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SUBJECT Activities of Zeiss, Jena

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PRODUCTION OF ZEISS

- 1. [redacted] rough production estimates for the entire plant, 50X1-HUM and these only in terms of monetary value. According to official figures circulated within the plant and [redacted] consider accurate, 50X1-HUM production in 1948, the first year of production after the plant was 50X1-HUM reconstructed, amounted to between 25 and 30 million DM's (East).



[redacted] pro-
duction increased annually, and that in 1952 total production was valued at from 75 to 80 million DM's (East). Production valued at 100 million DM's (East) has been planned for 1953. 50X1-HUM

[redacted] the production plan calls for the following geographic distribution:

East Germany	50.0 million DMs (East)
--------------	-------------------------

Soviet Bloc	40.0 million DMs (East)
-------------	-------------------------

[redacted]	5.5 million DMs (East)
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[redacted]	4.5 million DMs (East)
------------	------------------------

Total	100.0 million DMs (East)
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- 2. During the first half of 1953, equipment valued at 35 million DMs (East) was produced. Although it would appear from this that the plant had fallen behind schedule, that is, in producing only 35 per cent of the year's plan, this is not the case. An interesting feature of the industrial plan is that a gradual increase in production throughout the year is called for, with production building steadily toward a climax in December, and dropping sharply at the beginning of the following year. There is, therefore, no continuous production curve as usually found in free-enterprise firms. This is typical of all planned industries, because by the end of the calendar year all sales must have been completed. Another reason for this pattern is the fact that ninety per cent of Zeiss's orders in 1953, for example, are assigned to countries with controlled economies whose budgets are geared to the same calendar year.

- 3. [redacted] the 1954 plan calls for production valued at 135 million DMs (East), of which exports are to absorb sixty per cent of the total, compared to fifty per cent in 1953. The increased quantity of exported products is scheduled for China. China is particularly interested in obtaining geodetic and hospital equipment such as microscopes. 50X1-HUM

[redacted] efforts are being made by China to raise the general health level of the population, and that these purchases of hospital equipment represent a phase of this effort. 50X1-HUM



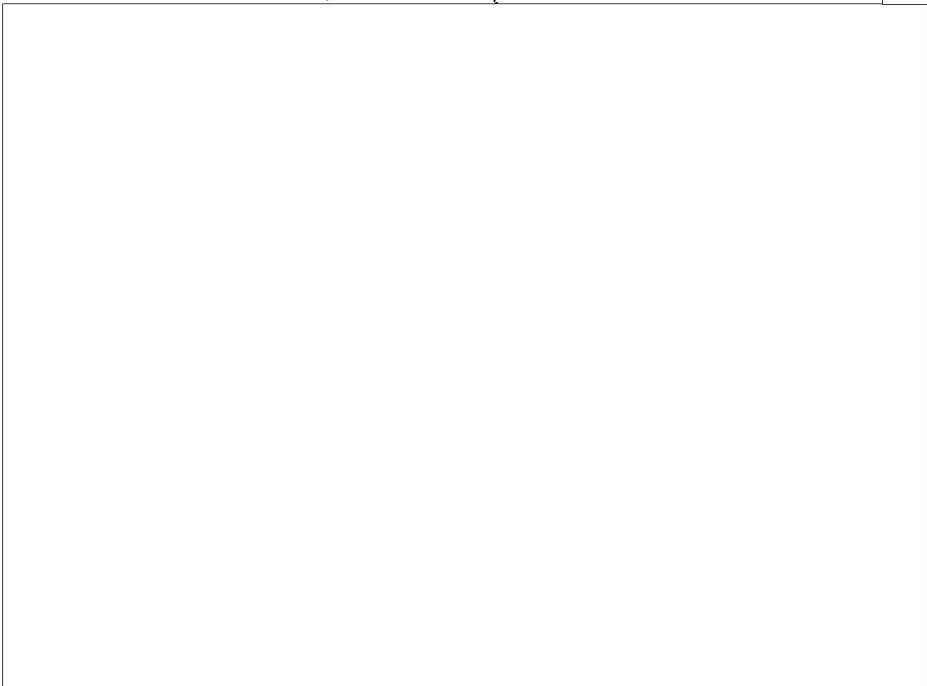
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EXPORTS TO THE EAST

- 7. [redacted] exports from Zeiss to the USSR, East Germany, or the satellites. [See paragraph 1.] 50X1-HUM

DISTRIBUTION DIFFICULTIES

8. As early as 1948, the Sales Division of Zeiss feared difficulties in distributing Zeiss's output because of the production policy which the plant administration had decided to follow. This policy was that large quantities of old, standard pre-war types of equipment were to be produced in order to satisfy the repressed consumer demand which was believed to exist at that time. The Sales Division felt that this policy was unrealistic because it did not take into account the technical advances made by Zeiss's competitors in the optical field. Distribution kept pace with production through 1950, but the anticipated difficulties began to appear in 1951. In that year many products remained incomplete even though production in monetary terms for the entire plant was meeting the planned schedules. That is, in some production sections plans were fulfilled and overfulfilled, but in others production fell short of plan. Consequently, many articles were carried over into 1952 still unfinished.

9. These difficulties increased during 1952 and 1953, as the Sales Division fell farther and farther behind production. The problem was accentuated by the fact that although the Sales Division pressed the management for new products to meet competition, the plant management had to continue producing standard types of equipment because the Research and Development Departments did not have the caliber of personnel necessary to keep abreast of progress and developments abroad. 50X1-HUM

[redacted] Another reason why production was continued at full speed, with no consideration

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given to proposals for a temporary halt in production to retool for production of more modern products, was the need to keep the 17,000 workers employed. Contrary to all expectations the Sales Department was able to dispose of all production in 1952 within the limits of the turn-over period decreed by the government,

[redacted], but this was only possible by supplying orders amounting to about eight million DMs (East) which were due in the calendar year of 1953 (to the Eastern Bloc). This distribution backlog increased during 1953, and by 1 July, equipment valued at only 25 million of the 35 million DMs (East) by the plant, had been disposed of. Elimination of this backlog constituted the major problem facing the Sales Division [redacted]

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- 10. The distribution difficulties discussed above had increased steadily despite their theoretical elimination by an order issued by the government in late 1952 calling for prior consignment of all production from 1953 on. According to this order, the forty per cent of the total production which was scheduled for export to the Eastern Bloc during 1953 was to be covered by contracts between Zeiss and the German Internal and Foreign Trade Office (Deutsche Innen- und Aussenhandel Abteilung, DIA), which handles the disposal of Zeiss products to all countries within the Soviet Bloc except East Germany. However, orders from the Bloc had fallen far behind the quantity that DIA was obliged to purchase from Zeiss, and DIA has not been able to distribute its share of Zeiss's production. DIA has tried to salvage its position by claiming that the forty per cent of Zeiss production originally contracted for included all exports [redacted]

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[redacted]. If DIA is successful in this attempt, exports will constitute only forty per cent of Zeiss's production, and the plant will be forced to increase distribution within East Germany from fifty to sixty per cent of total production. [redacted]

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[redacted] equipment which had been consigned to DIA and which was stored in Zeiss warehouses was valued at between eight and ten million DMs (East).

- 11. An additional factor which has contributed to the distribution difficulties plaguing both Zeiss and DIA has been the striving of some of the other countries in the Bloc for economic independence. Development of individual optical industries has been part of this program. This is true of Czechoslovakia, Hungary, and Rumania, where plants have been established to produce optical and geodetic equipment. Such production would reduce the market in those countries for Zeiss products.
- 12. It is hoped that China will increase its purchases of Zeiss equipment during 1953, reducing both the DIA and the Zeiss surplus stock. Between September 1952 and May 1953, an East German trade delegation representing DIA was in Peking with the objective of increasing trade between the two countries. ROLL represented the interests of Zeiss in the delegation. Reports from ROLL indicated that increased orders might be expected from China during the fall of 1953. Additional impetus to German-Chinese trade may have been given by a German industrial fair which was held in Peking between April and August 1953. Gerhard ROMMEL and MUELLER represented Zeiss at this fair.

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Production of the Special Products Sales Section for 1952

Product	Approximate Value (DMs (East))	Principal Consumers
Special lenses (linear, prisms, mirror, "Kuevetten" (cuvettes), polarization filters)	280,000	Institutes and universities (Halle, Jena, Leipzig, Greifswald)
Lenses of second quality (lenses and prisms)	60,000	Astronomical installations such as the Sonneberg Observatory and schools
Lenses, unmounted for photographic equipment	2,000,000	Zeiss Ikon, Dresden and camera plants in Niederseidlitz
Agate products (bearing stones)	600,000	[Redacted] 50X1-HUM
Sapphire products (phonograph needles)	50,000	RFT Leipzig
Quartz products (supersonic quartz plates, frequency control crystals)	120,000	RFT, Leipzig and RFT, Erfurt
Diamond products (dies, cutting tools, strength testing apparatus)	900,000	Dies and tools (nearly all machine construction) DDR plants such as:
Total value	4,010,000	EMW, Eisenach Ifa Walzwerk, Hettstedt Zeiss, Jena Schott, Jena Hescho Hermsdorf in Kahla (SAG Koepenick)
		Strength testers:
		Louis Schopper, Leipzig Zeiss, Jena Keilparth, Suhl Zeiss Ikon, Dresden

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PRODUCTION OF "A-1" DEVICES

15. Zeiss began production of the aerial-sight type "A-1" during 1950. Each year since then it has produced this item, which is not included in the annual production figures. The order for the "A-1"'s was given to Zeiss by DIA, but it is generally understood that they are for shipment to the USSR. [redacted] they are considered [redacted] exports or reparation goods. [redacted] the production of "A-1"'s was during 1950, 1951, or 1952, but the production program for 1953 calls for the manufacture of between 130 and 135 of these items. [redacted] the maximum production for the year 1953 or 1954 has been set at 200 units. [redacted] the "A-1" [redacted] total value of 1953 production will be 10 million DMs (East). This is in addition to the official total of 100 million DMs (East). [redacted] of [redacted] the Telescope Production Division.

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PRODUCTION OF AERIAL CAMERAS

16. [redacted] in August 1953 no production of aerial cameras had been started. Conferences of officials of the Commercial Department had been held at which the subject was mentioned, but all discussion of it was indefinitely postponed because no concrete plans for aerial camera production had been made by the plant management, no experimental models had been constructed, no drawings had been made, etc. All of these things would have to be completed before the Commercial Department would become involved. Although the plant could easily construct aerial cameras with the personnel and equipment available, [redacted] it would take about two years for all plans, test models, tests, and necessary changes to be completed before series production could be commenced.

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IMPORTS BY ZEISS

17. [redacted] the availability of raw materials used by Zeiss or from where they were procured. Imports were handled by the Materiel Division of the Commercial Department, and this office worked through the Central German Trade Office (the D.H.Z.) (Deutsche Handelszentrale). The D.H.Z. in turn obtained the necessary imports through DIA. The Zeiss official responsible for contact with the D.H.Z. was Kurt MUELLER. [redacted] once, when Zeiss encountered delays and difficulties in regard to a raw material, MUELLER contacted DIA directly to expedite the matter.

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18. [redacted] a number of raw materials used by Zeiss, and comments, to the best of my knowledge, as to their availability:

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Abrasive paper:

[redacted] 50X1-HUM
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Agates:

Approximately 200 kilograms are required annually. [redacted] the source of supply is in Bitterfeld [redacted].

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Aluminum sheet metal:

[redacted] Zeiss's requirements are fully satisfied by the Buntmetalwerke in Hettstedt. 50X1-HUM

Ball bearings:

[redacted] ball bearings are obtained through the I.K.A. in Scharfenstein. [redacted] it has been necessary to rework these ball bearings at Zeiss for greater precision. 50X1-HUM

Diamonds (chips, stones, dust):

[redacted] Zeiss required 100,000 carats per year. [redacted] there were no shortages of diamonds during 1952 and 1953. [redacted] diamonds were obtained on the [redacted] black market. [redacted] the firm Haarpud in Berlin is involved in the diamond trade. 50X1-HUM

Ferric oxide (Paris Red):

Shortages of ferric oxide exist at Zeiss, [redacted] 50X1-HUM

Fluorspar:

[redacted] attempts were made to obtain fluorspar, but none was procured. [redacted] these attempts were unsuccessful. 50X1-HUM

Heavy chromium glass:

Adequate quantities of this item were procured from the Schott, Jena, glass factory.

Lacquer:

There was no shortage of lacquer at Zeiss. [redacted] it is obtained from firms in the Soviet Zone of Germany (in or near Halle) that have been constructed since the beginning of the [redacted] blockade. 50X1-HUM

Methyl chloride:

Nickel anodes:

Platinum crucibles:

Quartz:

Radio tubes:

Rubber insulated wire:

This material came from the cable plant in Koepenick. [redacted] there were no shortages. 50X1-HUM

Tungsten contacts:



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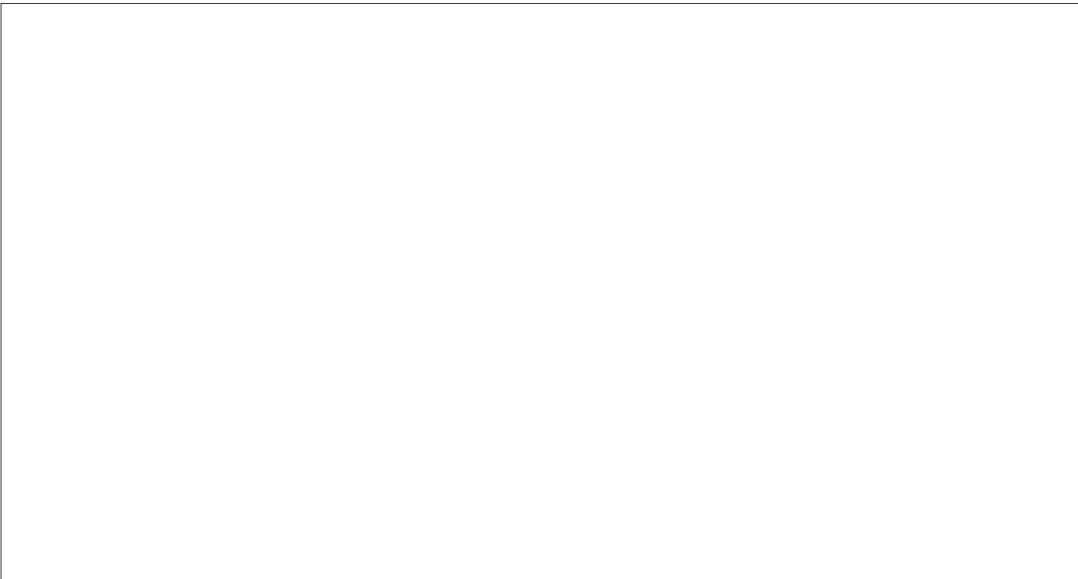
[redacted] 50X1-HUM

RELATIONSHIP BETWEEN ZEISS AND DIA

Exports to the East

19. [redacted] 50X1-HUM

[redacted] on the basis of existing laws, DIA is responsible for distributing all Zeiss products that are destined for export to the Bloc. During 1948 and 1949, Zeiss attempted to maintain a direct contact with trade organizations in countries of the Bloc, but this contact was abruptly broken when DIA learned of it. Thus, any contact, even dealing with requests for literature, must be made via DIA. 50X1-HUM



22. DIA plays no role with regard to the determination of the prices charged for Zeiss's [redacted] exports. Most foreign exports of Zeiss are in the form of barter agreements between the DDR and another country. The only foreign currencies which the DDR will accept for Zeiss's exports to countries with whom no barter agreement exists [redacted] 50X1-HUM



23. Therefore DIA merely kept records of all transactions of Zeiss's [redacted] export program. This was far from a satisfactory relationship for DIA because as early as 1948 DIA had desired to establish its own sales representative organization. Therefore, DIA took advantage of the arrests of many of Zeiss's leading personnel in March 1953 to claim verification of their long-standing charges of economic espionage in the plant, and took over the entire export program. [redacted] 50X1-HUM

[redacted] A representative of DIA was stationed at Zeiss who was to exercise a control function [redacted] exports from the plant. The DIA representatives (first BASTIAN, succeeded by BERGER) were quickly convinced, however, that in order to assure the continued functioning of the [redacted] export program, [redacted] 50X1-HUM

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RUMANIAN TRADE FAIR

27. [redacted] a trade fair in Bucharest, Rumania, at which DIA was exhibiting industrial products from the DDR. The fair lasted three weeks [redacted] 50X1-HUM
[redacted] 50X1-HUM

equipment on display from Zeiss. This equipment included: microscopes, precision instruments, medical instruments, spectacles, measuring equipment, etc. Most of the people who showed interest in our equipment were Rumanians who represented various educational institutions and hospitals, but there were also Soviet civilians and military personnel present. The Soviets did not show special interest in any particular type of equipment. Orders for equipment could not be taken on the spot. If a customer desired to purchase equipment it was necessary to apply through the appropriate import organization. This was evidently realized by the visitors at the fair, [redacted] 50X1-HUM
The main purpose of the fair [redacted] was simply propoganda to play up the industrial progress of East Germany. Judging by the visitors to the fair and by press reports, it was quite successful in this.

ZEISS TRAINING SCHOOL

28. The Zeiss training school is located on the plant grounds. It is located in a four- or five-story building. Workshops are on the first floor and schoolrooms are on the others. There are about 2,000 students in training here for work in the Zeiss plant, and the entire school is subordinate to the Plant Training Division (Lehrbetriebsleitung). ROMBACH is the chief of the training division. [redacted] 50X1-HUM

29. Regarding the school's expansion, a new wing was under construction during the summer of 1952, and was completed during the fall. [redacted] 50X1-HUM
[redacted] it was only about one quarter as large as the remainder of the school, [redacted] 50X1-HUM
[redacted] 50X1-HUM
[redacted] it was built because there was not enough room in the former school alone to accommodate all the students. The construction of the new wing had nothing to do with any change in the length of the training course. It is merely coincidence that the training course, which was four years in length during the war, and was shortened to two and one-half years some time before 1948, has been lengthened this year (1953) to three years. This change was brought about because it was felt that two and one-half years was not sufficient time for the training.

PRODUCTION PLANNING AT ZEISS

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30. The individual firm in the DDR usually has very little influence in determining the production quota for a coming year. Generally, the quota is assigned by the government on the basis of the previous year's production and sales, and the productive capacity of the firm. [redacted] details of the planning procedures on the government levels, or within the higher echelons of Zeiss. [redacted] Zeiss presently maintains a somewhat unique position in the DDR in that the total production quotas for a given year are still very much left for the management of Zeiss to determine; this is done with a minimum of interference from governmental [redacted] 50X1-HUM

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quarters. Zeiss determines the total production figure, and the government merely rubber-stamps the management's decision.

31. Each department is consulted in arriving at the production quota for the year. The Sales Division of the Commercial Department has the following role to play. Having been notified of the total production quota for a given year, the chief of the Sales Division will assign a tentative quota to each sales section. Each section is then required to assess its ability to distribute the provisionally assigned quota, and must either accept it or argue its inability to meet it. (It is, of course, not impossible that a section may request that the sales quota for a certain article be increased over the given one.) If, when collected, the reports from the various sales sections do not reach the total quota required, the chief of the Sales Division will distribute the deficit among the various sections. The norms having been assigned, the Production Department is advised of the break-down of the total production and is in a position to distribute the various factors of production in accordance with the plan. Simultaneously, the geographic sales distribution branches have been making the necessary plans for the regional distribution of the planned production.
32. It should be noted that in addition to the economic phase of the production planning picture, that is, the most efficient use of the available factors of production, a political factor influences the planning as well. This factor is of great importance to the Zeiss plants in the Soviet Zone. Irrespective of demand and sales prospects, political considerations require the steady employment of the greatest number of workers so as to prevent unemployment and its resulting dissatisfaction. It is this over-all political consideration which determines the continuous annual rise in production, even though the possibilities of distribution have not increased proportionately, if at all, or have actually decreased. A major disadvantage to this type of planning program is its inflexibility. Once production has been planned, it is virtually impossible to change the schedule, at least not until the following year. And, as discussed previously [see paragraphs 8-11], Zeiss is encountering serious distribution difficulties as a result of its arbitrary production increases each year.

THE COLLECTIVE AGREEMENT AT ZEISS

33. Just as Zeiss has held a somewhat unique position in the Soviet Zone of Germany regarding the implementation of economic planning, its position until 1951 with regard to one of the principal methods of work increase, i.e., the collective agreement, was also unique. This was because Zeiss in that year was the last VEB without a collective agreement. The plant maintained that the relationships of the worker to the management and the rights and privileges of the workers were outlined in the very liberal Zeiss Statute of the early twentieth century. However, in 1951 Zeiss was forced to capitulate and introduce the collective agreement into the plant.
34. The collective agreement ordinarily does not deal with questions of wages, hours of work, or employment conditions. In theory it constitutes a contract between the plant management and the workers with the aim of assuring the successful execution of the production plan. The essence of the contract is a series of mutual obligations which individuals or groups assume. For example, the plant director may bind himself to introduce or enlarge certain social benefits. Others may obligate themselves to train newcomers or other colleagues,

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scientists may agree to develop certain new processes, etc. A special feature of the collective agreement is the possibility of one individual or group of imposing obligations upon others. For example, a research laboratory may impose upon the plant director the duty of procuring certain fixtures, equipment, or materials. Such externally imposed obligations may not be rejected without first offering reasonable explanations.

- 35. The actual mechanics of the writing of the agreement call for every individual to submit on a prepared form separate resolutions. These individual resolutions are later compiled and published as the "Collective Agreement" by a special plant office organized ad hoc for this purpose.

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THE "NEW COURSE" AND ZEISS

- 36. The "New Course" (Der Neue Kurs) refers to government policies in the Soviet Zone which were changed as a result of the June (1953) riots. [redacted] the June riots and any changes in East German policies resulting therefrom had any direct effect on Zeiss. However, in March or April of this year (1953) Zeiss received cancellations of large-scale orders for equipment which [redacted] was for the use of the Peoples' Police.

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[redacted] While it is true that these cancellations came in advance of the June riots, [redacted] they are nevertheless part of the "New Course". [redacted]

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[redacted] this new policy was introduced as early as the beginning of 1953 when the Communist East German government perceived that the Peoples' Police was becoming an unreliable tool, and that continued sovietization of the Soviet Zone was resulting in ever-increasing resistance. In other words, [redacted] the "New Course" was not necessarily the immediate result of the June riots, but rather that a change in policy, gradually being introduced, was accelerated, intensified, and publicized as a result of the riots.

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