

208 ERB/ws
14 JUN 58

S-E-C-R-E-T

TO DIRECTOR

JUN 14 2209Z 58

FROM BOMM

ROUTINE

ACTION SR 6

INFO COP, CI, CI/OPS, CI/IC, FI, FI/OPS, FI/ROM 3, PP 2, PP/OPS,
PP/ICD 2, PP/ECD, EE 4, WE 4, DO/1, AD/CI, S/C 2

IN 42138

TO DIR INFO FRAN CITE BOMM 7112

REDWOOD INTEL

RE BIR 26390 (OUT 87841)

1. FOLLOWING KEYED TO PARAS OF REF:

1. BEITZ NOT KNOWLEDGEABLE ON THIS AND LACKS BACKGROUND IN SOVIET ECONOMIC ORGANIZATION. RELEVANT COMMENTS WERE SUCH TRUISMS AS IMPRESSION THAT OFFICIALS OF DISSOLVED MINISTRIES RELUCTANT ACCEPT PROVINCIAL ASSIGNMENTS, SOVNAKHOZ SYSTEM HAVING GROWING PAINS AND MAY IN LONG RUN BE LESS EFFICIENT THAN TIGHTLY CENTRALLY RUN ECONOMY. BEITZ VOLUNTEERED IMPRESSION THAT POLITRUCKS (SIC) NO LONGER EXISTS IN PLANTS BECAUSE ALL SUPERVISORY EMPLOYEES NOW FULLY TRAINED POLITICALLY AND RELIABLE.

2. NONE.

3. BEITZ FEELS SOVS REALLY MAKING SERIOUS EFFORT INCREASE OUTPUT CONSUMER GOODS AND CHARACTERISTICALLY MAKING MAJOR AND SPECTACULAR EFFORT IN ONE SECTOR NAMELY ARTIFICIAL FIBERS FOR CLOTHING. EXCEPT FOR FAIRLY CASUAL INQUIRIES ABOUT DIESEL LOCOMOTIVES, SOVS INDICATES NO INTEREST IN PURCHASING ANY OTHER MACHINERY FROM KRUPP. BEITZ FEELS THAT OBVIOUS SOY DECISION TO CONCENTRATE ON ARTIFICIAL FIBERS MAY HAVE SOME IMPORTANT SIGNIFICANCE WHICH ESCAPES HIM BUT SEEMS TO CRITICAL OR DIRECT MILITARY USE FOR PLANTS DELIVERED.

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CLASSIFIED MESSAGE

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4. PAYMENT IN DEUTSCHE MARK IN THREE STEPS: ON SIGNING OF CONTRACT, ON PARTIAL COMPLIANCE AND ON COMPLETION. SOVIETS NEVER BROUGHT UP MATTER OF CREDIT.

5. IN GENERAL SOVIETS SEEKING MOST ADVANCED MACHINERY AVAILABLE BUT ARE SHOPPING AGGRESSIVELY AND WOULD PROBABLY TAKE SOMETHING LESS THAN THE VERY LATEST IF IT ESPECIALLY ATTRACTIVELY PRICED. ONE STRICTURE: SOVIETS OFTEN BUY THE MOST ADVANCED ITEM THEY THINK THEY CAN COPY SUCCESSFULLY, WOULD FOREGO MOST ADVANCED TYPE IF THEY UNLIKELY BE ABLE COPY.

6. NO, PERHAPS BECAUSE KRUPP DOES NOT MAKE AUTOMATION EQUIPMENT.

7. EARLY 1960. COMPONENTS OF FULLY INTEGRATED FIBER-PRODUCING COMPLEX WILL BE AT TULA RYBYSHEV MOSCOW. WILL PRODUCE NYLON PERLOW DACRON. CLOTHING. FURTHER DETAILS PER PARA 2-C BELOW.

8. YES.

9. FEELS IT MASSIVE EFFORT IN COMPLIANCE OF POLITICAL DECISIONS AND TO MEET OBVIOUS NEEDS: UNABLE JUDGE DURATION. RE LAST SENTENCE, SEE PARA 2-C.

10. KNOWS ONLY THAT FRENCH ARE SUPPLYING CEMENT PLANT. SOVIETS OBVIOUSLY HAVE TO SUPPLEMENT EAST GERMAN SOURCE BECAUSE IT NOT CAPABLE OF MEETING ALL SOV NEEDS FOR PLANTS. BASE COMMENT: GLOC PLANNING CONSIDERATIONS MAY ALSO DICTATE BUILD UP OF EAST GERMAN PRODUCTION AND PLANTS THEREFORE BEING LEFT IN EAST GERMANY.

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11. NO. WILL INQUIRE FURTHER PER PARA 2-C.

12. NO.

13. ELITZ TELLS WIDE RANGE OF GOVERNMENT AND FOREIGN OFFICE CONTACTS

(A) THAT IN TRADE OF SORT HE CONDUCTING GERMANY PENETRATES SOV ELOC RATHER THAN REVERSE, (B) THAT GERMANY SHOULD MAKE A HUNDRED MILLION MARK LOAN TO POLAND BECAUSE POLISH NEED IS GREAT, ESTIMATE AT THIS TIME OF GREAT POLISH WILL BE HISTORICAL AND LONG REMEMBERED, WILL HELP RECAL WORDS OF PAST, GERMANY IS MORALLY OBLIGATED DO SOMETHING THIS SORT, EVENTUAL DEPARTURE BY POLES NO LESS LIKELY THAN BY "EGYPTIANS" INDONESIA AND THE LIKE, POLAND IS WESTERN ORIENTED AND SITUATION COULD EVOLVE MOST FAVORABLY THERE, SOVS WOULD NOT LIKE SUCH LOAN TO POLAND BUT COULD NOT STOP IT, ONLY HOPE FOR CHANGE IN SOVIET WHICH IS AS RESULT OF INFLUENCE SPREADING FROM SATELLITES AND LIKELIHOOD OF ALL THIS WOULD BE ENHANCED BY EFFECTS OF LOAN. (C) HE FEELS CERTAIN CONTINUED FOR GERMAN MANAGERIAL TYPES WHO SO EASILY TAKE BUSINESS TRIPS TO AMERICA AND OTHER ATTRACTIVE OR EXOTIC PLACES BUT WHO NEGLECT SUCH IMPORTANT AREAS AS BERLIN MOSCOW POKON. (D) HE FEELS GERMANY SHOULD ESTABLISH DIPLOMATIC RELATIONS WITH POLAND AND FEELS GOVERNMENT AND FOREIGN OFFICE DEPLORABLY BARRICAD AND PASSIVE ABOUT THIS, WITH GERMANY WORST OFFENDER. (E) FEDREP MUST SOON TALK WITH PANKOV ON REUNIFICATION, BUT IF NO PROSPECTS SUCCESS, TO MAKE CLEAR THAT WEST

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GERMAN STUBBORNNESS IS NOT WHAT IS HOLDING UP REUNIFICATION. (F) HAS SEEN BOTH AMERICAN AND SOVIET INDUSTRY AND IS ABSOLUTELY CONFIDENT THAT WEST HAS NOTHING TO FEAR IN PROLONGED COMPETITION, IN SPITE OF SPECTACULAR SOVIET PERFORMANCES WHEN THEY CONCENTRATE EFFORTS IN ONE SECTOR AS SPUTNIKS.

2. BASE COMMENT:

A. BEITZ WAS IN POLAND DURING WAR AND SEEMS HAVE GENUINE AFFECTION FOR POLES AND GREAT INTEREST IN SEEING THEM GET HELP.

B. BEITZ VERY SENSITIVE TO ANY SUGGESTION THAT HE ACTED IMPROPERLY IN GOING TO MOSCOW, IS MAKING AN ACCOMMODATION WITH THE SOVIETS, ETC.

C. PER OUR REQUEST TASCA SAID HE WISHED SEND [] TO ESSEN FOR MORE DETAILED DEBRIEFING OF DRUPP DIRECTOR HALLER AND DRUPP SOVIET SPECIALIST WEDDE, BOTH OF WHOM SPENT MUCH MORE TIME IN UNION THAN BEITZ AND HAVE MORE DETAILED KNOWLEDGEABILITY. BEITZ AGREED ARRANGE ANYTHING WE WANT. SUGGEST HQ CABLE SUITABLE QUESTIONNAIRE IN ADDITION TO REF OR ADVISE BY CABLE THAT THIS BEING POUCHED INSTEAD.

END OF MESSAGE

C/S COMMENT: *SUGGESTED POINTS TO BE COVERED DURING [] AND [] VISIT WITH DR. BEITZ RE PROBLEMS THE SOVS HAVE ENCOUNTERED IN THEIR INDUSTRIAL REORGANIZATION PROGRAM.

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