprises manufacturing paper, barrels, and a variety of other wood products. The address of buying and selling agency is Gusshausstrasse 30. 16/

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The above list of categories of enterprises totals only 140 and therefore may not be complete, inasmuch as the number of USIA enterprises has generally been estimated to from 300 to 350.* An American Embassy listing as of September 1952 totalled 324, of which, however, only 223 were in actual operation. In earlier years the total was even higher. For example, the Austrian Minister of Finance in August 1952 informed the Austrian Parliament of 471 USIA enterprise listings of which 351 were commercial, 100 agricultural, and 20 mixed. 17/ According to a very recent Vienna newspaper statement in Die Presse,** 20 December 1953, the USIA enterprises now total scarcely more than 280, with 8 having shut down in early December and some 20 more expected to close "in the near future." 18/

4. Retail Stores.

A widespread chain of retail stores operating in the Soviet Zone of Austria is included in the USIA structure. It is supervised by the Main Administration of Retail Stores (ORT), which is located on the Favoritenstrasse. 19/ It is directly subordinate to the CA.

In the last few years, ORT expanded its retail chain rapidly. It includes now a total of over 200 stores throughout the Soviet Zone of Austria and the Soviet Sector of Vienna. A nucleus of three stores was created in 1948 in central Vienna. 20/ Unlike the Red Army commissaries, which were set up to serve only occupation personnel, the ORT stores were organized ostensibly to serve only members of the KPOe. Since these stores offered scarce consumer goods (meat and other items, tobacco, liquor, shoes, textiles, and certain luxury items), they were designed to make KPOe membership advantageous and to solidify the Party. At about the same time, USIA canteens and commissaries were established adjacent to USIA enterprises to serve all USIA employees irrespective of KPOe membership.

The rapid expansion of the ORT chain reflected a change in basic Soviet policy which occurred in 1950. It appeared no longer realistic to run the ORT stores in order to hold out an incentive for joining the KPOe, since consumer goods were no longer scarce enough for this purpose. The Soviet administration had to face new crucial problems, the solution of which, in its opinion, would be facilitated by operating a considerable number of such stores.

One of the most pressing problems was the chronic schilling shortage due largely to the fact that USIA plants were required to export a good deal of their output to the Soviet Bloc. These exports either were not paid for at all, or they were compensated with shipments to Austria of soft goods. The USIA plants, however, had to buy most of their material for schillings in the local markets, 21/ since only a small fraction was procurable in the

* It is possible that a few industrial categories, with additional enterprises, may exist apart from those listed above. If this is the case, however, such enterprises would probably be neither numerous nor important.

** An "independent" newspaper, with circulation of 40,000.

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Soviet Bloc. The Austrian workers, likewise, had to be paid in schillings. The schilling shortage caused by these facts was aggravated by poor and costly management in some USIA plants which even resulted in some failures.

Because Moscow apparently was unwilling to resolve the problem by means of subsidies, expansion of the ORT retail chain was considered the desirable solution. The guiding motive for this decision was the consideration that many retail stores operating with relatively low prices and a large turnover would help to get more schillings for USIA operations and, in addition, help to dispose of the large influx of soft goods received for exports to the Soviet Bloc. The wish to weaken non-Soviet Austrian industry and commerce and to increase Soviet economic penetration probably was also involved.

Although exact and complete identification of all USIA stores is very difficult, if not impossible, the chain probably comprised over 200 by 1952. They exist ostensibly only in the Soviet Zone, but occasionally the creation and operation of some elsewhere has been rumored. 22/ The continued operation of stores outside the Soviet Zone, however, would be very difficult, since ORT stores have followed such practices as operating without a license, selling illegally imported goods or monopoly items on which taxes have not been paid, and defaulting on other taxes. 23/ The Austrian government generally has been unable to take effective action against such practices in the Soviet Zone.

The USIA stores generally operate in requisitioned or leased quarters. A few are in property purchased by the USIA-CA. There are no "USIA" signs on the store fronts, but they can be identified by the posted price lists, which show lower prices for many items. 24/

As to the management of the stores, basic policy decisions regarding their over-all functioning probably originate in Moscow. More detailed policy is made by ORT and by the CCB, which probably handles procurement for the stores. Managers are appointed by the CA, and presumably in most cases are KPOe members, in accordance with Soviet practice. Although most members are Austrians, some reportedly have been brought in from Czechoslovakia, Poland, and Hungary. 25/ The other store employees are recruited mainly by the store managers from KPOe ranks, although some are undoubtedly planted by USIA-CA to attempt to preclude a recurrence of thefts of goods and embezzlement of funds, of which there have been a number of reported instances.

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III. USIA Subordination to Moscow and Relationships with Other Soviet Authorities in Austria.

1. Control by GUSIMZ.

USIA is directly subordinate to GUSIMZ (Glavnoe Upravleniye Sovetskogo Imushchestva Zagranitsey pri Sovete Ministrov SSSR -- Main Administration of Soviet Property Abroad attached to the Council of Ministers USSR) as a geographical subdivision of that Moscow organization. Organized in late 1945 or early 1946 as an adjunct of the Soviet Ministry of Foreign Trade, GUSIMZ soon became a Special Main Administration and enjoyed a virtual ministerial status because it was attached directly to the USSR Council of Ministers. 26/ As its title indicates, it was set up to supervise Soviet property and factories in foreign countries. In its early years GUSIMZ was organized primarily on a functional basis with subdivisions to handle specific commodities and industries irrespective of geographical location. In early 1949, five Branch Administrations were created in Germany, Austria, Hungary, Bulgaria, and Finland.

Although very little is known concerning the precise nature and degree of GUSIMZ supervision of USIA, there are indications that such control has been exercised closely and frequently. Policy directives from GUSIMZ reportedly are sent regularly to USIA, probably via the Soviet Embassy in Vienna.

Senior officials from GUSIMZ visit USIA from time to time. Thus, in 1951, Nikanorov, "of considerable importance" in GUSIMZ, visited Vienna for several weeks. 27/ At the end of the same year an unidentified Moscow envoy came to Vienna for about 6 months to investigate the entire USIA organization. 28/ Furthermore, it has been reported that annual or semi-annual inspections have been made by Moscow officials and that senior USIA officials have been constantly recalled to Moscow for consultation and briefing. 29/

This supervision extends even to relatively routine matters, as evidenced by the report that occasional telegrams are exchanged between USIA and GUSIMZ by way of the normal postal channels concerning current commercial transactions. 30/ The relationship may involve a considerable centralization of policy in Moscow. USIA officials, however, apparently do function with some delegated authority. For example, trade-barter agreements negotiated by the CCB chiefs with Satellite attaches allegedly are not sent to Moscow for approval. 31/

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2. Control by Other Moscow Agencies.

Moscow supervision over USIA, however, probably is not limited to GUSIMZ. Presumably the production plans of USIA enterprises have been reviewed in general terms by Gosplan and by top Communist Party organs. It is also likely that USIA Production Administrations have received "assignments" from Soviet Production Ministries, as has been the case in East Germany (contacts, for example, between the former USSR Ministry of Electrical Industry and SAG.* Kabel of USIG). 32/ Moreover, trading organizations of the USSR, such as Techno-Export, may have communicated directly with USIA Production Administrations, in the same manner as they reportedly did with SAG groups operating under USIG in East Germany. 33/

3. Relationships with Other Soviet Authorities Abroad.

a. Soviet Military Authorities in Vienna.

Official Liaison between USIA and the Soviet military authorities in Vienna has been carried on by the chief commercial representative of the CA of USIA and the chief of the Economics Division of the Soviet Element of the Allied Control Authority. 34/ Up to the autumn of 1952 the former was actually the Deputy Director-General of USIA. Voronov, who held this position at that time, went to the USSR and may not have returned. His role may have been taken over by a successor Deputy Director-General or by Lesnov, Deputy for Commercial Matters. The representative of the Soviet Element, at least until early 1953, was Colonel A.A. Nevzorov, Chief of the Economic Division, 35/ located in the Imperial Hotel. Although outward relations have been strictly correct, the military authorities allegedly have shown a certain contempt for their "commercial" colleagues in USIA. 36/ Apart from the official contacts, unofficial liaison has been maintained continuously by senior USIA officials and their military colleagues. Presumably this would include such officials as the Chief of the Coal, Oil, and Electrical Section (Miroshin), the Chief of the Agriculture and Forestry Branch (Mikhailov), and others. 37/

The Commercial Department of the Soviet Element in the Imperial Hotel (Kaertnerring 8-10) issues transport permits and stamps all bills of lading for exports from USIA enterprises whether they go to the East or to the West. The bill of lading (Frachtbrief) is made out by the Soviet Transport and Dispatching Office. Shipments with such documentation are not controlled by Austrian customs at the borders of the Soviet Zone but are merely registered. 38/

* SAG (Staatliche or Sowjetische Aktiengesellschaft -- state-owned or Soviet-owned company); USIG (Upravleniye Sovetskogo Imushchestva v Germanii -- Administration of Soviet Property in Germany).

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b. Soviet Political Authorities in Vienna.

Reportedly there has been no permanent liaison between USIA and the Soviet political authorities in Vienna. The latter, however, have exercised some supervision in local political matters, strikes and other demonstrations, propaganda lines, and the like. 39/ In the broader sense, high policy matters probably may often be checked with the Soviet High Commissioner, who in early 1953 took over part of the functions previously carried on by the Commander of the Soviet Occupation Forces. 40/

c. Satellite Trade Delegations in Vienna.

Purchase orders initiated by the Satellite trade delegations in Vienna are usually transmitted to the CCB by letter or personal visit. In the latter case the Satellite delegation often does not see the CCB Director-General but rather the Chief of the appropriate national desk. However, if the CCB is taking the initiative and wishes to offer commodities to the Satellite missions, the CCB Director-General usually sends a letter, stating prices, delivery dates, and other offered terms.

If a purchase order originates with a Soviet trust or trade organization in the USSR, it goes by telegram or letter to the Soviet Trade Delegation in Vienna (located on the Wohllebengasse). The latter, in turn, communicates with the CCB by letter or by personal visit. The relationship reportedly is one of liaison rather than control in that the Trade Delegation does not issue orders to USIA or demand preferential treatment. 41/

d. Intrac.

Intrac, a trade agency controlled by the KPOe, has competed to a certain extent with the CCB. Serving the primary purpose of providing funds for the KPOe (thereby, of course, assisting Soviet penetration), Intrac reportedly has actually become a serious rival of CCB vis-a-vis some of the latter's trade relations with the Satellites and with the West. 42/

This curious, and yet characteristic, Soviet practice of developing several rival organizations which compete with and check up on each other reportedly has produced considerable friction. For example, Andreyev, the Deputy Director-General of the CCB (at least until late 1952) was always particularly opposed to Intrac, as was his predecessor, Ossipov. 43/

One of the alleged reasons for USIA reluctance to collaborate closely with Intrac is that USIA can earn more by dealing, when possible, with small Austrian "bourgeois" firms, as well as with USIA enterprises. Another reason is that such collaboration would permit Intrac (and the KPOe) to spy on USIA activities. 44/ While the latter factor might conceivably have security aspects, the bureaucratic motivation appears predominant.

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Intrac, on the other hand, has been said to possess certain advantages for negotiating deals, such as being more flexible than the "cumbersome" USIA. It is also said to have more energetic officials. This contention, however, is countered indirectly by the USIA argument, supported after inspection by a special commission from Moscow in early 1952, that Intrac was unreliable as to fulfillment of obligations. Another alleged advantage of Intrac is that it is not hampered by the necessity of marketing or bartering USIA products and that it is thus able frequently to bargain for goods of better quality and better delivery terms in return for any kind of Austrian goods, non-USIA as well as USIA. 45/ The final point seems to be the most convincing, although the extent of its applicability cannot be judged.

In recent years the rivalry between the two agencies culminated several times in complaints which reached Moscow. No clear-cut decision apparently was handed down basically favoring one group or the other, nor was such to be expected in view of Soviet practice.

In one respect, however, Intrac seems to have a more important role -- namely, as a procurement agent for the Satellites in many instances. 46/ For example, it came reportedly to handle virtually all of the delivery, by way of USIA, of nonferrous metals from, or by way of, Austria to the East. 47/

Both Intrac and USIA, of course, ultimately serve Soviet objectives and have not operated entirely apart from each other. Thus USIA has been required by Moscow to aid Intrac in its procurement role by providing the necessary export licenses. Reportedly the procedure is that Intrac first procures the materials and then resells to USIA, which ships them to the East. Formerly USIA charged Intrac a commission of 10 percent, which Moscow later reduced to 5 percent. 48/ Sometimes, however, USIA apparently handles procurement matters directly.

In any event, the various indications of sharp rivalry between the two organizations and distinct coolness of USIA officials toward their counterparts in Intrac are significant. Such an atmosphere has somewhat contradictory consequences. It may facilitate internal Soviet control, but, on the other hand, it probably has led to inefficiency and waste. Moreover, this rivalry could provide an entering wedge for penetration from the non-Soviet outside.

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e. USIG in East Germany.*

Senior USIA officials frequently have stated, according to report, that East Germany "is our most important trading partner." 49/ This, however, has been accompanied by expressions of disappointment at the relatively small volume of interchange between USIA and East Germany in recent years. Until 1947, USIA entered into direct agreements with USIG, its sister organization in East Germany, but after 1947 such agreements have been concluded within the framework of global -- that is, all-inclusive -- agreements between USIA and East Germany. In a formal sense, the East German foreign trade authorities can issue or withhold the necessary import and export licenses, but in practice this very seldom happens with reference to USIA-USIG trade, especially if pressure is exerted by USIG. 50/

The global agreement concluded, after protracted and difficult negotiations in March and April 1952, allegedly totalled 5 to 6 million dollars (at the rate of 21.36 shillings per dollar), and was augmented by an Intrac-East Germany agreement for 1952 amounting to 18 million dollars. Shipments from Austria, in both agreements, were to be predominantly metals and other "hard" goods, with first priority assigned to steel rope for Wismut A.G., the uranium mining organization in East Germany. 51/ Before 1952, USIA had entered into direct agreements with Wismut. Under the 1951 accord, USIA delivered millions of meters of insulated wire, bell wire, special acid-resisting wire, special cables, small locomotives (secondhand), special electric motors, several hundred tons of nails, barracks, stoves, and other items. 52/ These were paid for largely in cash. Prominent in these transactions was an Austrian trader, Haselgruber, who procured for USIA and dealt directly with an important Soviet Wismut official, Salimanov, who subsequently defected. Since 1951, however, USIA reportedly has ceased dealing with Haselgruber.**

* Although this report excludes analysis of the nature and statistics of trade between USIA and the Satellites, a few general indications of USIA relationships with East Germany seem pertinent.

** In the earlier period, when the CCB of USIA acted as a central buying agency, it relied mainly on a few well-tried suppliers. Among the prominent were the following: Handelshaus Haselgruber, Vienna; the Weinbaum Consortium, Frankfurt-am-Main; Metalimport Trust of Zurich and Paris; Theodor Petrina, an engineer; Egon Foeldi, who delivered copper and lead; and Frigalimint Import G.m.b.H., St. Gallen, Switzerland. 53/

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IV. Interrelationships of CCB, Production Administrations, and Enterprises.*

The CCB, as previously indicated, exercises considerable control over the purchasing and marketing operations of the production Administrations. Initially, the CCB acted as a central buying agency for all of the Production Administrations and their subordinate enterprises. Although the relationship between the CCB and the sales and purchasing offices of the various Production Administrations has not been entirely clear, the latter probably have been required to carry on their operations within the framework of instructions issued by the CCB. The Commercial Department of each Production Administration apparently has had the job of adapting general CCB commercial policies to the requirements and problems of the particular Administration in which it is located.

In practice, however, it appears that some USIA enterprises have handled negotiations with the Soviet Bloc and with Western customers independently of the CCB. In the spring of 1952, for example, Western clearing deals arranged independently by USIA enterprises reportedly were closely examined by senior officials of USIA, and it was determined that all USIA enterprises exporting to the West should inform the CCB of the proposed arrangements. Even later, however, in practice some USIA concerns allegedly disregarded such procedures. 54/

The pattern of supervision of USIA enterprises is not uniform. Some enterprises, such as the Wiener Lokomotivfabrik A.G., are managed exclusively by Soviet officials, either Army official or civilian specialists. Other plants, like the St. Poeltner Glanzstoffabrik, the Voith Turbinenfabrik, and the Brunner Glasfabrik, are managed by Austrians. Much of their production is allocated to the Austrian economy, but they operate under considerable Soviet control in such matters as organization and marketing. Some USIA plants, such as the Wiener Brueckenbau A.G., the Berndorfer Metallwarenfabrik, and a few others operate with hardly any Soviet control at the plant level. Another category of enterprises exists in which the main office and some plants of the enterprise are in the Western Zones, with only one plant in the Soviet Zone. 55/

Estimates concerning the percentage of Austria's industrial capacity represented by USIA enterprises vary considerably. Early estimates ranged as high as 30 percent for the Vienna metropolitan area and from 7 to 10 percent for all Austria. The percentage, however, has been reduced since 1945 as a result of expansion of Austria's industrial plants in the non-Soviet sectors. These percentage estimates of total capacity, however, are misleading, since USIA has had a monopoly or near monopoly in important fields of production, such as petroleum, sulfuric acid, electric locomotives, flat glass, light

* This section does not attempt to present a detailed functional analysis but is intended merely as a brief supplement to the previous organizational analysis.

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bulbs, and rayon filament yarn. Furthermore, it also has controlled an important share of the output of such products as turbines, railroad equipment, heavy electrical equipment, paints, and soap. 56/

According to a very recent estimate made in December 1953, although some of the larger USIA firms are still yielding a profit, USIA as a whole has an annual deficit of from 180 million to 240 million schillings, or from 33 to 44 percent of the value of its total output. This estimate, however, does not include the virtually autonomous SMV, whose total output of oil (over 3 million tons annually) allegedly has practically balanced out* the deficits. 58/ It is evident, nevertheless, that a considerable number of USIA enterprises are in serious financial difficulties and have undergone reorganizations. 59/ There have been many rumors and reports of actual or projected return of unprofitable enterprises to Austrian ownership, 60/ but there is little concrete and significant information on this matter.

* Even SMV, however, in spite of its sizable material contributions, has reportedly suffered heavy financial losses in some of its test-drilling and expansion projects. 57/

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APPENDIX A

CHIEF IDENTIFIED PERSONNEL OF USIA

Director-General of USIA	Krivoschein, Vladimir (formerly a Deputy Director-General of USIG in East Germany); October 1952*
Deputy Director-General of USIA	Voronov, Konstantin G.; September 1952
Deputy for Commercial Matters of USIA	Lesnov (fnu**); September 1952
Director-General of CCB	Daderkin (Dederkin), Alexander N.; August 1952
Deputy Director-General of CCB	Andreyev (Avdeyev), Sergei P.; September 1952
Head of Transport Department in CCB	Georgievsky (fnu); September 1952
Specialist on Rumania in CCB	Yudanov (fnu); February 1951
Specialist on Soviet Orders from USIA	Demidov (fnu); August 1952
Austrian Specialist on East Germany in CCB	Vanek, Karl; September 1952
Chief Accountant of CCB	Sadovnikov (fnu); September 1952
Chief Austrian Official of Market Research Bureau in CCB	Kogl (fnu); August 1952
Head of Austrian Personnel Department in CCB	Falusin (fnu); September 1952
Austrian Director of ORT	Landerl (fnu); August 1952
Soviet Commercial Director of Metallurgy Administration	Lipuchis (fnu); September 1952
Austrian Director of Automotive Administration	Tobias (fnu); August 1952
Austrian Director of Chemicals Administration	Zerner (fnu); August 1952
Director-General of Agriculture and Forestry Administration	Akadayev (fnu); September 1952

* The dates given in Appendix A refer to the latest date on which the individual was known to hold the office indicated.

** "Fnu" indicates that the full name of the individual is unknown.

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APPENDIX B

IMPORTANT USIA ENTERPRISES SUPPLYING THE SOVIET BLOC*61/

J.M. Voith

Weiner Kabel und Metallwerke

Ariadne Draht und Kabelwerke

Egydier Stahl und Industrie Werke A.G.

Ybbsstahlwerke der Gebrueder Bohler and Co.

(the last two are of particular importance as suppliers of steel rope to
Wismut A.G.)

Mannesman-Trauzl A.G. (boring equipment for Rumania)

Wiener Bruckenbau - Eisenkonstruktions A.G. (cranes, etc., for Poland)

Oesterreichische Automobilfabrik A.G. (lorries for Bulgaria)

Raxwerke G.m.b.H. (freight cars and tank cars for the East)

Goertz Werke (precision instruments for the USSR)

Osram Werke (lamps, etc., for Poland)

Aeg-Union Elektrizitaetsgesellschaft

Siemens-Schuckertwerke A.G.

Wagner-Buro

Hiag-Werke

Donau Chemie A.G.

* As of August 1952 and not necessarily complete.

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APPENDIX C

METHODOLOGY

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This report represents a correlation and analysis of field reports
[REDACTED] Supplementary use was made of despatches from
the American Embassy in Vienna, and from USFA (US Forces in Austria) in-
telligence summaries. None of these field reports attempted to portray
and examine the USIA structure and operations in an organized and
methodical fashion; The composite picture was therefore developed from
many bits of information.

Similarly, no organizational chart was found in the available reports.
The chart presented here was prepared by correlation of the above field
reports, by analysis, by deduction, and, to a certain extent, by analogy
with USIG in East Germany.

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APPENDIX D

GAPS IN INTELLIGENCE

A primary gap in intelligence on USIA is the lack of recent information concerning organizational structure and key personnel. In general, intelligence on these matters carries up only to the autumn of 1952. The few scattered reports received recently deal primarily with the financial problems of some individual USIA enterprises. The recent evolution of Soviet organizations in the Satellites, especially USIG in East Germany, suggests that widespread changes likewise may have occurred in Austria. Such a conclusion might also be inferred from developments in Austria in recent months at the top military and political control level. A few reports in recent months have referred to rumors of reorganization of USIA "in the near future," but no specific information has been obtained.

There is an important gap even in the pre-autumn 1952 intelligence. This deficiency relates to the nature and methods of control over USIA exercised by the Office of the Soviet High Commissioner and the other top political and military authorities in Vienna and by GUSIMZ and other Soviet agencies in Moscow. Very limited information was secured concerning this subject.

Somewhat more information has been correlated with reference to the internal structure and interrelationships of the subdivisions of USIA. Even here, however, the coverage is far from complete. A major area marked by considerable uncertainty is the extent to which the Central Commercial Bureau (CCB) actually controls the Production Administrations and individual enterprises with regard to their contacts and negotiations with the West and the Satellites. It is also not clear to what extent the Production Administrations actually supervise the enterprises, especially the more important ones. Another significant question is whether enterprises carry on transactions without consulting USIA headquarters.

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APPENDIX E

SOURCES

Sources.

Evaluations, following the classification entry and designated "Eval.," have the following significance.

<u>Source of Information</u>	<u>Information</u>
A - Completely reliable	Doc. - Documentary
B - Usually reliable	1 - Confirmed by other sources
C - Fairly reliable	2 - Probably true
D - Not usually reliable	3 - Possible true
E - Not reliable	4 - Doubtful
F - Cannot be judged	5 - Probably false
	6 - Cannot be judged

"Documentary" refers to original documents of foreign governments and organization; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer, all of which will carry the field evaluation "Documentary" instead of a numerical grade.

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this report. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.

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