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K. KRUPP

FOREIGN SERVICE DESPATCH

FROM: EMBASSY : ONN
TO: THE DEPARTMENT OF STATE WASHINGTON

Handwritten notes:
6/6/61 62041/8-1457
Distribution No. 259
AUGUST 14, 1958
Krupp file

17

SUBJECT: KRUPP REPRESENTATIVE VISITS MOSCOW

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ATTACHED, AS ENCLOSURE NO. 1 OF THIS DESPATCH, IS A MEMORANDUM DESCRIBING THE DISCUSSION WHICH TOOK PLACE WITH ERTHOLD LEITZ, GENERAL MANAGER FOR ALFRIED KRUPP, AT THE HOUSE OF MINISTER TASCA SHORTLY FOLLOWING THE RETURN OF MR. LEITZ FROM A BUSINESS TRIP TO MOSCOW.

AS THE DEPARTMENT WILL RECALL (EMBASSY DESPATCH NO. 2192, JUNE 6, 1958) THE PRESS AT THAT TIME REPORTED THAT LEITZ HAD CONCLUDED CONTRACTS FOR KRUPP WITH SOVIET TRADE ORGANIZATIONS FOR DELIVERY OF MACHINERY FOR THE PRODUCTION OF SYNTHETIC FIBERS VALUED AT DM 50 MILLION. REPORTEDLY KRUPP EXPECTED ADDITIONAL ORDERS FROM THE SOVIETS, PARTICULARLY FOR MACHINES NEEDED IN THE CHEMICAL INDUSTRY.

THE INFORMAL EVENING DISCUSSION, DESCRIBED IN THE MEMORANDUM ATTACHED, PROVIDED THE OPPORTUNITY TO LEARN MORE ABOUT THE VIEWS HELD BY MR. LEITZ.

FOR THE AMBASSADOR

HENRY J. TASCA
MINISTER FOR ECONOMIC AFFAIRS

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DOW, GERMANY

MEMORANDUM FOR THE RECORD

13 JUNE 1958

ON THE EVENING OF 12 JUNE 1958, MINISTER TASCA ENTERTAINED AT HIS HOME KRUPP PLENIPOTENTIARY LEITZ AND KRUPP'S OWN REPRESENTATIVE, LUECKE. MESSRS. SCHWARTZ, FIRST SECRETARY, AND FLOTT, SECOND SECRETARY, OF THE POLITICAL SECTION WERE ALSO INVITED.

THE MAIN IMPRESSIONS OF THE EVENING WERE (1) THAT LEITZ WAS VERY MUCH ON THE DEFENSIVE ABOUT HAVING BEEN IN MOSCOW, AND (2) THAT HE WAS VERY MUCH IN FAVOR OF GERMAN AID TO POLAND. HE TOLD MINISTER TASCA, HALF IN JEST BUT WITH A BACKGROUND OF CONCERN, THAT HE WAS AFRAID TASCA WOULD NO LONGER SPEAK TO HIM AFTER THE TRIP. HE INDICATED THAT GERMAN OFFICIAL CIRCLES THOUGHT BADLY OF HIS HAVING MADE THE TRIP. HE DEFENDED HIS ACTIONS, HOWEVER, AND SAID HE THOUGHT HIS TRIP FULFILLED A USEFUL PURPOSE, EVEN THOUGH, AS HE SAID, HE WAS NOT LOOKING FOR BUSINESS IN THE USSR. HE WENT TO GREAT LENGTHS TO SHOW THAT OTHERS WERE DOING BUSINESS WITH THE EAST, NOTABLY THAT THERE WERE BRITISH, FRENCH AND AMERICAN TRADE GROUPS IN MOSCOW WHILE HE WAS THERE. WHILE THE FORMER TWO HAD IN FACT WON IMPORTANT CONTRACTS, IT WAS POINTED OUT TO LEITZ THAT THE AMERICAN GROUP WAS MERELY A STUDY GROUP FROM THE METALLURGICAL INDUSTRY, AND ITS PRESENCE THERE COULD IN NO WAY BE EQUATED TO THE OTHERS, AS LEITZ HAD TRIED TO DO IN ONE OF HIS PRESS CONFERENCES UPON HIS RETURN TO GERMANY. LEITZ, IN EFFECT, ADMITTED THAT HE HAD BEEN CITING THE FACT THAT THE NOT-AT-ALL-COMPARABLE AMERICAN GROUP WAS THERE IN ORDER TO DEFLECT CRITICISM FROM HIMSELF.

ON THE MATTER OF POLAND, LEITZ SAID HE FELT STRONGLY THAT THE GERMANS "SHOULD DO SOMETHING FOR POLAND," SHOULD MAKE SOME KIND OF A GESTURE OF ECONOMIC AID. HE SEEMED VERY INVOLVED EMOTIONALLY WITH THE IDEA OF HELPING POLAND; HE HAD SERVED IN POLAND DURING THE WAR, HAD VARIOUS POLISH FRIENDS, AND WAS BRINGING A POLISH STUDENT OF MUSIC TO GERMANY TO STUDY THIS SUMMER OR FALL. HE SAID THE FOREIGN OFFICE WAS TOO SLOW AND UNIMAGINATIVE IN CONNECTION WITH A POLISH PROGRAM.

LEITZ IS NOT REALLY KNOWLEDGEABLE ON THE USSR AND GENERALLY LACKS BACKGROUND IN SOVIET ECONOMIC ORGANIZATION. MANY OF HIS OPINIONS OR COMMENTS ON THE SOVIET SCENE WERE EITHER TRUISMS OR OBVIOUS MISUNDERSTANDINGS; FOR EXAMPLE, HE SAID THAT OFFICIALS OF THE DISSOLVED PRODUCTION INDUSTRIES WERE RELUCTANT TO ACCEPT PROVINCIAL ASSIGNMENTS AND THAT THE SOVNAKHOZ SYSTEM (THE REGIONAL ECONOMIC UNITS) WAS HAVING GROWING PAINS AND MAY IN THE LONG RUN BE LESS EFFICIENT THAN THE FORMER TIGHTLY-RUN, CENTRALIZED ECONOMY. HE SAID THAT THE POLITRUKS (SIC) AND POLITICAL AGENTS IN GENERAL HAD BEEN ELIMINATED FROM THE PLANTS BECAUSE ALL SUPERVISORY EMPLOYEES ARE NOW FULLY TRAINED POLITICALLY AND FULLY RELIABLE.

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HE DID FEEL STRONGLY THAT THE SOVIETS WERE REALLY MAKING A SERIOUS EFFORT TO INCREASE THE OUTPUT OF CONSUMER GOODS, AND THAT CHARACTERISTICALLY THEY WERE MAKING A MAJOR AND SPECTACULAR EFFORT IN ONE SECTOR, NAMELY, ARTIFICIAL FIBERS FOR CLOTHING. HE FELT THERE WAS NO HIDDEN SIGNIFICANCE IN THIS CHOICE, AND SAID HE COULD THINK OF NO CRITICAL OR DIRECT MILITARY USE FOR THE PLANTS KRUPP WAS DELIVERING. EXCEPT FOR FAIRLY CASUAL INQUIRIES ABOUT DIESEL LOCOMOTIVES, THE SOVIETS INDICATED NO INTEREST IN PURCHASING ANY MACHINERY FROM KRUPP OTHER THAN THE FIBER PLANTS. LEITZ SAID THAT THE PLANTS WOULD BE PAID FOR IN DMARKS IN THREE STEPS: ON SIGNING OF THE CONTRACT, ON PARTIAL COMPLIANCE, AND ON COMPLETION. THE SOVIETS, HE SAID, NEVER BROUGHT UP THE MATTER OF CREDIT, AND THERE IS NO CONNECTION BETWEEN THE MAJOR KRUPP SYNTHETICS DEAL AND THE LAHR ECONOMIC AGREEMENT SIGNED IN COON LAST SPRING.

THE PLANTS THAT KRUPP SUPPLIED WILL PRODUCE NYLON, PERLON AND DACRON. THEY WILL BE LOCATED AT TULA, KUYBYSHEV AND MOSCOW. THEY WILL BE COMPLETED EARLY 1950.

LEITZ SAID HE WOULD TELL AS MANY PEOPLE AS HE COULD THAT HE FEELS TRADE OF THE SORT KRUPP IS ENGAGING IN ACHIEVES A PENETRATION OF THE SOVIET BLOC, RATHER THAN THE REVERSE. FURTHER, HE FEELS THAT GERMANY SHOULD MAKE A HUNDRED MILLION MARK LOAN TO POLAND BECAUSE THE POLISH NEED IS GREAT AND BECAUSE A GERMAN GESTURE AT THIS TIME OF GREAT POLISH NEED WOULD BE HISTORICAL AND LONG-REMEMBERED AND WOULD HELP HEAL THE WOUNDS OF THE PAST. HE SAID GERMANY IS MORALLY OBLIGATED (AND HE REALLY SEEMED TO FEEL AND BELIEVE THIS) TO DO SOMETHING FOR POLAND, AND THAT EVENTUAL REPAYMENT BY THE POLES WAS NO LESS LIKELY THAN BY "EGYPTIANS, INDONESIAIS AND THE LIKE." POLAND IS WESTERN-ORIENTED AND THE SITUATION THERE COULD EVOLVE VERY FAVORABLY. THE SOVIETS WOULD NOT LIKE SUCH A LOAN TO GO TO POLAND, BUT THEY COULD NOT STOP IT. LEITZ FELT THAT THE ONLY HOPE OF CHANGE IN THE SOVIET UNION WAS THAT CHANGE WOULD SPREAD TO IT FROM THE SATELLITES, AND THE LIKELIHOOD OF ALL THIS WOULD BE ENHANCED BY THE EFFECTS OF A LOAN.

LEITZ EXPRESSED A CERTAIN CONTENTMENT FOR "CERTAIN GERMAN MANAGERIAL TYPES WHO ARE SO EAGER TO MAKE BUSINESS TRIPS TO AMERICA AND OTHER ATTRACTIVE OR EXOTIC PLACES," BUT WHO NEGLECT SUCH CRITICALLY IMPORTANT AREAS AS ERLIN AND POZNAN AND WARSAW. HE FEELS THAT GERMANY SHOULD ESTABLISH DIPLOMATIC RELATIONS WITH POLAND, AND FEELS THE FEDERAL GOVERNMENT AND THE FOREIGN OFFICE ARE DEPLORABLY PASSIVE, BACKWARD AND UNDECIDED ABOUT THIS, WITH ERENTANO BEING THE WORST OFFENDER.

IN ONE OF HIS MORE ALARMING STATEMENTS OF THE EVENING, LEITZ SAID HE FELT THAT THE FEDREP MUST SOON TALK WITH PANUOV ON REUNIFICATION, EVEN IF THERE ARE NO PROSPECTS FOR SUCCESS, TO MAKE IT CLEAR THAT

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LONDON, GERMANY

WEST GERMAN STUBBORNNESS IS NOT WHAT IS HOLDING UP REUNIFICATION. THE EMBASSY OFFICERS PRESENT TOOK EXCEPTION TO THIS, AND ARGUED AGAINST THIS APPROACH AT SOME LENGTH.

LEITZ SAID HE HAS SEEN BOTH AMERICAN AND SOVIET INDUSTRY AND IS ABSOLUTELY CONFIDENT THAT THE WEST HAS NOTHING TO FEAR IN PROLONGED COMPETITION, IN SPITE OF THE SPECTACULAR SOVIET PERFORMANCES WHICH RESULT WHEN THEY CONCENTRATE THEIR EFFORTS IN ONE SECTOR, AS SPUTNIKS.

THE MEETING WAS ON A FRIENDLY, ALMOST JOVIAL NOTE THROUGHOUT, AND ESPECIALLY WHEN IT ENDED. LEITZ INDICATED A GENERAL WILLINGNESS TO ALLOW SOME APPROPRIATE EMBASSY OFFICER, PREFERABLY ONE KNOWLEDGEABLE ON THE SOVIET ECONOMY, TO INTERVIEW KRUPP DIRECTOR KALLER AND KRUPP SOVIET SPECIALIST WREDE, BOTH OF WHOM HAVE SPENT MUCH MORE TIME IN THE SOVIET UNION THAN LEITZ, WHEN THEY RETURN FROM MOSCOW.

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