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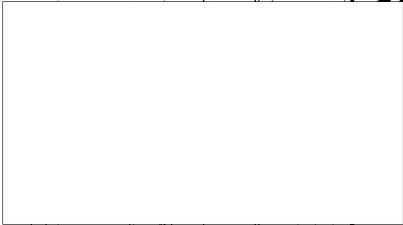
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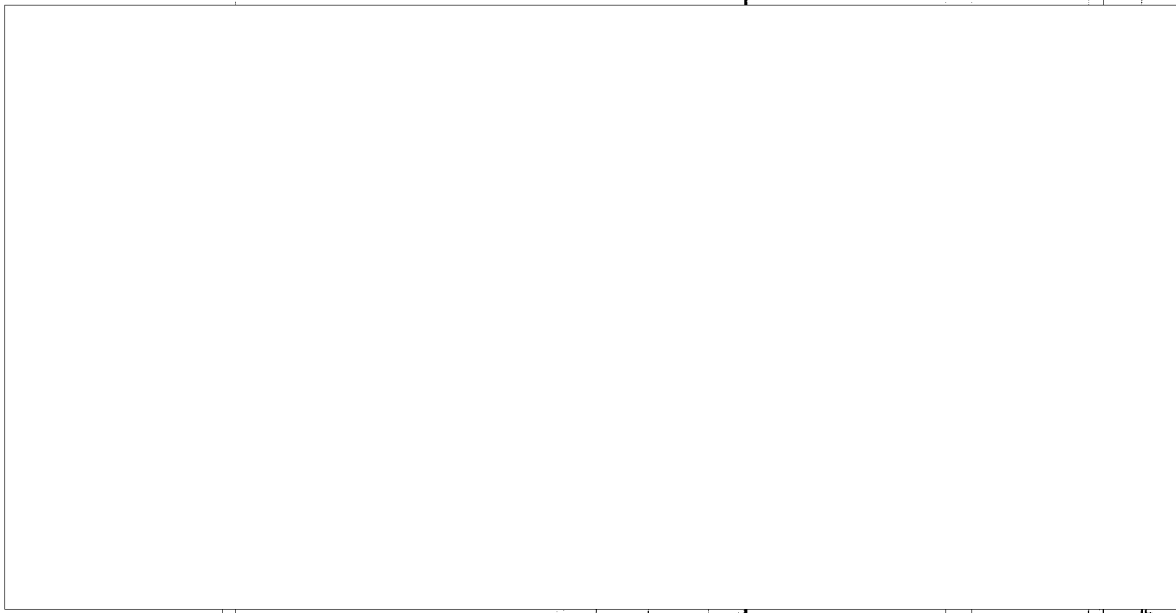
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AUSTRIA
Economic
U.S.I.A.

A. STATUS

Subordination to MOSCOW

1. U.S.I.A. is an independent commercial organisation, directly responsible to the "Central Administration of Soviet Property Abroad" in MOSCOW. Only in matters of local and minor importance is it in any way subordinate to the Soviet Military and Political Authorities in Austria.

2. The MOSCOW "Central Administration" exercises its authority over U.S.I.A. by the following means:-
 - a) Policy directives are sent regularly to U.S.I.A., probably via the U.S.S.R. Embassy in VIENNA.
 - b) Senior officials from MOSCOW also visit VIENNA from time to time. Thus, in 1951, a certain NIKANOROW (fnu), who appeared to be a man of considerable importance in the "Central Administration", visited VIENNA for several weeks. He was followed at the end of 1951 by another MOSCOW envoy (name unknown), who spent close on six months investigating the entire U.S.I.A. set-up on the spot.
 - c) Senior U.S.I.A. officials are constantly being recalled to MOSCOW for consultation and briefing.
 - d) Once or twice a year strict and efficient controls of U.S.I.A.'s activities are carried out by special inspectors from MOSCOW.
 - e) Occasional telegrams "en clair" are exchanged between the "Central Administration" and U.S.I.A., via the normal postal channels, concerning current commercial transactions.

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Relations with U.S.I.G.

3. U.S.I.A. has no direct relations to-day with U.S.I.G., its sister organisation in the D.D.R., which is also directly subordinate to the MOSCOW "Central Administration". Until 1947 it entered into direct barter agreements with U.S.I.G. Since 1947 these agreements have been concluded within the framework of global barter agreements between U.S.I.A. and the D.D.R., under which the D.D.R. Foreign Trade Authorities have the sole right to issue, or withhold, the necessary import and export licences. In practice licences are very seldom withheld in respect of U.S.I.A./U.S.I.G. trade, and always granted in the end if U.S.I.G. exercises the necessary pressure.

Relations with the Soviet Military Authorities in VIENNA

4. The Soviet Military Authorities in VIENNA have a certain contempt for their "commercial" colleagues in U.S.I.A. However, outward relations are strictly correct. Official liaison is maintained via the heads of the Economic Department in the Hotel Imperial, VIENNA, and of the Commercial Department of U.S.I.A.'s Central Administration (CA) in the Trattnerhof. At present the latter is Konstantin G. BORONOW, who is however on leave in the U.S.S.R., and who may not return to Austria. There is also continuous unofficial liaison between the senior U.S.I.A. officials and their military colleagues of the Soviet High Commission.

Relations with the Soviet Political Authorities in VIENNA

5. There is no permanent liaison between U.S.I.A. and the Soviet Political Authorities in VIENNA. However, the latter have a certain authority over U.S.I.A. in local political matters, and will issue directives to the Director-General of U.S.I.A., KRIBOSCHEIN (fnu), concerning such matters as local strikes, demonstrations, propaganda lines, etc. These instructions are handed on immediately to the Cultural Department of U.S.I.A., which moved recently from the Trattnerhof to Gusshausstrasse 30, and which deals with all propaganda matters. 5

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The senior Austrian official of this Cultural Department is STUCKLER (fnu), the former official liaison officer between U.S.I.A. and the KPOE.

Means of Communication with the Satellite Countries

6. The D.D.R. Until recently communications between U.S.I.A. and the D.D.R. (including U.S.I.G.) were effected by the normal post. This meant that all communications were subjected to the VIENNA censorship. It also resulted in at least one in every five letters going astray. The suggestion that communications should be maintained via MOSCOW was energetically turned down by the Soviet Director-General of U.S.I.A. on the grounds that an even greater percentage of the communications would go astray in MOSCOW, where bureaucratic officials, not understanding the nature of them, would consider it their duty to hold them back. Of the two evils the normal postal service was considered the less. Attempts were then made to enlist the co-operation of the Czechs with a view to using the Czech diplomatic bag from BERLIN via PRAGUE to VIENNA. However, the Czechs refused to co-operate. Finally U.S.I.A. managed to obtain the assistance of the Soviet Military Authorities in VIENNA and, for the past six months, there has been a regular weekly military courier service between VIENNA and the D.D.R. available to U.S.I.A.

7. C.S.R. and Hungary. The U.S.I.A. Central Commercial Bureau (CCB) has had a teleprinter service with PRAGUE and BUDAPEST for the past year. Attempts to establish similar services with BERLIN and BUCHAREST have to date failed. Considerable difficulty was experienced in establishing the BUDAPEST service as U.S.I.A.'s rival INTRAC (see below) tried to prevent U.S.I.A. from obtaining the BUDAPEST numbers, with a view to ensuring that all communications between U.S.I.A. and BUDAPEST were effected via INTRAC. Finally U.S.I.A. was obliged to send its own envoy to BUDAPEST to obtain the numbers on the spot.

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Relations with the KPOE

8. Relations between U.S.I.A. and the KPOE are anything but good. The senior Soviet U.S.I.A. officials have the utmost contempt for the local KPOE officials, and do their utmost to disassociate themselves from them. They resent the latter's attempts to give them advice (on such matters as the choice of Austrian personnel for U.S.I.A., propaganda, etc), and are particularly averse to their obtaining any insight into their activities.

Liaison

9. Liaison between U.S.I.A. and the KPOE is maintained by a special KPOE official who has his office in the Trattnerhof. Until 1st July, 1952, this post was filled by STUCKLER (fnu), the new Austrian director of the Cultural Department. It is to-day held by VAIDA (fnu).

Freeing of KPOE Imports

10. In practice the main task of this KPOE liaison official is to obtain, via U.S.I.A., the free import of all goods ordered from abroad by the KPOE and/or GLOBUS. U.S.I.A. automatically "frees" such imports, its Director-General signing the necessary authority as a matter of course. The KPOE and GLOBUS import in this way mainly printing presses, films, etc. from the D.D.R. At one time the KPOE imported a number of cars, but this has now stopped. U.S.I.A. charged a commission for "freeing" the cars, but otherwise does not charge commissions on KPOE and GLOBUS imports. These imports are, incidentally, kept strictly secret.

New KPOE Printing Press

11. The imported printing presses are required for a new KPOE printing press at BADEN near VIENNA, which is being equipped with the most modern machinery. The Soviet Military Authorities are interested in this printing press, and there is already a certain conflict between them and the KPOE concerning its use. 7

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KPOE Cell in the CCB

12. There is a KPOE cell in the Central Commercial Bureau of U.S.I.A., to which about 22 out of the total 81 Austrian employees belong. (In practice U.S.I.A. does not insist upon employing exclusively Communists). Head of the CCB KPOE cell is a Dr. LOEWY (fnu) from the "Konjunktur-Bureau" (Market Research Bureau). Other active members of the cell include:-

Franz JAKL, the "Hausverwalter" (Administrator of the Building)
 Friedrich FISCHER, Assistant to the Austrian Commercial Director.

The Konjunktur-Bureau

13. The "Konjunktur-Bureau" (Market Research Bureau), to which Dr. LOEWY, head of the CCB KPOE cell, belongs, is a centre of Soviet economic espionage against Western Austria. The Bureau is completely isolated from the rest of the CCB. It has a picked staff of economic experts, chosen for (inter alia) their excellent contacts with West Austrian industry. Its staff includes:-

Dr. LOEWY
 FIALKA (fnu), who worked for 10-15 years with SCHOELIER-
 BAYER, a former Nazi BLECKMANN
 FALLENBUEHL
 Ertl. POLLAK, secretary.

The Bureau gathers the most detailed and accurate information on Austrian economy, including detailed reports on the various branches of Austrian industry; on the situations prevailing in West Austrian factories, etc., the orders on which they are working, their raw material and other problems, labour conditions, etc.; on American economic policy in Austria, the effects of it, the official Austrian reaction to it, etc., etc. At least once a month the Bureau brings out its own report, based on the information collected. This report is some 50-60 pages long, and is now produced only in Russian, although earlier there used to be a German translation. The reports have a distribution of approximately 40 copies, of which several go to MOSCOW. The only persons in the CCB who are on the

distribution/ 8

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distribution list are the Director-General, his Deputy, and the Head Accountant (a Russian named SPAK). Formerly the Austrian Commercial Director, Dr. Alfred HUTSCHNECKER, used to receive a copy, but this is no longer allowed.

B. INTRAC

The most interesting aspect of U.S.I.A./KPOE relations is the connection between U.S.I.A. and INTRAC.

Its Function, Personalities, etc.

14. INTRAC, which belongs to, and is controlled by, the KPOE, exists solely to earn funds for the KPOE by means of its trading activities. All INTRAC profits are paid over to the KPOE. Every day the monies at the firm's disposal (except for a small sum to cover working expenses) are taken by car to an unknown destination where they are made available to the KPOE. (U.S.I.A. itself never makes payments to the KPOE).

15. The most important personalities behind INTRAC are:-
- a) Paul KESSLER who, although officially only Chief of Personnel, is the real "éminence grise". He is a convinced Communist.
 - b) Stephan KAUFMANN, the Vice-President of OEBEG.
 - c) Jenö DESSER.

The others, including FUERST, are of little importance. Recently FUERST has been participating in conferences between INTRAC and U.S.I.A., a fact which led to the Soviet Director-General enquiring into the identity of "the stranger". No INTRAC official enjoys the confidence of the Soviet U.S.I.A. officials.

16. INTRAC employs permanent representatives in various West European countries. These include STERN of the ANGLO-AUSTRIAN TRADING CO. in LONDON, and Erich BIRNBACH and Kurt BETTELHEIM of the HOBRO set-up in ZURICH and the MERCANTA set-up in BRUSSELS.

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Relations between U.S.I.A. and INTRAC

17. The relations between U.S.I.A. and INTRAC have always been extremely bad, and there have been incessant fights between them. Added to the existing antipathy of the U.S.I.A. Soviet personnel towards the KPOE is the fact that in many respects INTRAC is a serious business rival to U.S.I.A.. The Deputy Director-General of the U.S.I.A. CCB, Sergei Petrovitch AWDEJEW, who is at present on leave in MOSCOW, has always been particularly opposed to INTRAC. AWDEJEW inherited his dislike of INTRAC from his predecessor, Sergei PETROVITCH OSSIPOW. The more important reasons why U.S.I.A. is opposed to close collaboration with INTRAC are:-

- a) U.S.I.A. can earn more if it works together with small Austrian "bourgeois" firms;
- b) close collaboration with INTRAC would mean the latter (and therefore the KPOE) obtaining insight into U.S.I.A.'s activities.

The only interest which the Soviets have in collaboration is the fact that INTRAC is sometimes able to assist in the disposal of the goods, which U.S.I.A. receives as barter from its Satellite customers, on the Austrian home market.

18. Relations between the two were so bad that at the end of 1951 INTRAC appealed to the General Secretariat of the KPOE for assistance in improving the situation. The General Secretariat thereupon sent a strong protest to MOSCOW, pointing out that U.S.I.A. used other firms, giving INTRAC little or no business, and that as a result INTRAC earned too little, the KPOE suffering from a corresponding lack of funds.

19. MOSCOW replied by sending a special commission to VIENNA to investigate the situation on the spot. This investigation resulted in a victory for the Soviet U.S.I.A. officials, who were able to defend their attitude by proving that INTRAC was unreliable, did not fulfil its obligations, was incompetent, etc.

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20. Despite the outcome of this investigation the fight continued until finally Paul KESSLER persuaded the General Secretariat of the KPOE to send another protest to MOSCOW. This was successful, and MOSCOW has now issued instructions that U.S.I.A. must give INTRAC preferential treatment. These instructions, which reached VIENNA about March, 1952, were so forcefully worded that the Soviet U.S.I.A. officials have been obliged to act on them. But they do so with great reluctance, still regarding INTRAC as a rival, and also with the old suspicion and mistrust.

21. The Soviet U.S.I.A. officials believe that INTRAC will not retain this preferential position vis-à-vis U.S.I.A. for long. INTRAC is making the mistake of trying to exploit it too much, by attaching conditions to its transactions which earn it more profits, but which are strongly opposed to U.S.I.A. interests. Thus, it insists that its own forwarding agents, EXPRESS, should be used as forwarders, sometimes even as recipient of the purchase price. This over-zealous exploitation of the privileged position which it has won, combined with the inefficiency and inexperience of its officials, will probably in time give the Soviet U.S.I.A. officials the ammunition with which to shoot down their trading rival.

Activities of INTRAC

Eastern Procurement Agent

22. One result of INTRAC's victory over U.S.I.A. is that it has acquired to-day a monopoly position in the delivery, via U.S.I.A., of non-ferrous metals from, or via Austria, to the East.

23. It should be stressed here that in principle U.S.I.A. neither buys itself, nor assists others to buy, raw materials for the East. The overall policy of the Soviets is that U.S.I.A. exists to serve exclusively its own undertakings. No such overall policy guides the activities of INTRAC, the

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only purpose of which is to earn money for the KPOE by engaging in as many remunerative deals as possible. Consequently INTRAC is to-day acting as a procurement agent of raw materials on behalf of the Satellites. Under the new MOSCOW instructions U.S.I.A. is obliged to assist INTRAC to play this rôle by supplying the necessary export licences. In practice there are usually two contracts. INTRAC first procures the materials, and then resells to U.S.I.A. which delivers to the East. For these services U.S.I.A. charges INTRAC a commission of 5%. Formerly, before the new MOSCOW instructions, it charged 10%.

Aluminium Deliveries to CSR

24. INTRAC has started this new rôle of procurement agent by delivering aluminium from RANS HOFEN to the Czechs. Five hundred tons were delivered at the end of June, 1952, and another five hundred tons are due for delivery. The Poles are also trying to obtain RANS HOFEN aluminium via INTRAC, but no definite agreement has yet been reached.

25. The main intermediary used by INTRAC in the Czech aluminium deal was the notorious Czech procurement agent Josef CREMER of TRACOMT, ZURICH, whose VIENNA representative is KAISER (fnu).

26. For its rôle in providing the necessary licence for the export of the first five hundred tons of aluminium to the CSR, the U.S.I.A. CCB received a commission of 1,200,000 Austrian Schillings, of which it agreed to pay 400,000 to INTRAC. It met this commitment by making INTRAC accept textiles bought by U.S.I.A. for 400,000 Schillings, but which INTRAC could sell for only about 180,000 Schillings.

Trade with East generally

27. INTRAC, similarly to (and in rivalry with) U.S.I.A., has very active trade relations with the East, and is indeed in many respects more successful than U.S.I.A. The reasons

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for this are:-

- a) INTRAC as an organisation is far more "flexible" than the "cumbersome" U.S.I.A.;
- b) its officials are more energetic, and are always travelling round in search of new business;
- c) it is not bound to supply U.S.I.A. goods, and can therefore obtain better quality goods, better delivery terms, etc.

28. Part of this eastern trade is carried out quite legally within the framework of Austrian trade agreements with the East, payment being effected over the Austrian clearing. However, the greater part is to-day effected via U.S.I.A., which alone can supply the necessary export licences.

Trade with the D.D.R.

29. INTRAC has a global barter agreement with the D.D.R. for the year 1952, the value of which is estimated at 18 million dollars. The great part of this agreement is likely to be carried out via, and with the assistance of, U.S.I.A. Under it INTRAC is delivering considerable quantities of metals. To date, however, the deliveries have been very one-sided, INTRAC doing most of them and receiving little or nothing in return.

30. For its D.D.R. INTRAC uses the VIENNA firm of WAGNER, a new firm founded at the beginning of 1952, the directors of which are Kurt MENASSE (formerly of MERX) and REICH (fnu). On the D.D.R. side the contracting office is the DEUTSCHE WAREN VERTRIEB (DWV), which is a subsidiary of DIA. All trade between Austria and the D.D.R. must go over the DWV, which for all practical purposes is a D.D.R. form of INTRAC. It is very closely associated with INTRAC, representatives of which sit permanently in its offices. DIA itself is no longer competent in Austrian/D.D.R. trade.

Trade/

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Trade with other Satellites

31. Apart from its barter agreement with the D.D.R., INTRAC has the closest trade relations with the other Satellite countries. These have been established largely as the result of INTRAC being appointed official representative of the various Satellite monopoly trading companies. This fact is another point of friction with U.S.I.A.

32. INTRAC is representative of almost all the Hungarian State Monopoly trading Concerns, of hundreds of D.D.R. Concerns, and of most of the Polish State Monopolies. The Poles have always been strong supporters of the "Party Line", and therefore had good relations with INTRAC. 90% of Polish coal deliveries to Austria are effected via INTRAC. During the 1951/52 winter, when there was an acute coal shortage in Austria, the competent Austrian Ministry even legalised Polish/INTRAC coal deals by subsequently issuing import licences in respect of coal delivered by the Poles to INTRAC.

33. INTRAC buys considerable quantities of textiles from Hungary which, after importation and "release" by U.S.I.A., are placed on the Austrian home market as U.S.I.A. products. The firm of ALTMANN of Salzgies 16, VIENNA, assists in this by disguising the origin of the textiles. ALTMANN works very closely with the LITEX Department of U.S.I.A. Managing Director of the firm is Frau Dr. JELINEK, a sister of Friedl FUERNBERG, the secretary-general of the KPOE.

34. On the other hand INTRAC's relations are not at all good with the Czechs, who do not like them and do not wish to do business with them. Paul KESSLER is always trying to remedy this situation, travelling constantly to PRAGUE, and trying to bring Party pressure to bear on the Czechs. His only success to date has been to induce the Czechs to agree to the appointment of an INTRAC man, Dr. JELINEK, the brother-in-law of the KPOE secretary-general, FUERNBERG, as a director

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of OMNIPOL in VIENNA. However, since this appointment the Czechs scarcely use OMNIPOL.

35. INTRAC also has close contacts with Roumania and Bulgaria, but no very successful business ensues. It should again be stressed that, in all except its Austrian clearing deals with the Satellites, INTRAC is obliged to use U.S.I.A. for its import and export licences, paying U.S.I.A. a 5% (formerly 10%) commission.

C. U.S.I.A./EAST BLOC TRADE

The Present Main Function of the CCB

36. Ninety per cent of the activities of the U.S.I.A. Central Commercial Bureau (CCB) are concentrated to-day on trade between the U.S.I.A. Concerns and the East Bloc.

37. This fact represents a radical change in the main function of the CCB, which occurred in the summer of 1951.

The Former Procurement Function

38. Theoretically the main functions of the CCB are twofold:-

- a) the sale of Soviet booty goods in Austria;
(There are still considerable quantities of these which have not been realised, and still a special department in the CCB to deal with them.)
- b) the handling of the entire foreign trade of U.S.I.A.

39. Originally the CCB interpreted its foreign trade function as buying raw materials required by the U.S.I.A. Concerns abroad, and particularly in the West. The CCB acted as a central buying agency on behalf of the Concerns, and in particular bought large quantities of copper, lead, etc. in the West.

40. Simultaneously MOSCOW has been pressing for the past

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three and a half years for an intensification of trade between U.S.I.A. and the East Bloc, and has issued constant warnings and threats concerning the failure to carry out this function.

41. The reasons for the failure of the CCB to carry out this function until the summer of 1951 are varied. First, there were the difficulties encountered in negotiating with the East Bloc trade representatives who, with the exception of the Poles, have always been most unco-operative. Secondly, there was the importance attached by the CCB to its rôle as central procurement agent of essential raw materials, the fact that it then had the financial means to carry out this procurement rôle and, most important, the further fact that Western controls did not then make the fulfilment of this rôle impracticable.

Reasons for the Change of Function

Efficacy of Western Controls

42. The reasons for the radical change, which took place during the summer of 1951, are again varied. Constant pressure from MOSCOW to intensify eastern trade played a part; as did the fact that the CCB was owed vast amounts by the U.S.I.A. Concerns and did not have the monies to buy raw materials. However, the decisive factor was the growing efficacy of western controls, which gradually rendered the procurement function impracticable. It reached a point where 90% of the procurement deals concluded by the CCB turned out to be "Luftgeschäfte", with corresponding losses of time, monies, energies, and the failure to procure the essential goods. Since the beginning of 1952 the CCB has bought no raw materials whatsoever in the West on behalf of the U.S.I.A. Concerns. It has indeed completely given up its procurement function in favour of the negotiation and execution of global barter agreements with the Satellite countries.

Reorganisation/

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Reorganisation of the CCB

43. With this change in the main function of the CCB there were corresponding changes in personnel and organisation. A large number of young Soviet commercial experts (in fact most of them are little more than students with MOSCOW commercial training) were drafted to the CCB, and individual departments were set up for each of the Satellite countries. The senior personnel of these departments normally consisted of two of the young Soviet commercial experts, but recently a third Austrian official has been assigned to most of the departments. There is no U.S.S.R. Department. However, very recently, a certain DEMIDOW (fnu), who formerly worked with the D.D.R. Department, has been removed to a special office, where he works alone exclusively on Soviet orders.

U.S.I.A./Satellite Barter Agreements

44. These young Soviet officials immediately embarked upon intensive negotiations with each of the Satellites, as a result of which global barter agreements have now been concluded with all of them.

Secrecy of the Agreements

45. These agreements, in Russian language with no translations, are regarded as highly secret, and are kept in safes which are sealed every night. The main reason for this secrecy is the fear that the Austrians, who also have their official trade agreements with the Satellites, might get to know the details of the U.S.I.A. agreements, and use these when negotiating their own agreements. There is also the natural desire to keep the contents of the agreements from the West.

Method of Negotiation

46. In the negotiation of the agreements the CCB appears to have full and independent authority. It is not known that instructions are received from MOSCOW, nor that the agreements have to fit in with any general East Bloc trading policy and plans/

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plans. The CCB negotiators are merely concerned to dispose of U.S.I.A. finished products on the most favourable terms, and to receive in exchange raw materials required by the U.S.I.A. Concerns and other goods which the CCB can sell for cash on the Austrian home market. The CCB obtains full particulars of available U.S.I.A. finished products from the U.S.I.A. Central Administration (CA) while it is usually informed directly by the Concerns of their raw material requirements.

47. The agreements are negotiated in VIENNA. At the negotiations the CCB is usually represented by its Deputy Director-General, S. P. AWDEJEW, and the Soviet head of the Satellite Department concerned. Austrian employees of these departments are no longer allowed to attend. On the Satellite side, the representative is normally the commercial attaché in VIENNA.

48. Throughout the negotiations the CCB keeps the CA fully informed of the course which they are taking, while the Satellite commercial attachés regularly report home and request instructions. The agreements, when finally agreed and signed by the CCB and Satellite representatives, always contain a clause to the effect that they are conditional upon ratification by the Director-General of the U.S.I.A. CA on the one side, and the Satellite Ministry of Foreign Trade on the other. The ratification by the Director-General of the CA is a mere formality, and is normally obtained within a matter of hours. There is no question of sending the agreements back to MOSCOW for approval.

49. Occasionally if the Satellites insist upon receiving goods which U.S.I.A. cannot supply, the CCB will obtain these goods from the U.S.S.R. or some other Satellite. However, U.S.I.A. no longer supplies goods obtained from non-U.S.I.A. Austrian Concerns, although it sometimes resorted to this practice formerly.

Execution/

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Execution of the Agreements

50. Once the global agreements have been signed, their execution depends on demands made to the CCB by the Satellites or the U.S.I.A. Concerns. Thus, if Poland puts in a demand for electrical equipment covered by the U.S.I.A./Polish agreement, the CCB will place an order for the equipment with the U.S.I.A. Concern which manufactures it, entering into a contract with the Concern and itself paying the Concern for the goods. Similarly, if a U.S.I.A. Concern asks the CCB for zinc sheets, the CCB will obtain the zinc from Poland under the U.S.I.A./Polish agreement, and then sell it to the Concern. There is no question of Poland delivering its quota of zinc under the agreement to the CCB, and the latter then distributing it to the U.S.I.A. Concerns according to certain priorities. The CCB will not obtain the zinc until it has received a firm request for it from a Concern and entered into a contract to supply it.

Disposal of U.S.I.A. Barter Goods on the Austrian Market

51. The barter goods which the CCB receives from the Satellites, and which are not required by the U.S.I.A. Concerns, used to be sold to various Austrian firms, who disposed of them on the Austrian home market. The most important of these intermediaries were the VIENNA firms of ADTMANN (textiles), SCHUSS, and MADER (typewriters, etc.). These three firms would take over large quantities of U.S.I.A.'s barter goods, while numerous other firms took small quantities. With time, however, the Austrian Authorities have taken action against these firms (for buying up goods imported into Austria without import licences and seeking to sell them on the home market as Austrian products), in several cases confiscating the goods. In these circumstances the CCB now usually sells its barter goods to the U.S.I.A. retail stores.

U.S.I.A. Exports and Austrian Trade Returns

52. None of the U.S.I.A. exports and imports under these

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global barter agreements with the East figure in the Austrian trade returns. On the other hand, a certain number of U.S.I.A. Concerns export directly to Eastern customers via the Austrian clearing, and outside the U.S.I.A. barter agreements. Such exports do appear in the Austrian trade returns.

Relations with Satellite Trade Representatives

53. As indicated above, the greatest difficulties are experienced with the Satellite commercial attachés in the negotiation of the global barter agreements. The only exception is with the Poles, with whom relations have always been the easiest and most successful. The reason for this is that the Poles have always shown greater "political understanding". In practice this means that they are prepared to work together with U.S.I.A. for political reasons, even though it is against their commercial interests to do so - i.e. they will buy at dearer prices from U.S.I.A. instead of at cheaper prices from outside Austrian firms. The other Satellite trade representatives have not shown this "political understanding", placing commercial interests first, and preferring to buy cheaper from outside Austrian firms.

54. Particular offenders in this respect have been the Roumanians. At the instigation of U.S.I.A. the former Roumanian trade representative in VIENNA was removed. However, his successor is no more co-operative. Almost as difficult are the Hungarians, Czechs and Bulgarians. Relations with the Czechs are not improved by the fact that their local trade representative, SCHWEDER (fnu), is a young workman, who understands nothing about trade and must refer everything to PRAGUE. The Hungarian representative, SOLTI (fnu), a conceited little Jewish accountant, is also extremely difficult. The Pole, HAENDLER (fnu), is the only "reasonable" representative.

55. The lack of co-operation by the Satellite representatives is reflected in the protracted negotiations, at which they

refuse/ 20

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refuse to discuss, much less conclude, new agreements until differences connected with past deals have been settled to their satisfaction.

The D.D.R.

Priority Treatment

56. It appears that the D.D.R. enjoys priority over the other Satellites in its trading relations with U.S.I.A. This is reflected in frequent statements by senior Soviet U.S.I.A. officials to the effect that "the D.D.R. is our most important trading partner", and in repeated expressions of disappointment at the small volume of the U.S.I.A./D.D.R. global barter agreement. Furthermore, the CCB D.D.R. Department is larger than the other Satellite departments, and has two (instead of one) Austrian "Referents".

The Present Agreement

57. The present agreement has a volume of 5-6 million dollars (at the 21.36 rate of exchange), as opposed to the 18 million dollar INTRAC/D.D.R. agreement. It was concluded in March/April, 1952, after protracted and difficult negotiations. The main difficulty was that U.S.I.A. was in default under the previous agreement, as a result of the inability of U.S.I.A. Concerns to fulfil their commitments. Finally, the balance owing to the D.D.R. under the old agreement, about \$400,000, was carried forward into the new agreement.

58. The agreement is divided into two parts: the first and larger deals with the requirements and barter products of U.S.I.G. and its Concerns, the second with those of the D.D.R. Concerns. The recent return of some 60 U.S.I.G. Concerns to the D.D.R. has given rise to innumerable accounting and other problems. A U.S.I.A. official is at present in the D.D.R. trying to sort out these complications.

59. The manner in which the division of the agreement is

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adhered to in practice (as also the relations existing between U.S.I.A. and U.S.I.G.) is indicated by the fact that U.S.I.G. refuses to deliver to U.S.I.A. until it has obtained from the latter an equivalent amount of goods required by its own Concerns. In other words, there is no offsetting of U.S.I.G. deliveries against U.S.I.A. deliveries to the D.D.R. Concerns.

60. Under the present agreement U.S.I.A. is delivering to the D.D.R. various "hard" goods. A first priority is steel rope for WISMUTH A.G. manufactured by the EGYDIER and YBBS Steel Works. Other U.S.I.A. deliveries include all types of piping, metals, etc. In return U.S.I.A. obtains mainly chemicals, photographic articles, typewriters, calculating machines, etc.

61. Formerly U.S.I.A. obtained goods for the D.D.R. from such non-U.S.I.A. firms as SCHOELLER PLECKMANN. As indicated above this practice has now ceased, and it delivers exclusively U.S.I.A. goods.

62. During the first four months of the present agreement U.S.I.A. has delivered goods to the value of \$800,000 (15 million Schillings) to the D.D.R., and received nothing in return. This is one of the factors responsible for the present acute schilling shortage.

WISMUTH A.G.

63. Until 1952 U.S.I.A. entered into direct agreements with WISMUTH A.G. in addition to the global D.D.R. barter agreements. In 1951 WISMUTH A.G. bought goods to a value of 120 million schillings from U.S.I.A. These goods were paid for in cash, WISMUTH arranging for the transfer of the schillings to the Soviet Military Bank in VIENNA via MOSCOW.

64. As these agreements were a very welcome source of schillings for U.S.I.A., the latter has tried every means to conclude an agreement for 1952. However WISMUTH has turned down these
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overtures on the grounds that it has no further Austrian schilling funds.

65. Under the 1951 U.S.I.A./WISMUTH agreement, U.S.I.A. delivered millions of metres of insulated wire, bell wire, special acid-resisting wire, special cables, small locomotives (secondhand), special electric motors (proof against short-circuiting from rain and lightning), several hundred tons of nails (a very important article), stop-watches, barracks, stoves, etc.

66. To carry out this agreement, U.S.I.A. enlisted the services of the notorious HASLGRUBER, who procured some of the goods (particularly the special electric motors) from Western Germany. HASLGRUBER also used to deal direct with WISMUTH A.G., negotiating personally with Director-General SALIMANOW (before his defection) and later with his successor Colonel SMYRNOW. He delivered various goods including large quantities of copper and copper wire. During 1950/51 U.S.I.A. transacted deals to a value of 150 million schillings with HASLGRUBER, most of the goods being delivered to WISMUTH.

67. Since 1951 the U.S.I.A. CCB has ceased dealing with HASLGRUBER. Serious rows arose between them as a result of HASLGRUBER defaulting on two contracts for the delivery of 1,000 tons of copper and 1,000 tons of lead, and being extremely reluctant to pay the penalties for default which the contracts envisaged. He further fell into disfavour with U.S.I.A. for supplying inferior quality goods - in particular tool joints for the SMV.

68. However, HASLGRUBER is still in with the Soviets. At the moment he is setting up and equipping a large rolling-mill in the Soviet Zone which, when completed, he has arranged to place at the disposal of the Soviets.

Poland/

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Poland

69. As indicated above trade relations between U.S.I.A. and Poland are good. U.S.I.A. supplies Poland with OSRAM lamps and other goods for the electrical industry, with cranes (manufactured by the WIENER BRÜCKENBAU) and other harbour equipment (WAGNER-BIRO). It obtains in return coal, zinc, industrial spirit, and some chemicals. It has considerable difficulty in disposing of the spirit on the Austrian home market as the Austrian Government has a monopoly in respect of this commodity.

Hungary

70. Relations with Hungary have always been bad. Hungary insists on supplying barter goods which U.S.I.A. has the greatest difficulty in selling (tinned foods, etc.). The quality of Hungarian goods is also very bad. Furthermore, there have been undoubted cases of sabotage on the Hungarian side - e.g. substitution of stones, tiles, etc. for goods ordered.

71. Hungary delivers mainly products of the light industry, electric meters, sewing-machines, shoes, sweets, etc. It is now delivering, with great reluctance, a certain quantity of drawn steel pipes. The Hungarians receive from U.S.I.A. important "hard" goods, and in particular machines, also some chemicals.

Czechoslovakia

72. Relations with Czechoslovakia are also bad. U.S.I.A. supplies constructional ironwork and certain chemicals. It receives in return tyres (particularly for Austrian Fiat) and boring equipment for the petroleum industry, formerly obtained with the greatest difficulty from the West. In 1951 the CSR supplied the entire SMV requirements of casings, tubing, pipe line and tool joints. It is believed that the 1952 requirements

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are also covered in the new (present) agreement. The CSR also delivers diesel motors for boring equipment manufactured by MANNESMANN-TRAUZL. These, however, are of inferior quality to the motors previously procured in the West. Further Czech deliveries include large quantities of lawn mowers, which are the cause of serious competition with the U.S.I.A. firm of HOFHERR & SCHRANTZ, which manufactures identical machines. However, the latter's protests to the CCB have been in vain.

Roumania

73. Relations are most unsatisfactory, and there is virtually no exchange of goods, despite repeated attempts to bring one about, and the global agreement now signed. The main reason is that the Roumanians prefer, for commercial reasons, to bypass U.S.I.A. and deal directly with cheaper non-U.S.I.A. Austrian firms. However, U.S.I.A. delivers boring equipment, manufactured by MANNESMANN-TRAUZL, for which the CSR supplies the diesel motors.

Bulgaria

74. Relations are not satisfactory. In desperation U.S.I.A. finally sold its 33 locomotives to Bulgaria at a very cheap price (estimated 1,300,000 Schillings each). The sale was completed in March, 1952. However, U.S.I.A. reckons that it will take a good two years before the Bulgarians pay for them. This is another factor contributing to U.S.I.A.'s present schilling shortage. U.S.I.A. also delivers large quantities of motor lorries, manufactured by the OESTERREICHISCHE AUTOMOBILFABRIK, for which the CSR supplies the tyres. Bulgaria delivers many thousands of tons of pyrites to U.S.I.A.

75. Before the U.S.I.A. locomotives were sold to Bulgaria, the Turks were very interested in them, but the Soviets refused to sell on the grounds that the Turks were building "strategic railways"/

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railways", and the Soviets had no wish to supply locomotives for them. The Soviets were even more scared that the locomotives might find their way, via intermediaries, to Yugoslavia. It is a cardinal point of Soviet policy to ensure that no U.S.I.A. goods ever reach Yugoslavia, no matter what the circumstances. The Soviets will immediately intervene and stop deals, if they suspect that Yugoslavia may be the final destination of the goods.

U.S.S.R.

76. Generally speaking U.S.I.A. does much more trade with the Satellites than with the U.S.S.R. itself, with which it has no global agreement.

77. However, the U.S.S.R. places a certain number of orders with U.S.I.A. Concerns, mainly for cables, steel ropes, cement and a certain quantity of precision instruments. These orders are always given immediate priority over all other work.

78. On the other hand, the U.S.S.R. will usually step in and itself supply top priority requirements of U.S.I.A. Concerns if U.S.I.A. is unable to obtain these elsewhere. Thus, it has delivered equipment for the petroleum industry, while many U.S.I.A. Concerns have Soviet machinery. It also delivers special steels. Once it even tried to deliver Donetz coal, which was sold on the Austrian home market via the INTRAC firm of ROTEN TURM. However, owing to excessive freight charges, this scheme was found impracticable.

D. U.S.I.A./WEST TRADE

79. U.S.I.A. does a very considerable trade with the West. This takes the form mainly of direct transactions between U.S.I.A. Concerns and Western customers, effected over the Austrian clearing.

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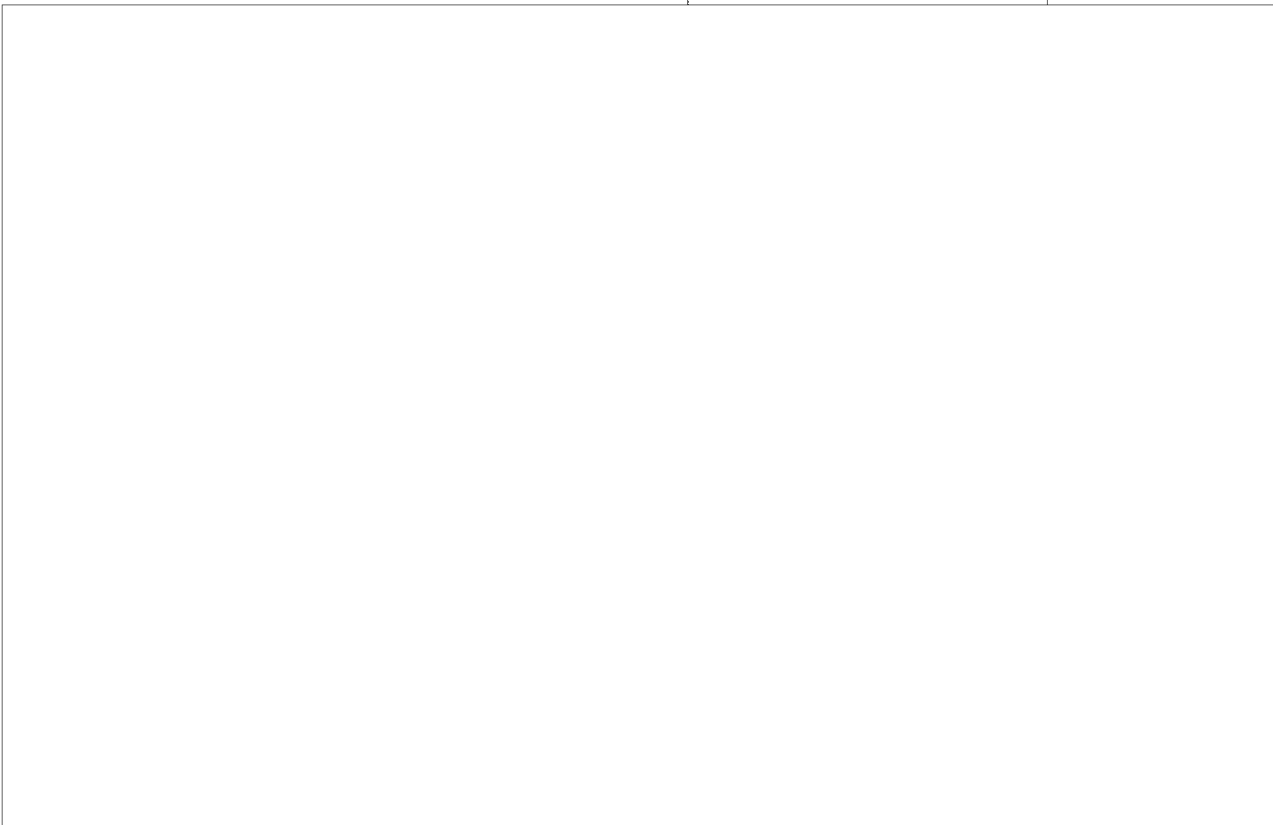
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80. The Buying and Selling Agencies of the CA Departments engage in Western trade to a far lesser extent. On the other hand, the CCB to-day does no business whatsoever with the West.

Restrictions on Western Trade

81. With the exceptions next mentioned, the Soviets are in no way opposed to this Western trade. As a matter of cardinal policy, however, they have forbidden all trade with Yugoslavia, and, except in very special cases, where permits must first be obtained, with Spain, Greece and Turkey. They have also forbidden the export of certain goods to the West, no matter how profitable their sale might be. These restricted goods include all types of boring equipment and rails. Recently the Soviets intervened to prevent an export of steel bottles to the West, but finally gave way when the exporting Concern pointed out that the stopping of the deal might prejudice its official allocation of raw materials. There is no restricted list as such. Each case is dealt with on its merits, MOSCOW having the final say if the U.S.I.A. Director-General is not prepared to take the responsibility.

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E. PROCUREMENT OF RAW MATERIALS

The Principle of Refusal to Buy for the East

90. It is a common fallacy to believe that U.S.I.A. acts as a procurement agent of raw materials on behalf of the Eastern Bloc. In principle U.S.I.A. buys no strategic or other materials for the U.S.S.R. or its Satellites. Its attitude is that it exists to serve its own undertakings and not the Satellites, who should fend for themselves.

91. Thus, the Czechs to-day are suffering from a shortage of pyrites for which they are prepared to pay premium prices. They recently asked U.S.I.A. to help them to obtain it, but U.S.I.A. refused, even though it had a potential supplier (see para. 150 below).

92. Similarly, in principle U.S.I.A. is not prepared to assist eastern procurement agents to deliver raw materials to the Satellites via Austria, by granting the necessary export licences. If procurement agents request this service U.S.I.A. refuses, offering to buy the materials for its own Concerns, but usually at prices in which the procurements agents are not interested.

Exceptions/

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Exceptions to the Principle

JUSCHNEWTRANS

93. There are certain exceptions to this general principle. One, which belongs to the past, is the rôle at one time played by U.S.I.A.'s so-called forwarding agents, JUSCHNEWTRANS, as procurement agent for the Czechs. The latter bought considerable quantities of raw materials via JUSCHNEWTRANS, which succeeded in obtaining the necessary export licences from U.S.I.A. by disguising the deals in such a way that the Director-General of the CCB did not recognise their true nature when giving his consent to them. This was not, however, approved policy. JUSCHNEWTRANS was acting on its own initiative with the sole object of earning money. When the Soviets finally discovered the extent of this "illicit" traffic they were extremely angry, put an end to it immediately, and sacked a number of the offending JUSCHNEWTRANS officials.

INTRAC

94. Another exception to the general principle is the privileged position which INTRAC has achieved as a procurement agent on behalf of the Satellites, with the assistance of U.S.I.A. which provides the export licences. However, as indicated above, these INTRAC procurement deals are only tolerated as a result of pressure from MOSCOW, which is anxious to see INTRAC earning monies for the KPOE. If it were not for this pressure, U.S.I.A. would definitely not assist in the deals, which are largely against its commercial interests.

Procurement for the U.S.I.A. Concerns

95. The procurement by U.S.I.A. of raw materials required by its own Concerns is an extremely complex subject as a result of the lack of organisation of, and co-ordination between, the various U.S.I.A. departments and agencies concerned.

96. Each individual U.S.I.A. department or agency is solely

concerned/ 30

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concerned to further its own narrow interests, without considering the interests of U.S.I.A. as a whole. Each is concerned to show a profit, or otherwise justify its existence, even at the expense of the others. There are constant rivalries and fights between them, an irresponsible overlapping of functions, and a complete lack of co-ordination. To remedy this state of affairs the heads of departments etc. are summoned from time to time to meetings, at which they are addressed by the Director-General or his Deputy on the importance of serving the general interest, etc., but these admonitions have little or no effect.

The Procurement Agencies

97. The following U.S.I.A. agencies are competent to procure raw materials:-

- a) the buying and selling agencies ("Ein- und Verkaufstellen") of the various main departments of U.S.I.A.'s CA, which administer the U.S.I.A. Concerns;
- b) the CCB;
- c) the Concerns themselves.

The CA Departments

98. Each of the main CA Departments has its own buying and selling agency which, with the exception of that belonging to AUTOVELO, have their offices outside the Trattnerhof. The reason for this is to facilitate traffic with customers by avoiding the necessity for the latter to comply with the very strict regulations as to passes, etc. prevailing in the Trattnerhof. Thus, the buying and selling agency of MARTEN (Metallurgy and Coal) is at Brucknerstrasse 2; of ZEMENT (Building Materials) in the Argentinienstrasse; of LETEX (Light Industry) in the Favoritenstrasse; of LESS (Agriculture) at Gusshausstrasse 30, etc.

99. These buying and selling agencies of the CA Departments are competent to buy raw materials required by their

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Concerns/ 3/

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Concerns. Strictly speaking they should confine their buying activities to the Austrian home market as theoretically the CCB alone is competent to handle foreign trade. However, in practice this original concept is not strictly adhered to, and on occasions these agencies buy abroad independently of the CCB. In particular MARTEN, PODJONNIK (Machine Construction) and to a lesser extent ZEMENT buy raw materials abroad as well as on the home market.

100. These buying and selling agencies are not allowed to build up reserves of raw materials for their Concerns. They are only entitled to buy current requirements, which means in principle requirements for one quarter, or, with special permission, for two quarters.

(They have to submit quarterly statements and, if at the end of any quarter they have too large reserves of raw materials, they will sell off stocks, frequently at a loss, and sometimes even buy them back again at higher prices a few days later. VIENNA dealers not infrequently buy raw materials from one U.S.I.A. agency and sell them at a profit to another).

101. The CA Departments are financed by a 10% commission received from their Concerns on all goods sold. If a Department's buying and selling agency has not the funds available to purchase an urgently required raw material, the CA Director-General will, if he thinks fit, instruct the Soviet Military Bank to make the funds available.

The CCB.

102. Theoretically the CCB alone is competent to handle foreign trade. Under this particular function it used to act as a central buying agency on behalf of all the U.S.I.A. Concerns, and purchase large quantities of raw materials (particularly copper and lead) in the West on their behalf. As reported above, since the summer of 1951 the CCB has given up this buying function, mainly because Western controls became so

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efficient as to render it impracticable. To-day the CCB buys no copper, lead, or any other raw material on behalf of the Concerns in the West.

103. The CCB does, however, procure considerable quantities of raw materials on behalf of the Concerns from the East under its global barter agreements with the Satellites. Thus, all U.S.I.A.'s zinc requirements are covered by Poland, all its pyrites requirements by Bulgaria.

Former CCB Suppliers

104. In the days when the CCB acted as a central buying agency it relied mainly on a few well-tried suppliers.

These included:-

The HANDELSHAUS HASLGRUBER, VIENNA
The WEINBAUM CONSORTIUM, FRANKFURT-am-MAIN
Eng. Theodor PETRINA
Egon FOELDI, who delivered large quantities of copper
and lead in 1948/49
METALIMPORT TRUST of ZURICH and PARIS
FRIGALIMENT IMPORT G.m.b.H., ST. GALLEN, Switzerland.

Some, if not all, of these procurement agents are probably still in touch with U.S.I.A. Concerns themselves, or the buying and selling agencies of the CA Departments.

The U.S.I.A. Concerns

105. From the outset the individual U.S.I.A. Concerns have sought to cover their own raw material requirements directly, bypassing both their CA Departments and the CCB, if they felt they could procure the materials on more favourable terms on their own. This practice continues to-day, and many of the Concerns buy on their own, both on the home market and abroad, if they have the necessary connections and opportunities. They normally prefer to do this, as it gives them an opportunity to assert their independence vis-à-vis the U.S.I.A. central agencies.

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106. At the moment there is an acute shortage of schillings, with the result that both the CA Departments and the Concerns usually have not the monies available to buy the raw materials they require. If a Concern is buying directly and it has not the funds, it applies to the Soviet Military Bank for them. The latter will always refuse this application in the first place. The matter is then referred to the CA Director-General, who will instruct the Soviet Military Bank to make the funds available if he deems fit.

Priority Considerations in the Procurement of Raw Materials

107. The following two factors are of paramount importance in enlisting the CA Director-General's intervention with the Military Bank to obtain funds for raw materials:-

- a) proof that the raw materials are required for the fulfilment of a Soviet or other important eastern order;
- b) proof that, if the raw materials are not forthcoming, the Concern involved will be forced to stop work or, possibly, to dismiss some of its employees.

Coverage of Raw Material Requirements

108. Despite these financial and organisational difficulties, U.S.I.A.'s raw material requirements are almost always covered. There have been no crises yet resulting in Concerns closing down, reducing their staffs, or failing to carry out important eastern orders. When such crises threaten, the U.S.S.R. will always step in as a last resort and avert them. A case in point was the supply of ships' plates by the U.S.S.R. to the DDSG on an occasion when it was impossible to obtain them elsewhere, and the reduction of staff, if not closing down of shipyards, seemed inevitable. On another occasion, in 1950, the U.S.S.R. supplied casings to the SMV to overcome a temporary crisis.

109. Most of U.S.I.A.'s raw material requirements (copper,

lead/ 34

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lead, etc.) are covered on the Austrian home market by purchases made, via intermediaries, by the Concerns themselves or the buying and selling agencies of their CA Departments. An important exception is zinc, which, as stated above, comes from Poland.

Lead

110. It is difficult to estimate the lead requirements of the U.S.I.A. Concerns, as these vary greatly according to the orders placed with them. Recently large orders for lead cable have been placed by MO SCOW, and the annual requirements may be estimated at anything between ten and twenty thousand tons.

111. This lead is bought exclusively on the Austrian home market. The main supplier is the BLEIBERGE BERGWERKUNION (BBU), Carinthia. The main intermediary procurement agent is Engineer Otto PLOSS of VIENNA, who has supplied thousands of tons of lead over the past four years. His official job is proprietor of a car repair workshop. The lead is obtained by various Austrian firms, with the assistance of U.S.I.A., buying up lead scrap and sending it to the BBU in Carinthia for processing. As a result of secret arrangements with its directors the BBU returns more processed lead than the original scrap supplied. Payment is made in schillings. The contract is made between U.S.I.A. and the BBU, the former figuring as the deliverer of the scrap bought up by the intermediary.

Copper

112. The annual copper requirements of U.S.I.A. Concerns may be estimated at between 4.5 and 5 thousand tons. The main supplier is the BRIXLEGG copper processing works in Tirol. Georg ZUGMAYER & SÖHNE of WALDEGG also supply a small quantity. There is no main intermediary procurement agent, but dozens of them, whose real identity is not even known to

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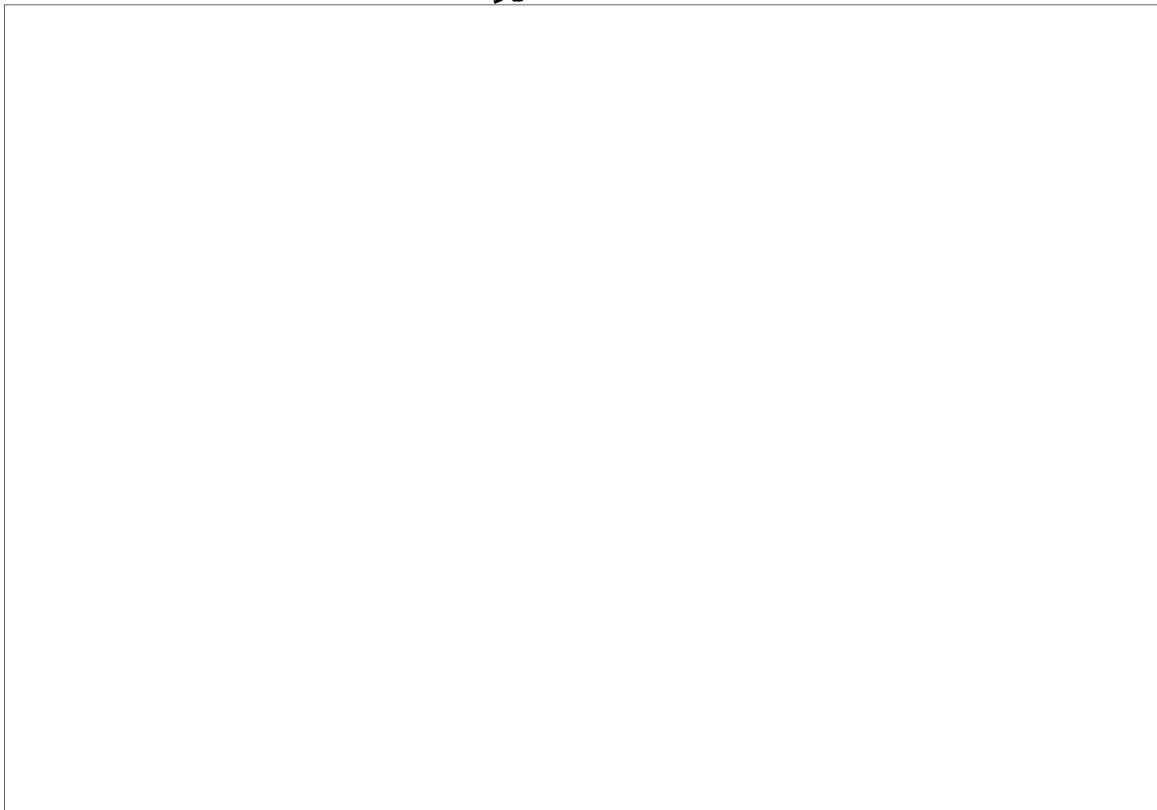
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U.S.I.A. They turn up from time to time and state that they are in a position to divert a delivery of, say, 120 tons from BRIXLEGG to Western Germany. Another source of copper is the purchase, via intermediaries, of a part of the official allocations of copper to so-called reputable West Austrian Concerns. 50X1-HUM

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G. THE U.S.I.A. RETAIL STORES

Disposal Agency of U.S.I.A.'s Barter Goods

131. The number of U.S.I.A. Retail Stores is still steadily rising. The reason for their almost mushroom appearance is that to-day they offer almost the only possibility for disposing of U.S.I.A.'s barter goods, and thereby for earning Austrian schillings. As indicated above, the Austrian firms which U.S.I.A. formerly used for disposing of its barter goods have recently been largely scared off by Austrian police action.

The Central Direction of the Stores

132. The Central Direction of the Retail Stores is the U.S.I.A. agency "ORT", which has its offices in the Favoritenstrasse, and is directly subordinate to the CA. Theoretically ORT exists to look after the needs of U.S.I.A. workers and employees. However, as is well-known, any Austrian can buy to-day at a U.S.I.A. Retail Store.

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Free Import of Foodstuffs

133. In addition to the U.S.I.A. barter goods bought from the CCB, the Retail Stores import considerable quantities of foodstuffs (Portuguese sardines, oranges, etc.) from abroad via ORT. The CCB automatically frees these imports without charging any commission for its services.

The "WKUS" Stores

134. In addition to the ORT Retail Stores, the buying and selling agency of the Foodstuffs Department of the CA ("WKUS") has a certain number of shops, which are also intended to supply the needs of U.S.I.A. workers and employees. Originally WKUS had about twelve of these shops, but to-day they are gradually being closed down. Their goods have always been slightly more expensive than those of the ORT Retail Stores.

135. The theoretic function of WKUS is to buy any foodstuffs which U.S.I.A. may require, and also to buy and sell on behalf of certain of the U.S.I.A. soap factories, the supervision of which is divided between WKUS and KRASKA (the Chemical Department). However, as noted above, ORT also buys foodstuffs on behalf of its Retail Stores. On the other hand, any offers of foodstuffs which reach the CCB are automatically handed on to WKUS and not to ORT.

Difficulty of Disposing of Certain Goods

136. Considerable difficulty is experienced in disposing of certain of U.S.I.A.'s barter goods via the Retail Stores, owing to the difficulty of passing off goods, clearly of foreign manufacture, as U.S.I.A. products. These difficulties are always uppermost in the minds of the CCB negotiators when settling the barter goods which their Satellite customers are to deliver under the global barter agreements. Goods which are most difficult to dispose of

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include: cameras, typewriters, calculating machines, etc. These come largely from the D.D.R. Goods which are comparatively easy to dispose of, and which come mainly from Hungary, are textiles, shoes, sweets, etc.

H. THE U.S.I.A. CONCERNS

The Political Aspect

137. In any attempt to assess Soviet administration of the U.S.I.A. Concerns it is essential to realise the importance which the Soviets attach to presenting them to the world as models of superior Communist methods and principle.

138. There must be no unemployed in U.S.I.A. Concerns, no strikes or other labour troubles. The U.S.I.A. worker or employee must be given the feeling that he is better off than his comrades in non-U.S.I.A. firms. Either he must be better paid, or receive greater amenities in the form of cheap goods to be bought in the Retail Stores, etc. No matter how unprofitable a Concern may be, it must neither close down, nor dismiss any of its staff. In no circumstances must situations arise where a stoppage of work becomes inevitable.

139. In point of fact it is almost certain that, taken as a whole, U.S.I.A. runs at a loss, and that from time to time MOSCOW must step in to provide funds or materials to keep the Concerns going. The important point is that to date MOSCOW has always been prepared to do this, in order to keep alive the fiction of U.S.I.A.'s superiority.

Future Soviet Policy towards U.S.I.A.

140. At the end of 1950 the then Director-General of the CCB, SEVCHENKO (fnu), informed one of his senior assistants

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in strictest confidence that he must accustom himself to the idea of having to liquidate U.S.I.A. and to leave Austria.

141. Since then there has not been the slightest indication that the Soviets are entertaining any ideas of giving up U.S.I.A. On the contrary, the general attitude of the senior Soviet U.S.I.A. officials has been, and is, that U.S.I.A. is a permanency.

142. This general attitude may be seen in:-

- a) the manner in which the Soviet officials laugh if there is ever any talk of a possible Austrian Treaty;
- b) remarks dropped from time to time concerning future activities and plans, which reveal that the Soviet officials are considering situations several years hence;
- c) the reorganisation of the CCB in 1951 with the engagement of additional Soviet staff, and recent remarks that the change and development of the CCB's function over the past year has necessitated a further reorganisation this coming winter;
- d) the definite concern which the senior Soviet officials have shown to avoid the worst violations of Austrian law, and consequent friction with the Austrian Authorities, by suppressing those illicit practices (no matter how profitable they have been to U.S.I.A.) which have most irritated the Austrians;
- e) the granting from time to time of requests for new machinery, etc., submitted by various Concerns to the CA;
- f) the absence of any suggestion of handing back certain of the U.S.I.A. Concerns to the Austrians, and particularly those running at a loss.

143. It is frequently stated that the ruthless manner in which the Soviets seek to exploit some of the U.S.I.A. Concerns (and particularly the SMV), is an indication that their fundamental policy is to obtain the maximum out of them in the shortest time, before handing them back to Austria. It should be stressed, however, that the attempt to obtain maximum results

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in the shortest possible time is the guiding principle of all Soviet policy and methods to-day. In the U.S.S.R. itself this same exploitation will be found, the objective being to get the maximum out of everybody and everything, regardless of effects on the future. It is equally to be found in the Satellite countries. In brief, it would be a mistake to conclude that any ruthless exploitation of the U.S.I.A. Concerns necessarily means that the Soviets are trying to "despoil" them before handing them back.

The Most Important U.S.I.A. Concerns

144. In Soviet eyes the most important U.S.I.A. Concerns are those which supply the East. These include:-

J. M. VOITH
 WIENER KABEL UND METALLWERKE
 ARIADNE DRAHT UND KABELWERKE
 EGYDIER STAHL UND INDUSTRIE WERKE A.G.
 YBBSSTAHLWERKE DER GEBRÜDER BOHLER & Co.
 (The last two are of particular importance
 as suppliers of steel rope to WISMUTH A.G.)
 MANNESMAN-TRAUZL A.G. (Boring equipment for Roumania)
 WIENER BRUCKENBAU- U. EISENKONSTRUKTIONEN A.G. (Cranes,
 etc. for Poland)
 OESTERRICHISCHE AUTOMOBILFABRIK A.G. (Lorries for Bulgaria)
 RAXWERKE G.m.b.H. (Waggons and tank waggons for the East)
 GOERTZ WERKE (Precision instruments for the U.S.S.R.)
 OSRAM WERKE (Lamps, etc. for Poland)
 AEG-UNION ELEKTRIZITAETSGESELLSCHAFT
 SIEMENS-SCHUCKERTWERKE A.G.
 WAGNER-BIRO
 HIAG-WERKE
 DONAU CHEMIE A.G.

The DDSG and SMV

145. Both the DDSG and SMV are naturally also of great importance to the Soviets. However, although theoretically subordinate to the Director-General of the CA, they both enjoy almost complete autonomy, and are consequently not regarded as ordinary U.S.I.A. Concerns.

Administration of the Concerns

146. Within the CA there are various main Departments under which/ 45

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which the U.S.I.A. Concerns are grouped. These Departments administer the Concerns subordinate to them, the Director-General of each Concern being directly responsible to the head of his appropriate CA Department.

147. There are, however, a few Concerns which have been made directly subordinate to the CCB. These include:-

- a) EISEN UND STAHL A.G. (ESTAG) and its subsidiary HENHAPPEL HEINE EISEN UND EISENWAREN GROSSHANDLUNG A.G.;
- b) the VIENNA representation of RAABKARCHER Coal;
- c) various depôts such as ENGBERGFELD and FERNKORN-GASSE 53.

All "free market" imports pass through the latter.

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