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50X1-HUM

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50X1-HUM

INFORMATION ON SOVIET CORPORATIONS RETURNED TO THE GDR

This report deals with the 33 SAGs (Soviet corporations) returned to the GDR on 1 January 1954 under the general agreement concluded in Moscow on 23 August 1953.

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50X1-HUM

- 1 -

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STATE	NAVY	ARMY	AIR	AFSA	AFSA	AFSA	AFSA	AFSA	AFSA	AFSA

Status of SAGs on 15 September 1953 (1)

SAGs	Fixed Capital Assets (Million DM)	Liquid Capital (Million DM)	Value of Production (Million DM)	Profits (Million DM)	Number of Employees	Long-Term Credits	
						Old (Million DM)	New (Million DM)
All SAGs	2,030.9	181.3	5,133.6	1,007.5	200,000	910.8	341.6
Including:							
J. V. Stalin-Electrical Apparatus Works, Berlin-Froytow	22.3	4.9	163.7	14.3	7,500	11.0	6.0
Siemens-Flemis Enter- prise, Berlin- Lichtenberg	18.8	1.4	63.0	13.5	3,100	10.0	5.8
Esposuhin Combine	158.6	11.3	167.8	51.0	8,100	78.0	21.0
Zaits Hydrogenation Works	96.0	7.1	219.2	50.3	4,800	60.0	16.0
Schwarzheide Works	47.1	6.8	107.5	15.6	4,300	35.0	15.0
Bran Chemical Works, Schkopau	228.0	20.7	466.0	127.7	18,000	150.0	40.0

[Attains page 3 here.]

50X1-HUM

[Adjoins page 2 here.]

Walter Ulbricht Locomotive Works	261.0	15.0	502.6	79.0	28,000	100.0	43.0
Plesteritz Nitrogen Works	34.0	4.4	122.0	19.3	5,000	18.0	5.0
Emil Blomberg Works for Rubber Products	5.2	2.3	34.0	5.4	1,400	3.0	2.5
Zenig-Schitz Iron Foundry and Machine-Building Factory, Zeitz	7.3	0.7	45.0	0.4	2,100	4.0	1.8
Scheerbeck Equipment-Building Enterprise	4.4	0.7	33.5	4.7	2,200	5.6	3.0
"7 October" Machine-Building Enterprise, Magdeburg	3.8	0.7	25.5	1.7	2,300	5.8	3.8

50X1-HUM

50X1-HUM

S-E-C-R-E-T

Although the fixed capital assets usually constitute the principal entry on the asset side of the balance sheet, the fixed capital assets of these 33 SAGs, as shown in the above table, were not entered on the balance sheet at all. These figures were used only for statistical purposes. Moreover, the figures for fixed capital assets do not represent the true value of the investment, which is probably 50-60 percent higher. The Soviets deliberately keep the figures for fixed capital assets low and do not enter them on the balance sheet, to deceive the GDR financial authorities and to evade taxes. [redacted] The Walter Ulbricht Leuna Works, for instance, had fixed capital assets valued at 600 million Deutsche marks before the war. After the war, and after the plant had been about 60 percent rebuilt, the fixed capital assets were valued at 280 million Deutsche marks. However, this amount was not entered on the balance sheet and no taxes were paid on it. It has not yet been decided whether the fixed capital assets of these 33 former SAGs will now be entered on the balance sheets and whether they will henceforth have to pay income tax and business tax. [redacted]

50X1-HUM

50X1-HUM

The most difficult point in the negotiations between the GDR and the USSR on the return of the remaining 33 SAGs was whether the GDR would have to pay the USSR for investments made in these enterprises by the Soviets during their ownership of the properties. It was finally decided that the GDR should not have to pay for these investments. Actually, a considerable portion of these investments was originally paid for by the GDR. It paid 500 million Deutsche marks for such investments in 1951 alone. [redacted]

50X1-HUM

The liquid capital shown in the above table is Soviet capital. It was given to the SAGs by the State Bank [Gosbank] of the USSR through the GAB (Guarantee and Credit Bank), Berlin, at 4 percent interest. (1) The GKB is really the Berlin branch of the State Bank of the USSR. (2) No formal papers were signed in the transaction.

The production figures in the table represent gross production in 1952 at actual invoice values.

The profit figures in the table represent average annual gross profits, which amount to about 20 percent. (In contrast, profits of the VEBs (people-owned enterprises) are not allowed to exceed 6 percent.) The profits were paid to the Soviet main administration [probably to USIG (Administration of Soviet Property in Germany)]. The Soviets thus received a completely unrealistic profit.

The old long-term credit shown in the table was granted by the GKB at 4-5 percent interest [On an unspecified date]. All installations and production materials of the SAGs were pledged as security. In some cases, this loan was not sufficient to guarantee uninterrupted production, because the normal requirements for operating funds were underestimated. [redacted]

50X1-HUM

On 10 September 1953 and on the days immediately following, the GKB granted huge credits [designated "long-term credits, new" in the table] to the SAGs. [redacted]

[redacted] Yet prior to 10 September 1953, several SAGs, which were really short of operating capital, were repeatedly refused loans. [redacted]

50X1-HUM

50X1-HUM

The GKB asked the SAGs on and after 10 September 1953 to submit requests for the largest possible credits, even if they did not need the money. [redacted]

50X1-HUM

[redacted] All these requests were processed and granted as a routine matter. Thus the comparatively small SAG "7 Oktober" Machine-Building Enterprise, Magdeburg, received a credit of 3.7 million Deutsche marks [3.8 million, according to the table]. In general, the credits amount to about 50 percent of the annual turnover [not indicated in the table]. These credits have no time limit and they

S-E-C-R-E-T

S-E-C-R-E-T

50X1-HUM

may be canceled on 6 months' notice. However, this cancellation period is meaningless; for the SAGs had to give promissory notes with an 8-day call period as collateral for the loans. These new long-term credits are secured by the entire capital assets of each plant, as well as by all stockpiles of products and raw materials on hand at each. The GDR will retain possession of the accounts receivable of these 33 SAGs after their return to GDR ownership and will otherwise [in unspecified way] control their financial affairs. This shows that the existing control arrangements remain virtually unchanged.

50X1-HUM

The following debts (in million Deutsche marks) of the 33 SAGs will tie these enterprises to Soviet control for the foreseeable future:

Old long-term credits	910.8
New long-term credits	341.6
Capital stock	181.3
Total	1,433.7

There will probably be nothing more than a superficial change in the organization and production program of the SAGs after their return to GDR ownership on 1 January 1954. At most, the term "reparations" [used for many of their shipments] will be replaced by the term "exports."

50X1-HUM

The return of the 33 SAGs to GDR ownership is a cunning fraud. The name SAG will merely be dropped and there will be some organizational changes. The Soviet directors will remain in the plants only for a short time during the transition period. However, even though they are called "German" enterprises, these 33 SAGs will continue to produce exclusively for the Soviets, and for practical purposes will remain in Soviet possession. The production of these SAGs, which was formerly shipped to the USSR and the Soviet Bloc as reparations, will now be exported to these countries through the DIA (Intra-German and Foreign Trade Enterprise)

50X1-HUM

Reparations shipments to the USSR will not cease altogether. The agreement on the return of the 33 SAGs to GDR ownership provides that backlogs in reparations deliveries, which were originally caused by difficulties in the supply of raw materials or by a lack of production capacity, will have to be fulfilled completely, even after 1 January 1954. All backlogs back to 1951 are included in this provision, and no payment will be made by the USSR for these deliveries. As a result, the USSR has an opportunity to obscure for some time the real value of commodities which will be shipped from the GDR to the USSR. Furthermore, it can add other orders to this backlog which were not originally a part of it. In the second half of 1953, the Warnow Shipyard, Warnemuende, received a reparations order for a floating power station, which it cannot deliver before the end of 1954.

The exports, which are replacing reparations, will henceforth be supervised by an Office of Exports to the USSR, which is the name given to the former Office of the Reparations in November 1953. This office is entirely independent from ministerial supervision. [Other reports state that the Office of Exports to the USSR will be under the authority of the MAI (Ministry of Foreign and Intra-German Trade).

It is located in the former Air Ministry in Berlin, Leipziger Strasse. The former Soviet director-generals of these 33 enterprises have not been recalled. They remain at their plants, where they now act as acceptance officers for these exports to the USSR. As heretofore, they will be responsible for the delivery on schedule of reparations or export commodities. They will also continue to be responsible for the plants' continued production in accordance with their production obligations. It will be essentially up to them who will be appointed to direct these enterprises.

50X1-HUM

50X1-HUM

- 5 -

S-E-C-R-E-T

S-E-C-R-E-T

50X1-HUM

Before 1 January 1954, the USSR credited the GDR for reparations deliveries at 1938 prices, and also paid these prices for GDR exports. The difference between this amount and the current invoice value of the products [in the case of reparations] was made up from payments by the GDR Office of Reparations. Only a few of the enterprises are aware of this arrangement, in which DIA is also involved. In 1953, the subsidies amounted to 73 percent of the invoice value. [redacted] the subsidies amounted to 75-80 percent of the invoice value. In 1952, these subsidies amounted to more than 800 million Deutsche marks. Subsidy payments formerly made for reparations production will henceforth be made for the exports to the USSR. (2) The proceeds in clearing currency to the plants from these exports will perhaps suffice to pay the wages and salaries of the workers and employees engaged in producing the commodities. But it is doubtful if the Ministry of Finance will be able to make sufficient funds available to these enterprises from the proceeds in clearing currency to pay for the materials used in the export goods. Such funds will probably have to come from other budget items. [redacted]

50X1-HUM

Preparatory planning of 1954 production of the SAGs was carried on in these plants as in previous years. The economic plan, the plant's plan, and the financial plan [for 1954] were drawn up in the same way as the plans for 1953. There will likewise be no change in the methods of production, or in the preferential allocation of materials, which the SAGs have enjoyed heretofore. (2) The planned [1954] production of these 33 enterprises -- which will be about 10 percent higher than in 1953 -- was established by USIG, Berlin-Weissensee, in early October 1953. [redacted]

50X1-HUM

[redacted] USIG moved from Berlin-Weissensee to Berlin-Karlshorst in August 1953. According to the most recent announcements, this plan is to be completely fulfilled. [redacted]

50X1-HUM

50X1-HUM

In addition to the credits granted to the 33 SAGs on and after 10 September 1953, there are the following indications of continued Soviet control of these enterprises:

1. A new-type commercial enterprise is to be founded, which will handle their future exports. This commercial enterprise is to administer these enterprises as a trust in the Soviet interest.
2. New supervisory organs will control these enterprises to see that they observe the contractual agreements dictated by the Soviets.
3. These 33 former SAGs will not be subordinated directly to the competent GDR industrial ministries. Instead, they will be controlled by special new state secretariats which are to be created within the competent ministries. The seven former enterprises of the SAG AMO and the six former enterprises of the SAG Transmasch will be administered by a special state secretariat in the Ministry of Heavy Machine Building [now part of the Ministry of Machine Building]. At the same time, the following eight SAG groups will be dissolved: AMO, Transmasch, Mineralduenger (mineral fertilizer), Fotoplenka, Kautschuk (Buna), Brikett, Kabel, and Marten. [redacted]

50X1-HUM

In contrast to the 33 SAGs, which are to be returned to GDR ownership on 1 January 1954, the 66 SAGs which were returned to the GDR in 1952 have actually become GDR-owned. However, these enterprises had completely worn-out plants. The year was such that, after their return to GDR ownership, the plants fulfilled their production plans on the average by only 50 percent. Moreover, the GDR contracted to pay for the capital assets of these 66 SAGs to the USSR over a period of 7 years. The total amount which the GDR was going to pay amounted to 800 million Deutsche marks. However, [the balance of] this debt has now been canceled.

- 6 -

S-E-C-R-E-T

S-E-C-R-E-T

50X1-HUM

The director-generals of the 33 SAGs were suddenly called to an extraordinary conference at Karlshorst on 23 and 24 September 1953. [The purpose of the meeting is not indicated.]

50X1-HUM

[In connection with the various means of exacting values from the GDR, the following should also be noted:] In September 1953, several old paintings of great value were stored in the USIG building at Karlshorst. An "art expert" estimated their value at about 200,000 Deutsche marks. But the actual value of these paintings by old masters is said to be about 2 million Deutsche marks. These paintings are to be shipped to the East [presumably to the USSR]

50X1-HUM

- 7 -

S-E-C-R-E-T