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CENTRAL INTELLIGENCE AGENCY

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SUPPLEMENT TO
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1. The Sovromtractor machine works is located in Stalin but the headquarters is in Bucharest, Calea Brezoianu No. 2. The company was established on 29 November 1949 as a successor to Astra Vagoane by ministerial decree. At the time of the nationalization, Astra Vagoane itself consisted of three independent factories: The Astra Freight Car Factory at Arad, the Astra Freight Car Factory at Orastie, and the Industria Acriana Romana (I.A.R.) Aircraft Plant at Stalin.
2. As a result of a special compromise agreement, the shares of the company were owned by the principal shareholder, an engineer named Schapira. One of the others was Max Ausnit, who owned one-third of the Arad Astra shares, some of which were also held by Anglo-American banks. During the war, part of the I.A.R. shares owned by Schapira were taken over by the State in order to prevent the Germans from gaining possession of the factory, as they had done with the Resita and other Ausnit works. Owing to these manipulations, the I.A.R. was not considered enemy property after the war but a state enterprise. According to an agreement suggested by the Soviet-Rumanian Interim Commission, Astra was liquidated following the general nationalization in 1948, and its heavy industry plants were distributed between the USSR and Rumania. Although I.A.R. was not enemy property it was separated from Astra and became Sovrom property in exchange for several small factories.
3. According to an announcement in the official gazette, Monitorul Oficial, of 29 November 1949, the former I.A.R. was to be registered within 30 days as Sovromtractor and was at the same time to submit its statutes. The company was to be controlled by a board of directors, consisting of five Rumanian and four Soviet members, and the chairman of the board was to be elected from among the five Rumanians. The General Manager, a Soviet, was not a member

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of the board and had only an advisory vote. The Assistant Manager, with similar competence as the General Manager, was to be a Rumanian. This arrangement led to a permanent cold war between the partners, as the Soviets attempted in every fashion to occupy all the responsible positions.

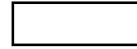
4. When the Legal Department of the company desired to register the company and to publish its constitution, it was revealed that no formal instrument had been drawn up when the company was established and that even the agreement of the Interim Commission, according to which the works were to become a Sovrom, was not available. Only an unsigned note to this effect could be found. The authorities therefore refused to effect the registration, and the Legal Department of the company even applied to Vasile Luca, the Minister of Finance, who insisted that the company must be registered without delay and without any formality.
5. As equal partners in a Sovrom, the Rumanian and the Soviet government each had to contribute the same share of the capital. The Rumanian share consisted of those of the former I.A.R., whose value was estimated at 3,000 million lei. The Soviet share was to be paid within three years either in the form of capital or of equipment. Nothing had been paid up to March 1950. The Rumanian board members wanted to delay the application of the agreement as they were not satisfied with the estimate of 3,000 million lei. The Interim Commission decided that a new Soviet-Rumanian Technical Commission should re-assess the property of the I.A.R., but as of March 1950, this Commission had not yet assembled.
6. The factory in Stalin had the best and most modern equipment of all Rumanian heavy industry and could do both bulk and precision work. Until 1944 the factory produced motor vehicles and aircraft, most of the foremen coming from French aircraft and automobile factories. In 1944 the factory was bombed and Ilie Trandafirescu, a Communist worker who later became the technical manager of the factory, together with some fellow workers, rescued and hid the most valuable machines. These were repaired in 1945, but as Rumania was not permitted according to the peace treaty to produce aircraft, the factory began to make tractors of the Astra type, based on an Anglo-American model. The factory employed about 15,000 workers.
7. The principal production of the factory consisted of tractors, seed-sowing machines, and "Canadian" pumps.
8. The tractors produced are still of the old Astra type with wheels. By order of the Supreme Planning Commission, Sovromtractor was also required to conclude delivery contracts. The tractors were acquired by the S.M.T. (Statiunea de Masini Si Tractoare - State Machinery and Tractor Center). The statutes of the company contained a clause according to which the General Manager (always a Soviet) was entitled to use a part of the profits or of the production for purposes determined solely by him, and even to hand them over to a foreign state. It is assumed, though not a proven matter, that part of the production was sent to the USSR.
9. The seed-sowing machines were manufactured according to an American model, but recently their production was reduced to 25 percent of the planned figure. The number of "Canadian" pumps (with motors for oil drills) produced was also less than had been foreseen in the plan. Four pumps had been delivered to Hungary at the beginning of 1950. Sovromtractor's military production was secret and no details are known.

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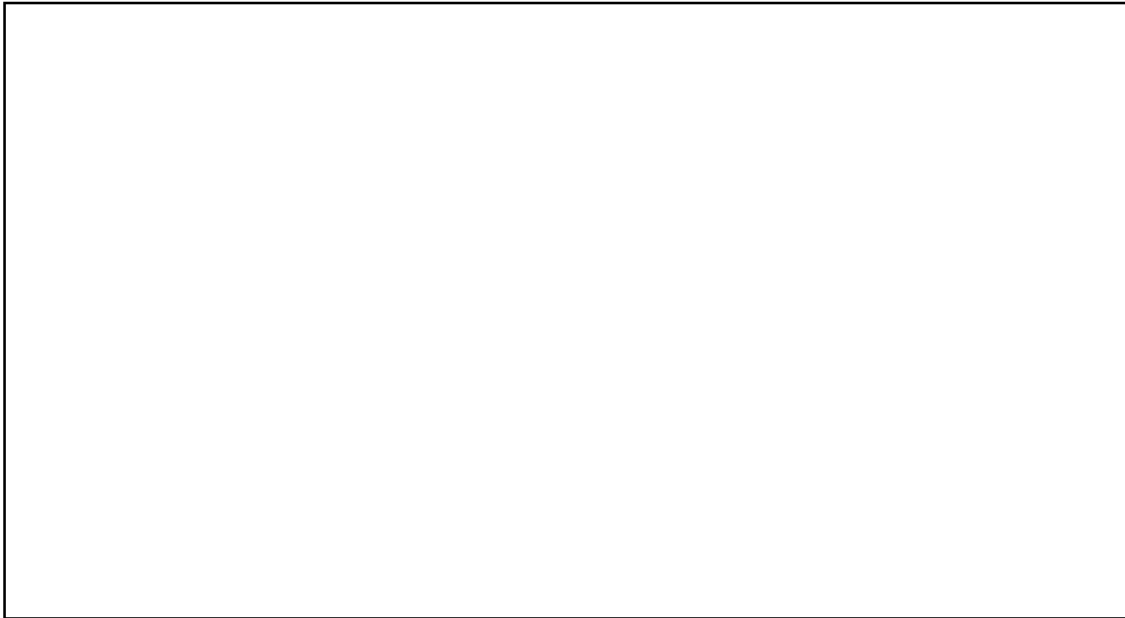
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10. The following controversial points should be noted:

- a. Paragraph 7 of a special law issued by the Council of Ministers ruled that heavy industry enterprises were to be allowed a profit of eight percent. All profits in excess of this percentage had to be paid into the Treasury as a production tax. The Soviet members of the board refused to comply with this regulation and applied to the Central Committee of the Party. Luca finally agreed that Sovromcontractor should be exempted from this provision.
- b. The Legal Department discovered that the factory had not been insured since its separation from the Astra company. Ciopicasvili, the manager of the Sovrom Insurance Company Sovromasigurare (formerly the Victoria Company), offered a policy with an annual premium of 9,000,000 lei. The Legal Department discovered that the company had been insured with the R.A.S. (Raionul de Asigurare A Statului - Regional State Insurance Company) until the nationalization and had then paid a premium of only 3,000,000 lei. It then asked the R.A.S. for a new policy on similar terms. The Soviets asked the Soviet-Rumanian Commission for a decision and the Commission turned to Vasile Luca, who decided that the company should share its insurance equally between the Sovromasigurare Company and the R.A.S. The Soviets were not satisfied with this decision and finally the company was insured with the Sovromasigurare Company at a premium of 9,000,000 lei. 25X1



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