

SECRET

WASH.

MGBB-9

OFFICE OF MILITARY GOVERNMENT FOR GERMANY (US)

Office of the Director of Intelligence

Army

WEEKLY INTELLIGENCE REPORT

No. 62

COPY 74

DECLASSIFIED AND RELEASED BY:
CENTRAL INTELLIGENCE AGENCY.
SOURCE METHOD EXEMPTION 3828.
NAZI WAR CRIMES DISCLOSURE ACT-
DATE 2007

FOR COORDINATION WITH US Army

Job 76-788R
Box 270

Peter P. Rodes

PETER P. RODES
Colonel GSC
Director of Intelligence

19 July 1947

SECRET

SECRET

W E E K L Y I N T E L L I G E N C E R E P O R T

This publication of the Office of the Director of Intelligence presents in brief the significant intelligence reports received during the week. The original reports are available for consultation in the Intelligence Library (Tel: 42762) by authorized persons.

IN NO CASE WILL THIS REPORT BE TRANSMITTED OR SHOWN TO ANY REPRESENTATIVE OF A FOREIGN POWER OR TO ANY PERSON WHO IS NOT A CITIZEN OF THE UNITED STATES.

NO ITEM WILL BE REPRODUCED WITHOUT PRIOR APPROVAL OF THE DIRECTOR OF INTELLIGENCE.

- 0 -

SECRET

SECRET

TITLES OF SUBJECTS COVERED BY OFFICE OF THE DIRECTOR OF INTELLIGENCE FOR
WEEK OF 19 JULY 1947

<u>POLITICAL</u>	<u>PAGE</u>
1. <u>"Hungarian Crisis" predicted for Russian Zone</u>	2
2. <u>Help for the Farmers - or Recruiting for the SED</u>	3
3. <u>Active CDU and SPD Coalition Against Communism</u>	4
4. <u>German Reaction to Soviet Refusal of Marshall Plan</u>	6

FINANCIAL AND
ECONOMIC

5. <u>The German Manpower Problem - the Future Bottleneck of</u> <u>German Recovery</u>	9
6. <u>Soviet Zone Socialization</u>	15
7. <u>Dr. Buschmann's Plan on the Organization of Food Delivery</u>	16
8. <u>Trade-marks and German Exports</u>	16
9. <u>Comparison of European Food Standards</u>	18

SOCIOLOGICAL

10. <u>Soviet Attempts to Politically Control Sport Organizations</u>	19
11. <u>Food Situation in Thuringia</u>	19
12. <u>Disillusioned German Youth Hesitates to Put Faith in</u> <u>Democracy</u>	20

SECURITY AND
DEMILITARIZATION

13. <u>Increasing Disrespect for Law - Due to Uncertainties and</u> <u>Scarcities</u>	20
14. <u>Colored Troop Disturbances</u>	22

LEGAL AND
DENAZIFICATION

15. <u>German Courts' Personnel and the Council of Foreign</u> <u>Ministers</u>	23
16. <u>Nazi Party Records Competent Evidence in MG Courts</u>	25
17. <u>Prisons Overcrowded by Persons Awaiting Trial</u>	26

PRESS REVIEW

18. <u>Soviet Sharply Criticizes U.S. Policies</u>	27
--	----

+ + + + +

SECRET

SECRET

SUMMARY AND CONCLUSIONS

POLITICAL

The CDU leader in the Soviet Zone (Jakob Kaiser) predicts that a crisis, similar to that in Hungary, will be engineered in the Soviet Zone following his expected failure of the next peace conference. A communist government will be established with which Russia will conclude a separate peace. Politically exposed personalities would take refuge in the west. There is much speculation among such groups as to when they should leave.

- - Item 1, page 2

Marshal Sokolovsky's aid plan for needy members of the Mutual Peasant Aid has been linked with the Soviet sponsored campaign to enroll new SED party members. SED members are in charge of apportioning gifts; they carry with them blank SED membership cards and have been instructed that the success of the campaign will depend on their individual initiative.

- - Item 2, page 3

To counteract Communist activity in industrial plants in the western zones, the CDU and SPD have joined in a program to infiltrate plants where communists now dominate and to establish special trade union schools to train workers for this purpose.

- - Item 3, page 4

Soviet and Soviet-Satellite States refusal to participate in Marshall-Plan talks regarded as having created a new situation and raised the question of "Just What Does Russia Intend to Do Now, and Does She Want War." Competent German sources of opinion that Russia cannot conduct aggressive war and would, in event of conflict with the West, withdraw her forces to Russian territory.

- - Item 4, page 6

ECONOMIC AND
FINANCIAL

The shortage of labor, notwithstanding population increases and reduced production capacity is another serious obstacle to German recovery. The paradoxical condition is caused by undernourishment, low efficiency, shortage of clothing and misallocation. Job training to improve efficiency is handicapped by shortage of materials. It is estimated that available labor will increase until 1956 after which it will decline. The increase, however, is not commensurate with production goals. All efforts to maintain and improve labor saving devices in Germany should be given serious consideration in the revised level of industry plan.

- - Item 5, page 9

The main source of difficulties in the state-owned factories of the Soviet Zone is the shortage of qualified personnel according to the President of the Central Administration of Industry. Besides the inherent problems of industrial management of oversized enterprises, political considerations have aggravated the problem. Nevertheless socialization is now being extended to small firms and retail shops and causing a flight of business men, particularly from Berlin, to the West.

- - Item 6, page 15

SECRET

- 1 -

Dr. Buschmann who has made a study of food collection problems in the western zones submitted a plan to British authorities to improve the Bizonal food administration. The plan calls for the immediate extension of the powers of the bizonal food and agriculture administration to establish quotas and control deliveries. These functions would ultimately be taken over by a Bizonal Administration for Trade which would be further removed from farmer influence.

- - Item 7, page 16

The use and value of German trade-marks abroad for German exports has become a controversial issue. The continued use of the old German trade-marks in exports would probably increase export proceeds. In those instances where it is necessary to cancel trade-marks, the adoption of new ones now, while a seller's market still exists would aid in the maintenance of export trade. Since trade-marks and trade-names constitute a valuable part of the German economy these assets should be considered in selecting surplus plants to be dismantled.

- - Item 8, page 16

The average food rations for nine European countries and the western zones of Germany are tabulated for purposes of comparison. No general conclusions are made due to discrepancies between official rations and food actually received, and the existence of free markets in addition to rationed food in some countries.

- - Item 9, page 18

SOCIOLOGICAL

Sports in the Soviet Zone and sector of Berlin are organized on a communal basis. There is strong opposition in Berlin to this form of organization and in favor of independent clubs which are now permitted by Allied Kommandature Communiqué No. 63. To maintain their hold on sport organizations the Russians now plan to establish a workers' sports movement.

- - Item 10, page 19

A serious food shortage in Thuringia (Soviet Zone) has caused several mass food raids. No one could be apprehended because the populace and police refused to divulge any names.

- - Item 11, page 19

It was brought out at the Munich Youth Conference why it is difficult for German youth to readily accept democracy. Disillusioned by the failure of Nazism, German youth now hesitate to believe in a new doctrine which promises so much and yet may also be destroyed.

- - Item 12, page 20

SECURITY AND DEMILITARIZATION

There has been an increase in theft, petty crime and general disrespect for German law brought about principally by the critical food, fuel and housing situation. It is agreed, however, that no subversive organizations capable of extreme violence against the occupation forces are known to exist.

- - Item 13, page 20

Colored troop depredations against the civilian population have often embarrassed Military Government authorities and hampered in creating and maintaining the good will between the inhabitants and the occupation forces. In most cases frauleins or an over-indulgence in liquor are the basic reasons for friction.

SECRET

- 1a -

SECRET

Recently, a demonstration bordering on a riot took place in Giessen when colored soldiers attempted to recover their companions who had been apprehended as VD suspects or illegal residents.

- - Item 14, page 22

LEGAL AND
DENAZIFICATION

As of 1 June 1947, over 50% of the judges and prosecutors in the German Judiciary (U.S. Zone) were formerly members of the Nazi party or affiliated organizations and 13% had not been before a denazification Tribunal. It is probable that the preponderance of former party members will increase. This is considered necessary in establishing a strong independent judiciary, but will require close inspection and may be a subject of Soviet criticism at the London Conference of Foreign Ministers.

- - Item 15, page 23

The ruling of a U.S. Military Government court that a Nazi party membership card was not admissible to prove membership was, in effect, over ruled by Legal Division, OIGUS by a ruling which provides that such records will not be excluded on technical grounds of hearsay and instructs MG courts to take judicial notice that entries were made in the regular course of business on documents which have remained in the custody of the U.S. Army since seizure.

- - Item 16, page 25

Prisons are filled to 100% of their normal capacity. This condition which may get worse is aggravated by confinement of persons waiting trial (some as long as two years) who constitute 27% of prison population. More liberal practice of release on reasonable bail would do much to solve the problem and teach respect for principles contained in U.S. Bill of Rights.

- - Item 17, page 26

PRESS REVIEW

The Soviet controlled press sharply criticizes the directive issued by State, War and Navy Departments to the Military Governor covering the objectives and policies of U.S. administration of Germany. Propaganda campaign is part of general plan to cause distrust of U.S. Points continually emphasized are 1) greed of monopolists and capitalists, 2) preventing socialization of industry, 3) hunger rations caused by greed for profits, 4) central versus federal government, 5) championing unity and 6) blaming others for dividing Germany.

- - Item 18, page 27

SECRET

- 1b -

SECRET

POLITICAL SECTION

1. "Hungarian Crisis" predicted for Russian Zone

In a confidential conversation with certain of his colleagues, Jakob Kaiser, leader of the CDU in eastern Germany, stated that it is his belief that the Russians are preparing to engineer a crisis in the Soviet zone similar to that which recently occurred in Hungary. After the expected failure of the next peace conference, a "reactionary plot" will be discovered, immediate action will be taken to install an SED government, and Soviet domination will be complete; Russia will then conclude a separate peace with the Russian zone.

Kaiser maintains that little can be done to prevent the development of such a situation. The western powers must be persuaded to demand that a plebiscite be conducted under supervision of all four Allies; the Russians will not permit this, and the western powers will not allow the eastern part of Germany to be the cause of a break between themselves and Russia. In the event that a "Hungarian Crisis" does occur, the CDU must be dissolved, and its leaders must emigrate to the west. It would be inadvisable to make such a move of protest at the present time, since there is little doubt that a new CDU would be formed by SED and Russian circles.

Source: Special Report No. 3834

Comment: Comparisons between political developments of the Soviet Zone and Berlin on one hand and the "Hungarian crisis" on the other hand, and particular comparisons on the underlying aims of the Soviets in these two different regions of Europe are becoming more and more frequent. To spell out this parallel it may be of interest to trace the developments in Hungary. Hungary was one of the first European countries to hold general elections after the war. Prior to these elections the Communists tried first to form a "unity" or "antifa" block, but failed. They have also failed to force a merger with the Socialist Party, but they succeeded in forcing an agreement with the other parties prior to the elections whereby the other parties agreed to form a coalition government in which the political representation of the bourgeois and leftist parties is guaranteed at the ratio of 1:1, irrespective of the outcome of the elections. After the technically free and unfettered elections which gave the middle-of-the-road Small Land-owners a resounding victory, the Government has been formed on the basis of the previously signed agreement. But Communist infiltration immediately started with assignment of key ministerial posts to Communists or left-wing Socialists and insignificant cabinet posts have been created for Small Land-holder Party members to maintain the agreed ratio. In the other governmental agencies, committees, missions, etc., to which the agreement didn't extend, the Leftists outweighed the Rightists. To make the parliamentary majority of the Small Land-holders ineffective, an Economic Council was created under Communist domination which became the real power in the country and was not responsible to the parliament. From these initial stages of Communistic domination, the Communist influence has been constantly extended through concerted pressure on the Small Land-holder members of the government and on the Small Land-holder party in general. This pressure was brought about by several waves of accusations against members of this party and the intra-party compromises concluded at the end of each such period resulted in a series of submissions to Communistic demands. The latest phase of this development was the "discovery of a reactionary plot" which resulted in the final disintegration of the anti-Communist forces. This, in short, is the history of the country which dared to vote against the Communists in a free election.

Pressure tactics and the reversal of the "free will of the people" was perhaps not as obvious in the Soviet Zone because the merger efforts of the Communists with the Socialists have been successful prior to the election and because the outcome of the elections was much more favorable.

SECRET

SECRET

to the Communists in the Soviet Zone than in Hungary. In Berlin where Communists have been as badly defeated as in the 1945 Hungarian elections, the present trend of Soviet policy resembles much more the policy pursued in Hungary. To some extent, means and methods are different due to the presence of other occupying powers, but the aim is to make the government of anti-Communist forces impossible.

Jakob Kaiser's personal attitude toward the German problem and toward developments in the Western Zone has been described in last week's report (See Weekly Intelligence Report No. 61, pages 11 to 13). The thought of leaving the Soviet Zone is becoming prevalent among a number of businessmen, political leaders, journalists and politically exposed personnel. The dilemma facing these political leaders of the Soviet Zone is the same which faced their predecessors of the allied nations during the Nazi domination of Europe, namely, whether to remain where they are and continue to fight with the means available to them or to seek refuge in the West. In the first case compromises will be inevitable. Before they decide what action they are to take they will look to the Western allies for suggestions.

As to the probability of developments described above, it is now believed by reliable observers that no decisive action will be taken in the Soviet Zone prior to the London Conference. Despite many rumors, prompted particularly by the visit of Marshal Beria, it is unlikely that a central government of the Soviet Zone will be formed. Instead there are increasing efforts to strengthen the "block policy", i.e. to govern through the antifa blocks and to strengthen Communistic domination in the block committees by the inclusion of representatives from such front organizations as the Mutual Peasant Aid, the FDJ, women's organizations, etc.

2. Help for the Farmers - or Recruiting for the SED

An announcement appeared 15 July 1947, in the Berlin newspaper "Der Kurier" (French licensed) to the effect that the Marshal Sokolovsky aid plan would provide neediest members of the Mutual Peasant Aid with a supplemental allocation of consumer goods. A survey is being made to determine the needs of the individual communities.

The following report throws some light on what is behind this innocent looking announcement. The information comes from a usually reliable source:

While visiting the SED State headquarters Mark Brandenburg on 21 May 1947, source had an opportunity of glancing over a letter of this agency, addressed to all SED members in the Farmers' Mutual Assistance Society (Vereinigung der gegenseitigen Bauernhilfe). The text of the letter ran about as follows:

"The apportioning of the gifts, put at your disposal by Marshal Sokolovsky for distribution among needy farmers and new settlers in Mark Brandenburg, will enable you to carry through an intensive campaign for the enrollment of new SED party members which promises to be very successful. As in many other instances, the success of this campaign will largely depend upon the initiative of each member."

It was also recommended that the SED members use for this purpose blank membership cards, so that admission formalities could be taken care of on the spot.

SECRET

SECRET

The following items have been released for distribution among needy farmers and new settlers:

50,000 meters of cloths
10,000 pieces of knitted goods
10,000 pairs of stockings
15,000 meters of textile fabric
5,000 pairs of wooden shoes
10,000 pairs of wooden slippers
10,000 glasses of preserves and household furnishings worth RM 150,000."

Source: Special Report 3662

Comment: This is another example of the masterful organization of the SED. The consumer goods - which in the Western Zones are used in black market and compensation deals - are exploited in the Soviet Zone to advance the cause of the communists.

3. Active CDU and SPD Coalition Against Communism

The Communist Party has continued its efforts to influence the political thoughts of the German population by agitating for a merger with the Socialist Unity Party (SED) of the Soviet Zone and by inciting strikes, particularly in the Mannheim area, in protest over the food ration. As a result of this Communist activity, the Christian Democratic Union and the Social Democratic Party have adopted a campaign of increased anti-Communist activity. The first step in this campaign against Communists has been to institute a rightist or moderately leftist infiltration of plant councils in the larger industrial plants where Communism has found its mightiest stronghold. Because the CDU does not have enough members among the factory workers, a coalition with the SPD has been established whereby the SPD will either place its members in plants or propose its members for plant steward and plant council positions with CDU support. Fritz Kuhn, leader of the Mannheim CDU and a chairman of the trade unions, stated that, for the present, the CDU and SPD cannot overcome Communist strength in many of the plants because there are too few SPD-CDU members adequately trained for this task, and because the Communists are too strong as a result of their use of the existing food situation for propaganda purposes. Kuhn stated, however, that it is the opinion of the CDU that after the food situation improves, Communist influence will decrease and there will be no need to fear that middle-class Germans will become Communists. The CDU intends to begin its campaign immediately against Communists in plants despite the aforementioned facts. The initial activity will be carried out in the labor office where the CDU predominates. Since everyone seeking employment, especially the younger people, must go to the labor office for assignment and approval, all persons will be examined in private conversations with Kuhn or some other CDU official and his political affiliations or feelings will be ascertained. If the applicant shows CDU, SPD or DVP leanings he will immediately get a job in one of the Communist-dominated plants in Mannheim. As far as possible Communist applicants for work will be kept away from Communist-dominated plants and will be placed in plants where CDU or SPD predominance will block the Communist activities of the individual. In this way the CDU with its stronghold in the Labor Office hopes to reduce the number of active Communists in plants.

Another important point formulated by the CDU and SPD in their fight against Communism, is a proposal to establish a special trade union school in the American Zone. This school may take the form of various sectional schools controlled by a single governing authority. The training system will be arranged for intensive training of young men between the ages of 25 and 30 and will deal solely with trade union problems. These people

SECRET

SECRET

will be carefully selected and will have to take an examination so that their capability for such work in the future may be determined. It has not been definitely decided whether these schools should work openly or secretly, nor has it been determined whether the SPD will establish schools separately from the CDU, but with the same regulations and directives. The students in these schools will be intensively trained in matters of world interest in conformity with Anglo-American views, and in matters of trade union interest. The teachers will be old non-Communist trade union leaders having the necessary experience. The students attending these schools will have one year of training and will then be sent into the industrial plants for the purpose of defeating Communist infiltration and of replacing Communist leaders in the plants. This will mean a complete re-education of the workers away from Communist ideas and toward the Liberal Socialist or democratic way. The above idea concerning the schools, formulated by Kuhn and Trumpheler (Mannheim SPD leader), has aroused the interest of higher CDU and SPD leaders throughout Germany and it is expected that a conference will be held between Dr. Schumacher and Jakob Kaiser, first chairman of the CDU in the Soviet Zone, to discuss the advisability of such schools. In the event that the results of the conference favor these schools, the first one will probably be established in Stuttgart. Although both parties will undoubtedly still agitate for their own purposes after the above-mentioned schools are established, the existing coalition of the two parties is the first show of German activity in an organized sense against the KPD.

Source: Intelligence Summary No. 11, ODDI, EUCOM

Comment: The above described plans of the SPD and CDU indicate the first signs of a departure from defensive to offensive tactics against the forces of Communism. How successful such tactics will prove to be will largely depend on conditions beyond the control of the political parties. The presently existing food and general living conditions in Germany have been the most powerful weapon of the Communists. Changing tactics may result in local success for SPD and CDU but will be difficult to change the situation until the wind is taken out of the sails of the KPD by improved conditions.

The use of the labor office to promote political party interests is at least a questionable method. Unfortunately it has been a German political practice of long standing to exploit official positions for party politics.

The emphasis on special trade union schools may point to SPD realization of their organizational weakness in factory cells. This weakness has been proved in Berlin and in the Ruhr district and is undoubtedly true in Mannheim.

The trend of SPD and CDU coalition against the KPD recalls the political pattern of the Weimar Republic where the middle of the road political parties came to terms against the extreme right and left. In that political struggle they failed. At present such a coalition can concentrate its efforts against the opponents from the left. It may be a healthy political sign to see a joining of political groups against Communism. The plan to coordinate their efforts, to infiltrate plants where Communists are now in control and to establish training schools for their workers is, in effect, a plan to use the same methods against the Communists which the Communists use against them.

SECRET

SECRET

4. German Reaction to Soviet Refusal of Marshall Plan

1. Molotov's abrupt departure from Paris where he had flown at British French instigation to sit in on the Marshall-Plan talks and the subsequent refusal of Soviet satellite states to join the ensuing talks has created a new political situation - or at least aggravated the old - and raised the question of "Just what does Russia intend to do now and does she want war?" As regards the latter half of this question, competent German opinion (stemming from ex-naval, military, political economic and other personalities in Berlin) supports the conviction that Russia definitely has no desire for war. This opinion is generally supported by all available information coming to light which indicates strongly that Russia is not in a position to prosecute a war of aggression. On the other hand, a great deal of information is showing up which gives cause to assume that should a conflict with the West unexpectedly break, then Russia would withdraw to the East - most likely behind the Weichsel, in order to make use of her greatest and perhaps only strength, namely, the vastness of Russia's space. Apart from the fact that present internal political and economic positions in Russia in themselves represent a strong deterrent for starting a war of aggression, such a conflict would in no wise be in keeping with Russian mentality. Certainly Russian industry which was appreciably devastated in the last war, will require some years to revive itself and expand. Added to this factor is that billions of dollars worth of industrial equipment and material has been and still is being dismantled for removal and reassembly in Russia; this process will also require years to carry through to fruition.

Another interesting consideration is that without Allies (the new vassal-states of Russia are of no real importance) Russia would never rely upon her own strength (at present, weakness) to conduct such a war. The realization that she is isolated has only strengthened her feeling of inferiority complex vis-a-vis the progressive peoples of the West. If it is to be assumed - based on info seeping out of Russia - that the entire Soviet economy has been linked to armament and that everything is being done to maintain and increase the striking power of their armed Forces and reinforce the attitude of its peoples, then the explanation for this assumption may find its basis in the fact that these efforts are nothing more than a wholesale attempt to compensate for this so painfully disturbing inferiority complex. Therefore, for some time to come it is apparent that the Russian objective (s) will be confined to a defensive framework. At any rate up to present there have been no signs which indicate Russian preparations for a large-scale strategic offensive. The aim of Russian policy appears to be one of expansion in all directions; this is to serve the purpose of strengthening the defensive wall around Russia and at the same time to advance the process of Sovietization wherever possible. Thus, as long as Russia must depend upon her own military power she is bound to pursue this aim with her well-known methods of "diplomacy", propaganda and communist infiltration. She will not risk the successes she has thus far achieved by resorting to arms. It is only reasonable to assume that the Kremlin rulers are well aware of the fact that any war which Russia would have to fight against practically the entire world would result in the destruction of their regime and the communist system.

2. In conformity with the foregoing and as pointed out above, there have been no signs of a Russian military offensive in the offing - at least none which go beyond the tactical framework, or which can be assumed to be mere bluff. As regards Germany itself, it would appear to be practically impossible that a change towards warlike initiative would go undetected; on the contrary such steps would be recognized immediately and relayed by Germans on the spot to the Western Powers. In any event, all reports thus far received from the area in back of the Iron Curtain reveal a purely defensive attitude in case a conflict is forced upon Russia by the Western Powers.

SECRET

SECRET

3. In support of the foregoing remarks, it has been interesting to learn something about Russian opinion anent the situation. About a week ago, a Russian colonel, assigned to the Soviet Military Administration in Karlshorst, commented as follows:

"We (Russia) do not want war and what is more, we cannot conduct a war. All other peoples as well are tired of war and will know how to prevent any warlike intentions of their government. America, with her difficult internal political situation (economic crisis, strikes, etc.) cannot start a war; she simply cannot cast off her own child, the Atlantic Charter, and the majority of the U.N.O. would scarcely countenance a war. England, with her present Labor Government, wants peace at any price and will do everything she can to prevent a war. The serious economic crisis in England overshadows and restrains any aggressive English foreign policy. France can be discounted since at present she does not constitute a power factor; her internal political situation is so full of tension that she must, under all circumstances, avoid the additional burden of a foreign policy involving the use of force. The strong communist influence in France must not be underestimated although the communist party is at present not included in the Government, but this party can, at any time, be in position to paralyze any aggressiveness by the government, by means of a general strike. For years to come Western Germany will not be a war potential of any importance. The fear of starvation suppresses any intentions of war in the remaining European countries. In the Far East, America has only a powerless China and Japan on her side."

Another Russian colonel (on the Staff of the Allied Control Council, who formerly was a director of the Singer Sewing Machine factory in Moscow, explained Russian intentions to a friend of his (the latter was also a former Director of the same plan and is now the colonel's interpreter and constant companion), as follows, in the event of conflict with the West:

"At present, Russia is in no position to conduct a war of aggression; she has no intention of conducting a defensive war on German soil; rather, Russian troops would be withdrawn to the Polish border. The strong Polish hatred against Russia - which is much greater than that against the Germans - does not permit Russia at this time to carry out military operations on Polish territory; even now Russian transports must be protected against Polish bands and partisans by tanks mounted on flat-cars. The greater part of all transported goods therefore is her vastness of space; in order to protect herself against threats to her flanks three strong lines of defense are being built, namely: 1) the Turkish border, 2) the Persian border, and 3) in the North (detailed info on these lines are not given).

4. The seemingly realistic assessment of the overall political situation may be the key to the firm attitude of the "dogmatist" Molotov at Paris and may also have influence Stalin to disagree with the arguments advanced by Soviet "Realpolitikers" such as Malinsky. Russia's participation in the Marshall-Plan talks in Paris seems only to have served the purpose of saving face. Subsequently, she prevented the subjugated Eastern States from participating in these talks and by means of tricky propaganda she will now try to convince the world that the Marshall Plan does not mean aid for Europe but instead is only intended to gain ground for American capitalism in the European West.

5. Just what conclusions does this situation lead to? It has already been established and it is generally well known to all the peoples of the world that Russia has disregarded everything of importance subscribed to in the Yalta and Potsdam Agreements, and that she has sabotaged all efforts

SECRET

SECRET

made by the Western Powers to bring about a durable world peace. Even concessions made to the Soviets in contravention of the plain commitments of the Atlantic Charter have, up to now, not led to any tolerable compromises. No Peace Treaty has as yet been effected and state of war remains latent while world destitution progresses at an increasing rate. All efforts towards building a peace have failed due primarily to the Russian attitude. Some competent German sources depose that if the France Regime in a weak Spain was considered a threat to world peace by U.N.O. and action taken to eliminate this "danger", then it is ridiculous to permit Russia and her regime to play their dangerous game and continue to work against and sabotage the peace of the world under the motto of "democracy". Certainly there is no denying that Russia's behaviour has provided Germans with firm grounds to believe that National Socialism was martyred for something far worse and it is therefore not surprising that they desire to see action taken. In this connection it is probably true that the over-whelming majority of Germans firmly believe that Russia has an appreciation for only that language which gives her to understand that her own very existence is threatened, and that any further concessions made to her will be evaluated as weakness and serve only to strengthen her attitude. There is also a great deal of "intolerant" German opinion which would welcome the exclusion of Russia from the "Council of the Peoples" (U.N.O.) and a plain condemnation of her regime as a pure culture of fascism and that in spite of her right of Veto, all means should be employed to bring about a majority U.N.O. decision in this direction. These sources feel certain that Russian reaction to such a step would, for the time being, not bring on a war but instead, for Russian withdrawal from the west.

Source: ComNavForGer, 10 July 1947

SECRET

SECRET

FINANCIAL AND ECONOMIC SECTION

5. The German Manpower Problem - the Future Bottleneck of German Recovery

In his last speech to the Landerrat General Clay drew the attention to a problem which he said is bound to become "a major problem in further rehabilitation of the economy of the U.S. and British Zones", namely the discrepancy between shortages in labor on one hand and the fact that not only had the population of the United States Zone increased by 3,000,000 since the end of the war but also its industrial output at present only approximates 47% to 48% of its prewar level. While low rations may be accountable for low productivity, this explanation can not be considered "the full answer". General Clay considered a coordinated program between labor, management and government essential for further substantial increase in output and productivity.

The following figures on British Zone employment problems will throw some light on the reasons for the discrepancy mentioned by General Clay.

"Actual employment in the British Zone reflects the changes in the industrial structure and in population density brought about by the war. Although in January 1947 the general employment index (1938 = 100) for the British Zone was 106, employment in vital industries, as for example the textile industry, is far below the 1938 level.

Unemployment in the British Zone decreased from 346,000 in March to 323,000 in April 1947; of these, 101,000 are women... The unemployed no longer constitute a reserve labor pool. The present age composition of the working population shows a shortage of young and a surplus of overaged workers. North Rhine-Westphalia alone reported 206,846 unfilled job openings (143,979 men and 62,867 women) in April...

Despite high employment, industrial production is very low; index figures (1936 = 100) for most of the industry groups are below 50, the coal mining index is 67, iron and steel production 21, chemistry 31, building materials industry 19 and textile industry 26.

Industrial production and employment are not balanced. The labor market will have to supply additional workers if still further production losses are to be prevented. The demand for workers by industry, however, does not always reflect actual requirements; a check made in North Rhine-Westphalia in April 1947 showed that 5,200 out of 16,300 requests for workers (32 percent) could not be considered justified requests.

Direction measures taken by the labor administration to overcome the manpower shortage showed but little success. Although the employment of women in North Rhine-Westphalia increased by 153,000 in the course of one year, additional recruitment of females is difficult because of undernourishment and lack of work clothing. Training measures meet with difficulty because of shortages of materials. The allocation of drafted labor is limited to individual cases. During April, only 814 persons in North Rhine-Westphalia were placed compulsorily.

On 31 March 1947 employment in Ruhr mining was 398,900 exceeding the 1938 level by 700. Existing plans provide for the recruitment of 100,000 additional workers; during April, 5,600 new applicants reported for work in the Ruhr mines. Measures had to be taken to prevent highly skilled workers from quitting their jobs in agriculture, food industry, transportation, building

SECRET

SECRET

construction and iron industry who because better living conditions actually prefer jobs in sub-surface mining. Recent reports indicate that some of the new mining recruits do not work at top efficiency and content themselves with minimum wages necessary to still come under the provisions of the point premium system.

The Sachtleben pyrite mines in Meggen ask for 670 additional workers; of these 70 must be skilled miners if their production is to increase from 800 to 2,000 tons per day. Pyrite is a basic material for the production of artificial fertilizer.

The manpower shortage in building construction is also very great. The fulfilment of the miners' housing program which provides for 5.2 million sqm housing space would require 50,000 building workers.

Employment in the iron and metal industry is considerably below the 1938 level. The number of workers employed in the North Rhine-Westphalian iron and metal industry at the end of March 1947 was only 598,200 or almost 30 percent less than in 1938...

The increase of employment in agriculture and forestry was surprising. It jumped from 392,775 in 1938 to 916,519 in 1946. That increase is due to certain structural changes in the agricultural population. Farmers' families were particularly hard hit by war losses; to replace these family helpers, labor had to be recruited from among the refugees and expellees. The increase of the independently employed therefore represents only a partial increase in additional agricultural labor. The expansion of potato, beet and vegetable cultivation requires the supply of additional workers. It is estimated that Westphalian agriculture needs approximately 70,000 workers. ("Handelsblatt" Dusseldorf (British Zone Economic Weekly), 5 June 1947)."

The situation in the Soviet Zone is described in the following article:

"In the Soviet Zone population increased from 15.2 million in May 1945 to 17.4 million in March 1947. This increase of 14 percent is considerably larger than the increase in the rest of Germany where it is only 8 percent. Despite that the population density in the Soviet Zone is 161 persons per sqkm whereas in the other parts of Germany 195 persons live on each sqkm. However, conditions within the Soviet Zone also vary. There are hardly more than 90 persons per sqkm in the agricultural regions of Mecklenburg and Brandenburg, but there are 325 in industrial Saxony. Of the 17.4 million Soviet Zone population 4.3 million are resettlers. That means that one fourth of the population is alien. Even though all Germany was flooded by expellees the percentage in other regions is not as high because large sections, such as the French Zone, have hardly any refugees. Only 13.1 million natives live in the Soviet Zone, two million less than in 1939, despite a high birth rate during the first years of the war. This 14 percent decrease is extraordinary because in the rest of Germany the native population decreased only by 8 percent. It can hardly be assumed that war losses in the Soviet Zone were that much higher. It seems more probable that evacuations during the war, the flight from the approaching Red Army, the emigration from the Zone still going on and the comparatively numerous arrests by the Occupation Authority, are responsible for this development.

SECRET

SECRET

Even though the Soviet Zone has 2.1 million more people than before the war, employment decreased by 170,000. This development is even more pronounced in the rest of Germany. In 1939, at least 50 percent of the German population was working, whereas today only 43 percent of the Eastern and 40 percent of the Western population works. In the Soviet Zone only 9.5 percent of the population are considered non-employable or exempt from work, whereas in the West (including Berlin) 16.7 percent are unemployable or exempt. Thus employment in the Soviet Zone is higher and compulsion to work is stricter. However, differences in the level of employment are not nearly as great as it is sometimes assumed or stated.

Due to the higher level of employment, to stronger work pressure and to the larger percentage of women, the number of working women in the Soviet Zone has risen from 37% of all employed to 40 percent. In the rest of Germany there has been a slight decrease. In all of Germany there has been a decrease of self-employed and family helpers. In the Soviet Zone this tendency is somewhat weaker, but it exists; in 1939 there were 1,943,000 self-employed in the Soviet Zone; in March 1947 there were only 1,741,000. This is striking because the 200,000 new farms set up by land reform would have led one to believe that self-employment would increase. Of course, estate owners were expropriated and their number is not significant. Besides there are also fewer artisans but the decrease is slight. In 1939 there were 321,000 handicraft establishments; at the end of 1946 there were 281,000. There now exist only few industrialists because of expropriations, but their number was never large. On the other hand the number of self-employed in commerce and transportation which, in 1939, was 400,000 seems to have decreased considerably. But that still does not explain the total decrease in self-employed and family helpers. In 1939 this category included 1,082,000 farmers. The total in all the other branches of the economy was only 861,000. In agriculture there were 318,000 self-employed and 764,000 family helpers, of which 636,000 were women. Since the number of land holders increased after land reform it must be assumed that fewer family members, especially women, work on the farms. The fact that the number of women in the "self-employed and family helper" category decreased considerably speaks for the above assumption.

The number of dependently employed wage and salary earners reflects the change in the employment structure. Since that group makes up three-fourths of all employed they present a good picture of the shifts in the German economy. In the first place, it shows that today more persons are employed in agriculture than there were in the past, and that the places of helping family members are filled by dependently employed. Soviet Zone agriculture has 19 percent dependently employed persons; in 1939 it had only 10.7 percent. In the rest of Germany their number rose from 6 percent to 9.3 percent. Their absolute number, however, is not very large. In the Soviet Zone the increase is not quite one-half million. A scarce 100,000 resettlers are dependently employed in agriculture.

The growth in administrative employment all over Germany is disturbing. Public employees (including a small number of persons employed by physicians, lawyers, etc.) in the Soviet Zone have increased by 158,000 since 1939. Industry, including handicrafts, on the other hand employs one-half million less persons. This means a 15 percent decrease, whereas in the rest of Germany this number decreased by 22 percent. In this connection, however, the population growth in the Soviet Zone must be taken into account. Consequently the decrease in industrial and handicraft employment in the Soviet Zone is larger than in the West ... The metal industry employing more than one half million workers is the most important Soviet Zone industry. Next to that comes the textile production. The clothing, lumber, paper and chemical industries are a bigger than in the rest of Germany.

SECRET

("Die NEUE ZEITUNG" Berlin, 24 June 1947)."

An interesting report on the present and future manpower position in the British Zone was prepared by CCG officials. This study gives a long-range view of the problem with special reference to the employment of women as they are considered to be the most potential labor reserve. A chart has been prepared which gives the estimated working population of the British Zone (exclusive British Sector Berlin) on 17 May 1939 and 30 October 1946 and projected for the years 1951 to 1971.

(In Thousands)					
Date	(1) Total Population	(2) Men or Working Age 15 - 65	(3) Women of Total	(4) Working Age Unmarried	(5) 15 - 65 Married
1939	20,352	6,900	7,177	2,763	4,414
1946	22,387	6,462	8,550	4,147	4,403
1951	22,272	6,655	8,619	4,300	4,319
1956	22,052	6,991	8,766	4,458	4,308
1961	21,843	7,026	8,562	4,164	4,398
1966	21,684	6,757	8,111	3,588	4,523
1971	21,499	6,491	7,633	3,082	4,551

	(6) Men Avail- able for work (97% of 2)	(7) Women Unmarried ∅	(8) available Married ∅	(9) for work Total (7) + (8)	(10) Total Labour Strength (6) + (9)
1939	6,286 [‡]	1,708	1,506	3,214	9,500
1946	6,286	2,826	1,524	4,352	10,620
1951	6,453	2,910	1,488	4,398	10,851
1956	6,781	2,900	1,477	4,577	11,158
1961	6,815	2,785	1,497	4,282	11,097
1966	6,544	2,352	1,533	3,885	10,339
1971	6,296	1,867	1,553	3,420	9,716

	(11) Number of women avail- able for work per 100 Men available for work.	(12) Total Labour Strength INDEX 1939=100	(13) Total Population Index 1939=100	(14) Total Lab- our Strength required to maintain Labour Index = (13)	(15) Number of women re- quired to maintain Labour Strength (14) Total (14)-(6)	(16) Per 100 Me
1939	50.1	100.0	100.0	9,500	3,214	50.1
1946	69.4	111.8	110.0	10,450	4,182	66.7
1951	68.2	114.2	109.8	10,431	3,978	61.6
1956	64.5	117.5	108.7	10,327	3,546	52.3
1961	62.8	116.8	107.8	10,241	3,432	50.4
1966	59.3	108.8	107.0	10,165	3,611	55.1
1971	54.3	102.3	106.0	10,070 [‡]	3,774 [‡]	59.9 [‡]

‡ 407,000 has been deducted as the estimated number of men in the armed forces.

∅ based on prewar rates by age groups

‡ more than the maximum available.

SECRET

SECRET

The chart shows that:

- (1) The total number of men of working age has declined by 430,000 from 1939 to 1946 but as this is balanced by the elimination of the armed forces, the total number of men available for work in 1946 is approximately equal to that of 1939 and then increases steadily until 1961 after which it declines.
- (2) The number of women of working age is at present 1,400,000 about the 1939 level and continues to increase until 1955.
- (3) Provided that work can be found for all women available, the ratio of the working population to the total population remains favorable until 1966 (see columns 12 and 13).
- (4) To attain a working population proportionate to the total population (1939 equals 100) would not require utilization of the full number of women available until 1971. But even on that basis, the number of women per 100 men in 1946 would be 66.7 and remains above the 1939 figure until 1971 (see column 16).

Whether such a utilization of the available women labor is possible is further discussed in the study. Some of the high-lights are given in the following:

German labor was not nearly as fully mobilized during the war as that of Britain and comparatively small use was made of female labor. Nevertheless, owing to the sharp decline in German male civilian labor, the number of women per one man in the German labor forces increased steadily from 60 in 1939 to 104 in 1944. At present the actual number of women gainfully employed according to the prewar definition and data is probably smaller than would be expected for the following reasons:

- (1) An abnormally large proportion of the "unmarried" women are widows with children.
- (2) Domestic responsibilities are heavier as a result of the food and housing situation.
- (3) The incentive to work is reduced by lack of currency stabilization and opportunity for black market activities and evasion of work is easier for women than for men.

The last two of these factors will be eliminated as the economic situation improves and particularly if the proportion of persons living on savings is reduced by currency reform. The first factor will apply though to a diminishing extent for about fifteen years but may be regarded as offset by the fact that once the obstacles 2 and 3 to employment are removed there will probably be a smaller proportion of women able to live on private means than before the war. The detailed breakdown of the 1946 labor force is on an equally unsteady basis for comparison though for different reasons:

- (1) Large numbers of persons engaged in rubble clearing and rebuilding are classified according to the plant on which they are working, i.e. textiles, engineering, etc.
- (2) Although there are many factors contributing to the present low productivity of labor and there is no evidence that any increase in the proportion of women employed has further reduced output level, there is no proof to the contrary. The proportion of women employed under present circumstances can not therefore be regarded as a precedent for future productivity under more normal conditions.

SECRET

SECRET

1946 the year with the highest proportion of female workers passed without being fully utilized and it is considered that sometime still elapse before the various hinderances for maximum employment are eliminated. Looking into the future the following calculations can be made for 1951 and 1956 which may be regarded as the crucial years for after 1950 both the total labor strength and the proportion of female labor begin to decline. On the assumption that all fields of employment can absorb equal proportions of the total additional labor force, the following employment figures can be forecast for 1951 and 1956.

	1951			Women per 100 men	1956			Women per 100 Men
	Total ('000 omitted)	Men	Women		Total	Men	Women	
1. Agriculture	2385	1080	1305	121	2455	1110	1345	121
2. Industry, Handwork and Power	4850	1373	1177	31.9	4985	3921	1064	27.1
3. Trade, Banking, Insur- ance and Transport	2145	1190	955	80	2205	1325	980	80
4. Administration and Services	975	510	465	91	1005	525	480	91
5. Domestic Service	496	-	496	-	508	-	508	-
GRAND TOTAL	10851	6453	4398	68.2	11158	6731	4377	64.2

There are, however, a number of reasons why it is unlikely that increased labor force could be employed in all five groups proportionately. In view of the very heavy concentration of food production and the attractions of agriculture work at present, it is considered that the present estimated labor force of 2,380,000 should be regarded as the absolute maximum that can be utilized productively. At present the numbers employed in the "Administration and Services" group are very high which is partly due to the special difficulties of present administration and partly due to the time lag from the period immediately after the collapse when it was beneficial to employ the maximum numbers for such services owing to the small amount of industrial work available. Making these rough adjustments the labor available for "Industry" will be in the same proportion as in 1939 that is 69.3% to 30.7. As to the employment of women substantial saving of manpower can only be made by substituting women on a large scale on those industries where few women are normally employed. The only exceptions being mining and building. In industries such as clothing and textiles where a large number of women are normally employed, men are only used for essential tasks and the possibilities of replacing them with women are limited. Thus substantial increases of the ratio of female labor can be expected particularly in the water, gas and electricity, in the woodworking, in the engineering of metal and in the chemical industries. In conclusion the following estimated breakdown of the total labor force is given indicating the future available labor for industry proper, (1946 being omitted as comparable figures are not available for that year).

	In Thousands					
	1939	1951	1956	1961	1966	1971
Agriculture	2088	2380	2300	2300	2300	2300
Industry, Handwork and Power	4246	4913	5143	5110	4591	4200
Trade, Banking, Insur- ance and Transport	1878	2185	2280	2264	2034	1800
Administration and Ser- vices	855	928	915	906	900	800
Domestic Service	433	445	440	437	434	430
TOTAL	9500	10851	11158	11097	10339	9710

SECRET

SECRET

The level of industrial production is at present approximately 60% of the 1939 level. It is hoped to raise it to at least 60% of the 1939 level which would mean at least a 50% increase in the present production. From column 12 of Chart I it can be seen that the increase in total labor strength is far from such a figure even in 1956, in the year of the highest labor availability. True, the increase of availability for industry proper will be somewhat higher but still not proportionate to the expected increase in production. No doubt, the present low productivity of labor is to some extent due to misallocations, false reports, etc., and also -- as in the case of coal -- to the low efficiency of industrial plants operating at less than 30-35% of capacity. The main reason is the greatly lowered physical efficiency of the workers which depends on adequate feeding.

Nevertheless, it is believed, that with all corrective measures taken the manpower problem in Germany will constitute in few years the major bottleneck in industrial recovery and all efforts should be exerted to maintain all labor saving devices in Germany. The original level of Industry Plan provided that in the selection of plants for dismantling consideration be first given to the most mechanized, least labor using plants, evidently believing that the reduction of the level of industry will result in unemployment. The Soviets have just recently made representations on quadripartite level because they claim that this provision of the Industry Plan is not being adhered to. Present experience and future outlook based on the simple population statistics shows that the assumption in the first Industry Plan was erroneous. Germany has become in the last few years of the war over-mechanized; machines were installed to save labor with no concern to efficiency or costs. The manpower problem is a warning that all labor saving devices will still be required in Germany to avoid another unsurmountable bottleneck.

6. Soviet Zone Socialization

On 31 May President Skrzypczynski of the Central Administration of Industry reported to his colleagues on the status of state-owned industry in the Russian Zone. At the suggestion of Col. Tulpanov, Skrzypczynski had visited a number of state-owned factories himself and had sent personal observers to investigate others.

According to Skrzypczynski, the main source of difficulties in the state-owned factories is the shortage of qualified personnel. In most factories the leading officials were discharged when the state assumed ownership and replaced by men who often lacked all technical knowledge. The latter usually chose their assistants for their political views rather than their business experience. The main emphasis was placed on assuring the rights of the employees. This attempt at collective management often proved unfeasible.

The Industrieverwaltungen (managing bodies for each branch of industry) were staffed with plant experts; however, they lacked experience in the management of such large groups. The result was an extensive bureaucracy which has bogged down in statistics, plans, and reports and left the actual management of the plants uncontrolled.

Skrzypczynski stated that despite preferential treatment by the state in regard to materials, price increases, special rations for workers, etc., the state-owned plants have not been a success. Production per worker has sunk, costs have risen, repairs are neglected.

Skrzypczynski gave no names or figures. Vice-President Jakob Boulanger (SED) remarked that cases of sabotage in the state-owned factories has been proved. Skrzypczynski replied that he had no information on this point.

SECRET

SECRET

Source: Special Report 3796

Comment: The problem of personnel and management is not only an inherent problem of the socialized industries of the Soviet Zone but is the greatest problem of all large, over-sized industrial organizations not only here in Germany but also in the United States and probably everywhere. Undoubtedly the personnel and management problems of the Industrieverwaltungen in the Soviet Zone is aggravated by political factors.

Despite the difficulties already experienced with the state-owned enterprises, socialization is still continuing in the Soviet Zone and extends to a whole series of small firms, retail shops, drug stores and printing presses. Two hundred and eighty-five of such enterprises are to be transferred to the ownership of Land Mecklenburg and similar measures have been taken in Brandenburg. Hitherto in the Soviet Zone socialization measures have, in the main, been restricted to large firms and industrial undertakings and shops of small business have been allowed to remain in private ownership. From this recent trend it would seem likely that the process of socialism will go on until the last private owner has disappeared. The process is, however, not a steady one, a wave of socialization being succeeded by a pause during which the government is busy absorbing into the state machine what it has expropriated.

One of the immediate results of the new socialization wave is a flight to the West particularly from Berlin. Here the uncertain political situation, the continuous rumors of Western withdrawal induces a great many businessmen to transfer their business to the Western Zones or at least exploit the possibilities of starting life anew beyond the Elbe River.

7. Dr. Buschmann's Plan on the Organization of Food Delivery

Dr. Buschmann, formerly head of the Soviet Zone Central Administration for Trade, has returned to Berlin from his mission in Stuttgart where he went under British auspices to investigate problems of food collection in the western zones. The result of his trip is a memorandum which follows generally the line he has presented in a previous memorandum on the economic organization of the bizonas. In the latest report Dr. Buschmann argues that there are insufficient information and controls to obtain proper food collection in the combined zones at the present time. He suggests that a bizonal administration for trade be created which would be in charge of establishing quotas and enforcing deliveries. This trade administration would not be as closely connected with farmer interests as the food and agriculture administration is. In the meantime, however, he suggests that the powers of the bizonal food and agriculture administration be extended to obtain greater centralized control just as the powers of the Executive Committee for Economics were extended in the field of trade and industry.

Dr. Buschmann has presented his memorandum to British authorities who allegedly reacted favorably, and suggested that he submit it for consideration to the Bizonal Economic Council and to the Party Fractions of the Bizonal Economic Council. Dr. Buschmann, whose ambition is to receive a high position in the newly established bizonal organizations is counting on heavy SPD support for his plan.

8. Trade-marks and German Exports

Increasing complaints from Germans to the prohibition of the trade-marks have been heard. In a recent article of the "Pharmazeutische Zeitung" (Pharmaceutical Journal) it is claimed that the export of pharmaceutical products is hampered because German products are not permitted to carry trade-marks.

SECRET

SECRET

This statement is contradicted by an article of "Der Tagespiegel" 6 July, entitled, "Export Without Trade-Marks?" This article tries to prove that use of German trade-marks abroad is not prohibited and only in case such trade-marks have been sold or licensed to foreign manufacturers would the use of German trade-marks abroad be impossible.

Actually, the question of German trade-marks abroad is quite complicated. Different procedures have been used, not only in different countries, but sometimes even within the same country. Some of the German trade-marks have been confiscated, some of them have been given to producers on a license basis, some of them have been sold.

Within Germany, the old German trade-marks exist and with the exception of a few, the use of which is objectionable from a decartilization point of view, there is no restriction on their use within Germany.

There are two schools of thought on the advisability of the retention of old trade-marks and the adoption of new ones. The difference of opinion may basically be due to the different opinions on the value of trade-marks. Undoubtedly, trade-marks represent a value, and in most instances a higher price can be obtained for products with the old and known trade-marks than when sold without such marks or trade-names. The present efforts to maximize export profits is an argument in favor of the retention and use of old trade-marks and trade-names. On the other hand, the complicated and confused situation existing in the field of German trade-marks abroad is an argument in favor of abandoning the old trade-marks and adopting new ones. Those who advocate such a policy also point out that there is at present a seller's market where the benefit of trade-marks is negligible. To the argument that the maximizing of export proceeds now is of primary consideration, they reply that the change of trade-marks will be a necessity in the future and it will be much more difficult and cause greater losses to the producer to change trade-marks when the seller's market has changed to a buyer's market.

There is one more aspect of the trade-mark and trade-name problem which has drawn little attention, and that is in connection with the level of industry plan and the dismantling of surplus industrial capacity. It is believed that little attention is paid to the value of the trade-name and trade-mark of firms declared surplus. The customer or market acceptance of products bearing established trade-names and produced by firms with an established reputation constitute an essential part of the economy. The level of industry plan or the surplus method seems to depend largely upon the theory that an integrated economy is nothing but the sum total of a certain number of machines from which they can with mathematical precision reduce a certain number to come to the capacity level desired. Now when an even greater number of businessmen are expected to visit Germany to revive old trade relations, they may find that this or the other firm on their list of old customers will be put out of business. An illustration is the intention to dismantle the Henkels factory in Solingen. Henkel's is a trade name on the world market like perhaps no other except Zeiss.

SECRET

9. Comparison of European Food Standards

The British Food Ministry has prepared a table on the weekly average food rations of normal consumers and very heavy workers in the various European countries as of 1 June 1947. The following table shows the results (expressed in grams unless otherwise stated) compared with the official rations in the Western Zones of Germany.

	Germany	France	Belgium	Luxemburg	Netherlands	Denmark	Norway	Finland	Czechoslovakia	Austria
Bread	2500 ¹ 4750 ²	1750 3500	2100 4620	1980 3380	2200 4500	2346 3730	(flour) 1750	2030 3045	3270 4200	3150 4550
Nahrungsmittel	525 1075	rationed	unrationed	rationed	-----	rationed	unrationed	rationed	unrationed	-----
Potatoes	3000 6000	unrationed	unrationed	2800 2800	unrationed	unrationed	unrationed	unrationed	unrationed	1400 2100
Fat	50 200	116 185	264 348	321 496	250 562	250 250	350 455	113 169	180 365	161 280
Sugar	125 172	116 116	350 350	233 233	333 583	345 346	200 200	169 169	585 585	70 210
Meat	150 450	200 200	420 560	369 754	200 500	No set ration	No set ration	unrationed	350 815	210 490
Milk	3/4 liters 3/3 "	No official allocation	No official allocation	1 3/4 liters 1 3/4 "	2 liters 2 "	unrationed	1 3/4 lit. 1 3/4 "	1 1/2 liters 1 1/2 "	3/4 liters 3/4 "	None
Cheese	31 78	rationed	unrationed	rationed	rationed	unrationed	unrationed	-----	rationed	-----
Fish	125 125	unrationed	unrationed	unrationed	unrationed	unrationed	unrationed	unrationed	unrationed	-----
Coffee	31 68.5(ersatz)	unrationed	unrationed	rationed	rationed	rationed	rationed	-----	rationed	-----
Other Rationed		flour chocolate cocoa, wine rice	chocolate legumes	legumes chocolate marmalade, flour	flour, rice chocolate, tea, cocoa, 2 eggs	tea, cocoa	potato flour, dried fruits, chocolate, coffee	-----	skimmed milk, marmalade, legumes, fruit juice, sweets, cocoa eggs	legumes

1) normal consumer

2) very heavy worker

SECRET

SECRET 18

SECRET

SOCIOLOGICAL SECTION

10. Soviet Attempts to Politically Control Sport Organizations

Heinz Kessler, Moscow trained youth leader, recently made the statement before a meeting which included representatives of the FDJ, (Falken, and Demokratische Jugend) that actually there is nothing, not even athletics, which is not political.

A Berlin football player traces this attitude on the part of Soviet influenced Germans in the history of sports in Berlin and the Soviet zone since the summer of 1945. At about that time, all sports were organized along Russian lines as communal sports. Originally about 99% of the important athletic officers of the Soviet zone and Berlin were members of the SED. In time workers' sport clubs were controlled by the SED while youth sport organizations came under the FDJ. This program was not entirely successful in Berlin because of the four-power control, but it was carried out in the Russian zone.

There is strong opposition in the city of Berlin to communal sports and government control of athletics. Representations have frequently been made before the city sport officials. Two SED men, Müller and Prons, have always given the impression that they were in sympathy with the demonstrators and gave assurances that the matter would be brought to the attention of the Kommandatura. Actually they consulted only with the SMA and nothing was done to bring about a change until Allied Kommandatura Communique No. 63 allowed the formation of non-political organizations which included sport clubs.

Communique 63 brought Russian intentions out into the open. Since non-political athletic clubs are now authorized, the Russians want to retain control by organizing large athletic associations similar to the Central Club of the Red Army. In fact, they want to establish a large sports organization for workers thereby emphasizing class distinctions and strengthening their hold on the working classes. The writer feels that Communique 63 is sufficiently vague in terminology to permit the city athletic department under SED leadership to carry out the above design. Attempts on the part of the mayor to obtain a clearer statement on the subject from the Allied Kommandatura have been of no avail.

Source: MGB 3684 and 3870

Comment: Obviously it is the intention of Communique 63 to allow only non-political organizations which are defined in the text as follows: "A non-political organization is one which does not influence public opinion on political, military, or economic questions." Heinz Kessler's statement given above and the apparent attitude of the city's sports committee, which seems to have strong SED backing, call attention to the fact that the Russians stop at nothing to gain complete control. The situation calls for a positive attitude of encouraging and helping those independent sport organizations which are determined to remain non-political.

11. Food Situation in Thuringia

A picture of what may be expected if the food situation deteriorates this winter can be obtained from a short report concerning Thuringia (Soviet Zone).

The report says that rations have not been met since January. On an average, a person receives 350 grams of bread a day. Only about 25% of

SECRET

- 19 -

SECRET

the meat and fat ration is met. There have been no potatoes since February. Vegetables and fruit are not available since they have been requisitioned by the Russian army.

In Jena and Weida the people, driven by hunger, staged mass food raids in the nearby country and seized potatoes and vegetables which had not yet ripened. When the NKDW investigated the raid in Weida, not a single person could be arrested or identified since neither the population nor the police would give any information.

Source: (MGB 3872)

12. Disillusioned German Youth Hesitates to Put Faith in Democracy

One of the most favorably received speeches at the recent youth conference in Munich was given by Annomaria Knapp. Its wide acceptance is possibly due to the fact that she ably expressed the feelings of a large part of German youth today.

She admits with disarming frankness that she cannot in truth say that she believes in democracy. Not that she is opposed to this way of life. In fact, she hopes that she will learn to believe in it. One could become enthusiastic about the four freedoms, she says, but then quotes Goethe: "Well do I hear the message, but alas I lack faith in it". She then explains that National Socialism also made some good promises and that many people believed these without reservation. The implication, which was not actually expressed in the speech, is that the youth of today, previously had deep faith in an idea which failed and the faith shattered. Now youth hesitates to accept another idea lest this also be destroyed within a few years.

Miss Knapp mentioned how the youth which grew up in Hitler's time was influenced by the HJ, the press, the radio, and often the home. They saw the world through rose-colored glasses. These were suddenly removed by events during the last few years. Disillusioned young people now wonder whether someone is trying to give them a new pair of rose-colored glasses when they describe the democratic form of life.

Source: Echo der Woche July 4, 1947

SECURITY AND DEMILITARIZATION SECTION

13. Increasing Disrespect for Law - Due to Uncertainties and Scarcities

General Security of the U.S. Zone of Germany remained satisfactory. Consolidation of Constabulary units is expected to reduce the number of "reported" incidents due to the fact that personnel will not be physically present at the location of possible incidents. In order to compensate for this condition, unit S-2s will have to become aggressive in their collection of intelligence and make the fullest use of their operating intelligence agencies.

The one disturbing element of the security situation in the U.S. Zone is the high rate of illegal border crossers from the Russian Zone. If the reasons attributed for this influx are correct it is believed the rate will decline soon.

The German population continues to show an interest in international developments. The Paris Conference, in particular, was followed intently by the population. The failure of Russia to cooperate in the

SECRET

SECRET

discussions was expected by the people and is viewed as auguring ill for the success of the coming London Conference. The stand of England and France is heartily approved. Rumors of war continued rampant, spurred on by current shifts of troop units and wild tales introduced by illegal border crossers. As usual, all actions of U.S. military personnel or units are construed to indicate preparations for war. One indication of this was the fact that a rumor of the formation of a tank unit in Landshut caused a bit of war talk among the people.

Military Government and the occupation troops were, as usual, the subject of conflicting comment; some persons appreciating U.S. aid, some expressing the opinion that the present German food situation was a high level plan to punish Germany and keep her weak through the medium of starvation.

The fact that Germans have great respect for power was indicated when one unit reported an increase in respect for the unit merely because they were sporting light machine guns on their vehicles. This matter of respect for power goes deeper in Germany than an American can easily visualize. The present lack of apparent power on the part of the U.S. Forces in Europe is reflected in the expressed fear on the part of Germans that they will be deserted by the U.S. and allowed to fall victim to real or fancied evils of their Eastern neighbors. In this vein, Russia and the United States are viewed as the world giants who have over-shadowed all other nations, and many believe that the only hope for the other nations, particularly those unaffiliated with either the United States or Russia, is to unite in a United States of Europe. All opinions expressed concerning international politics were definitely influenced by a deep-felt fear and distrust of Russian motives and future actions. France receives her share of popular censure for her steps indicating contemplated annexation of the Saar, prior to confirmation by a formal peace treaty. The principal authorities of both the British and the U.S. Zones continued to be criticized by those persons who, to date, fail to see any advantages accrued from the U.S.-British Zonal merger.

Displaced Persons continued to be the object of both the jealousy and dislike of the indigenous population.

There were no incidents of mass civilian disorders reported during the period. However, a fairly large scale disregard of Military Government directives was reported from one city where of eighteen persons holding positions of management of control interrogated by Constabulary agencies on request of Military Government, twelve were disqualified for such positions by Military Government law because of previous party affiliations.

In Neuberg, refugees planned a demonstration on 27 June, in protest of alleged discrimination. Intervention by the local refugee commissioner, however, prevented this demonstration from taking place. The foregoing indicates that the refugee situation in Neuberg may be sub-standard, and therefore, a potential source of local trouble.

Food thefts, petty crime, and housebreaking continued at an unsatisfactory rate. In the vicinity of Augsburg, housebreaking was attributed directly to the absence of Polish guards. It is felt that the increased responsibility of German police for this security was too great for them to handle. In this regard, general indications are that the quantity and quality of the manpower and equipment available to the German police are not commensurate to the security responsibilities assumed.

Source: Hq U.S. Constabulary, Wkly.Intel.Sum. No. 57

Comment: Some difference of opinion exists whether the present security picture is generally satisfactory or not. By far the majority of reports consider the situation satisfactory. However, some reliable sources are

SECRET

sufficiently determined in their aim and realistic enough in their evaluation to voice a negative opinion.

"Continuing the pattern set in recent weeks, security maintained a surface calm. Actually, however, security cannot be termed satisfactory: illegal border crossing remains at a high level, petty thefts continue above normal. The state of mind of the Bavarian populace is revealed by widespread wild tales of fevered war preparations in the American zone and eastern areas of Europe. Weapons are readily available to those elements whose activities make their possession desirable; police are hampered in their efforts to maintain law and order by several factors, primarily a shortage of transportation; withdrawal of constabulary units in various areas has caused unrest."

If security is to be classified solely on a basis of resistance of subversive activity then there is little doubt that the overall picture in the U.S. Zone is satisfactory. No organizations bent on extreme violence against the occupation forces are known to exist. Milder versions of such isolated groups are penetrated and broken up at the opportune moment by U.S. authorities.

If, however, the security situation is judged and evaluated with an eye on the sharp increase in general crimes it might quite truly be stated that there has been a marked deterioration in overall security. German morals or respect for law have reached a new low since the advent of summer. The food, fuel and housing situations are the prime factors behind present crime incidents. Thefts constitute the bulk of the crimes and even some clergymen question whether any moral guilt is involved where people steal to eat.

14. Colored Troop Disturbances

A report from ISO Giessen gives a play by play summary of a VD control operation conducted on 25 June by German and Military Police in a wooded area surrounding the Verdun Kaserne. The area has been a trouble spot for some time in that it provides a convenient trysting place for hundreds of German girls and colored troops. A large percentage of these girls allegedly are infected with VD; moreover are reported to be living in the Giessen vicinity without permit and from black market sources.

During the operation 114 girls were arrested. Colored soldiers in several instances refused to allow German police to arrest their girls until MPs intervened. After the operation was completed, some 150 colored soldiers blocked the roads with trucks in an attempt to recover their companions. A truck load of colored soldiers created a disturbance at the MP station - shouting, cursing and throwing stones at the building; this group was dispersed. The same night, colored soldiers roamed the town throwing stones at policemen and a German civilian guard was badly beaten. Several of the troops responsible were arrested.

Although the incident would not be considered severe enough to be a riot, it definitely shows a rebellious attitude on the part of these soldiers.

ISO Comment: Previous reports from Giessen had highlighted friction largely engendered by the colored troops, particularly between the 511 MPs (colored) and the 529 MPs (white). The unit commander of the colored MP unit was subsequently removed and it was believed the situation has improved.

SECRET

SECRET

Source: OMG Hesse Weekly Intelligence Report No. 64

Comment: For some time colored troops have been a thorn in the side of Military Government officers as well as troop commanders.

Shortly after the occupation began there was considerable friction between Negro troops and the civilian population. The civilian attitude toward these troops no doubt was a direct result of Dr. Goebbels' propaganda machine. Conversely, the stimulating tonic of victory over a once formidable foe made itself manifest in a superior and dominating attitude. Relations gradually improved with a certain female element until these women are actually protected by their soldiers against arrest by law enforcement agents. Repeated reports indicate assaults on German policemen who have apprehended their girl friends - usually as VD suspects or illegal residents. In some instances jails have been broken into for the purpose of releasing girls being detained therein.

A new twist to an old trend is discernable with this report of friction between two MP units in Giessen. In an effort to quiet the area by seeking the root of the trouble and attempting to destroy it, the ISO requested that the Provost Marshal, Giessen, investigate the 511 MPs (colored) billets and mess hall. The Provost Marshal found eight "waitresses really shack material" living in the rooms on the third floor. He also found many large wall paintings on the walls showing in a few instances colored officers of greater rank talking with white officers of lesser rank. For the most part, the paintings depicted nude white women talking to, shaking hands with or in the embrace of colored soldiers or officers.

LEGAL AND DEMILITARIZATION SECTION

15. German Courts' Personnel and the Council of Foreign Ministers

The Council of Foreign Ministers meeting in Moscow directed the Control Council "to take all measures necessary to ensure that only those individuals are employed in a judicial capacity or as public prosecutors who are considered by reason of their political and moral qualities to be capable of assisting the development of genuine democratic institutions in Germany".

This is to report the situation as it now exists in the German judiciary and to indicate what the situation may be expected to be at the time of the London Conference of Foreign Ministers.

Under the Nazi regime great emphasis was placed on the control of the courts. This was natural as a court is the place of last resort for the protection of individual liberties and rights. Control under the Nazi regime was necessary - not to protect liberties but to promote Nazi ideologies thru disregard of liberties. The result of Nazi emphasis on Control of the Courts was that from 80 - 90% of all judges and prosecutors were party members, including all of the more important positions.

Under SHAEF orders, all German courts were closed and all personnel dismissed. Shortly thereafter the work of reconstruction and re-establishment of courts was commenced as no democracy could be established without an independent judiciary. Inasmuch as the Law for Liberation had not been enacted at that time, personnel were selected by a vetting process. In the search for qualified personnel for the establishment of the courts prior to the Law for Liberation (5 March 46), it soon became apparent that there were to be any German courts, former party members must be utilized and approximately 90% of the otherwise qualified judges and prosecutors had been members. By 31 March 1946 a minimum number of courts were established.

SECRET

- 23 -

SECRET

As of 1 June 1947, there were 8 Oberlandesgerichte including 3 Branch seats, 37 Landgerichte, and 332 Amtsgerichte including 59 Branch seats. There were 38 prosecuting offices and 24 Anstaltschaften.

The number of personnel obtained to fill these positions and offices after utilizing over-age, retired personnel and the less objectionable former party members was only one-half of that required to carry the legal load and only one-third of the number in the same geographical area of peace time Germany. Nevertheless, some where between 50 to 60% of judges and prosecutors are former party members, of which 18% of the total or 239 had not, as of 1 June 1947, been before a Spruchkammer.

It is planned to get these 239 judges and prosecutors before Spruchkammern as quickly as possible. The Ministers of Justice are supposed to be making such arrangements with the Ministers for Liberation.

As these and other former party members are processed and additional judicial personnel made available, they will be used to fill vacancies and replace some of those who were called back out of retirement. It has been estimated that by the end of the year 1947 the number of former party members in the judiciary may approach 80%.

This situation may be used by the Soviets in an attempt to embarrass the U.S. at the coming London Conference of Foreign Ministers. The Soviets have been very critical of denazification in the western zones. The Soviet controlled press has recently described it as "re-nazification". There is every reason to believe that in the Soviet Zone former party members were completely removed and barred from the judiciary. But the utter lack of any conception of an independent judiciary in Soviet ideology made the re-establishment of courts without the use of qualified personnel comparatively simple. Great stress is given to the fact that laymen, after a 90-day course of indoctrination make excellent judges. The chief qualification is that they be loyal SEDs. A political purge has been completed by simply substituting Communist party judges for Nazi party judges, who make decisions in accordance with party policy. Under the U.S. form of democracy a strong independent judiciary is the bulwark of democracy; under a dictatorial form of government the judiciary is simply a means for carrying out a one party policy.

In view, however, of the preponderance of former members of the Nazi party and its organization in the re-established judiciary and the probability that this preponderance will increase, a very close inspection of its operations is essential to see that "the political and moral qualities" of its personnel are "capable of assisting the development of genuine democratic institutions in Germany." Such inspections are carried out with particular attention to those cases where Nazi prejudices may be involved. But there are other activities which deserve careful watching in addition to the cases actually before the courts. The prosecutors office may be used to sabotage denazification efforts. From Schweinfurt it is reported that whenever a Spruchkammer gets an especially good energetic prosecutor, invariably some criminal charge is preferred against him thereby disqualifying him even tho the charges may subsequently be dropped. It is not implicit that the Court's prosecuting Office is responsible for these particular instances but the possibility for abuse is great and the need for observation urgent.

In the event a member of the judiciary is found not to have the qualities set forth by the Council of Foreign Ministers he should, of course, be removed. In observing the procedure for removal some interesting observations may be made. First, the constitutions provide for life appointments. To remove a judge by impeachment for "political beliefs" except in most aggravated cases might set a dangerous precedent for the future political control of the judiciary. The Hesse constitution goes furthest in providing for probationary appointments. Second, all constitutions have a provision

SECRET

SECRET

to the effect that any law passed for the liberation from National-Socialism and Militarism may deviate from the Constitution. This provision would no doubt permit a probationary appointment law, notwithstanding the life tenure provided in the constitution. But the entire provision is extremely dangerous. In effect it says the constitution and all its guarantees may be nullified to eliminate national socialism and militarism. This provision affords an open door to the nullification of the constitution at some future time. All that is necessary is a finding that the law is designed to eliminate national socialism and militarism and the definition of these terms may be stretched or contracted to the place where they would not be recognized. For example, ruthless acts denying all personal liberties and property rights are being committed in some parts of the world today in the name of and for the protection of "democracy". It all depends on the definition of democracy.

16. Nazi Party Records Competent Evidence in MG Courts

In Weekly Intelligence Report No. 60, 5 July 1947, page 22, it was reported that a U.S. Military Government court had ruled on 30 June that a photostatic copy of a membership card, obtained from the collection of Nazi party records located in the Berlin Document Center was not admissible in evidence to prove party membership. The ruling was called up for review by Legal Division, OMGUS.

On 14 July 1947, the Legal Division issued a ruling to all Military Government Courts and prosecutors as follows:

"Mil Govt courts shall take judicial notice of the following facts concerning Nazi Party records in the custody of the 7771 Document Center:

- a. The Document Center is in possession of the official and central membership records of the National Sozialistische Deutsche Arbeiterpartei (variously known as the NSDAP or the Nazi Party). These records are believed to be complete as to more than 90% of the total Party membership.
- b. These records were maintained by officials of the Reichsleitung (National Hqs) of the Nazi Party and were kept for the purpose of determining the exact and current status of each Party member up until shortly before their capture in Munich by the US Forces.
- c. The entries made in the membership file were made in the regular course of business of the NSDAP upon receipt of original documents (such as membership applications or correspondence or regular periodic reports from subordinate Party Hqs. etc.) by officials of the Reichsleitung responsible for this function.
- d. The system required that entries be made immediately following the receipt of the documents or reports and that the files of members be kept meticulously accurate and current with respect to the official membership status of all persons listed therein, even to the point of recording whether or not individual members were in good standing with respect to the payment of dues, transfers from one subordinate Party group to another, deaths, expulsions, reinstatements, decisions of Party courts, issuance of membership books, etc.
- e. The documents were found and seized by the US Army and have remained in continuous custody under guard ever since.

SECRET

SECRET

Mil Govt courts shall also take judicial notice of the meaning of various symbols, abbreviations, and entries in such records as explained in a pamphlet on this subject which is expected to be published and distributed in the near future.

Such judicial notice avoids necessity of production of evidence on these points. If otherwise admissible under rule 12 (MGR 5329) these records are not to be excluded on technical grounds of hearsay. Unless the issues before the court can be resolved only by production of the original records photostatic copies of such records are to be accorded the same admissibility and value as evidence as the originals when they are accompanied by appropriate certificates of the Document Center custodian attesting that they are photostatic copies of the original records (see MGR 9865.2). Records admitted are to be given such weight as is appropriate in view of the nature of the information contained therein and the issues and other evidence in the case.

The above ruling settles the issue on the admissibility of such evidence and allays confusion created by the court's ruling. If such evidence were not admissible, proof of party membership in the absence of a confession by the accused would be practically impossible.

17. Prisons Overcrowded by Persons Awaiting Trial

The problem of overcrowding of prisons has shown no improvement. It has become serious now that the prisons in the U.S. Zone are filled to 108% of their normal capacity. With the increase of thefts and similar crimes due to economic conditions, the problem may be expected to become more acute.

A survey of the prison population revealed that, as of 1 May, over 27% of the entire prison population were unsentenced prisoners awaiting trial. This appears to be an exceedingly large percentage measured by U.S. standards in the administration of justice. The general rule in the U.S. is that no one is held in prison awaiting trial if he can give bail, and such bail must not be excessive, except in rare cases such as capital offenses and where there is real reason to believe that the accused will attempt to escape. In fact it is not unusual to release an accused on his own recognizance. The practice in Germany has been quite different. Freedom of the individual was sacrificed for the convenience of public officials. The accused was considered guilty until acquitted - at least this was true in practice if not in theory. Furthermore the accused was confined so that he couldn't tamper with the evidence - this was stretched sometimes so as to prevent him from really making an adequate defence.

There is at least one instance right now where an accused has been in prison over two years awaiting trial. Legal Division, OMGUS, is investigating the reason for this unreasonable detention.

If only half the prisoners awaiting trial were released on bond, the over-crowding prison problem would be solved and this manpower could be utilized.

SECRET

SECRET

PRESS REVIEW SECTION

18. Soviet Sharply Criticizes U.S. Policies

In the first Berlin editorial comment on the basic policies to be pursued in the U.S. administration of Germany contained in a directive to General Clay from the State War and Navy Departments in Washington, Soviet licensed papers were sharply critical.

Heading its front page editorial, "The New 'Directives'", the Soviet licensed SED morning organ, "Neues Deutschland", on July 17th contended that the new orders are to "replace the instructions of 26 April 1945, and the conditions of the Potsdam Agreement by principles of the Marshall Plan."

"This does not promise any good since one knows that behind them are the intentions of American monopolists to colonization claimed the SED organ. It admitted that it is true the directives advise the military governor to seek economic unity, but at the same time, it added, they want to establish federal German states and a central government with clearly defined and limited powers. "But when one considers the practice in the bizonia it is not hard to recognize that covered by all-German dummy government Germany shall be split. This would correspond best to the intention of the monopoly lords, and with foreign aid the development of reaction in Germany would be given a good chance."

The paper contended that the directives take a definite stand against nationalization, for "it is said that the German people shall be given the chance to experience the principles and advantages of free enterprise." Herewith the paper rejected these principles and declared that in practice in western Germany industry is in a chaotic state and miners are given hunger rations but American business men have harvested the real fruit.

Stating that the miners do not want to abandon their claim for socialization of the Ruhr mines, the paper declared "it is well known that the American occupation authorities hindered the realization of paragraph 41 of the constitution of Greater Hesse concerning the nationalization of key industries, though this law was adopted eight months ago by a plebiscite."

"These are facts which throw true light on the aims and intentions of American business men in western Germany. They curb the developments of the democratic forces of the German people," concluded the paper.

"Berliner Zeitung", Soviet licensed morning paper, on July 17th said it is obvious that the Morgenthau Plan is now to be replaced by the Marshall Plan.

"In order to replace it and to give American capital a base in western Germany, the directives contain a clause which destroys their positive contents," declared the paper, adding that the clause states that "so long as there is no German central government the military governor will prevent the transfer of enterprises to public property."

The paper said that the Marshall Plan shall solve two tasks at once: first, to open the gates for capital from overseas, and lead back to the ranks of private enterprise those countries which started to run away. "Berliner Zeitung" said the directives

SECRET

SECRET

aim to create such conditions without asking for the opinion of the Germans.

At the same time, contended the paper, the decreed de-cartelization of concerns shall create large-scale enterprises whose owners consider Americanization the best protection against public ownership.

"..The directive to prevent any nationalization is a direct intervention into German affairs," claimed the paper, stating that at the end of the entire development German workers shall see the fruit of their work go to foreign countries without being given the chance to change economic and political conditions in their favor.

In concluding, the paper called for a general plebiscite on the unity of Germany and democratic reforms.

"Tagliche Rundschau", Soviet occupation organ, ran on the 17th a combined dispatch citing the new directives. The report noted that the directives state that all parties using anti-democratic methods shall be forbidden.

"What must be understood by 'anti-democratic' is not explained," noted the paper. "But it is not hard to guess this, for at the same time General Clay's decision against admission of the SED in the American zone is a proof of its meaning.."

After citing further on the directives, the paper concluded by declaring that these directives and the declaration of General Draper "make us recognize that the United States is willing to abandon the provisions of the Potsdam Agreement.

Source: Berlin Press Rev., ICB, Res.Sec., 17 July 1947

Comment: As has been so often observed the Soviet propaganda appeal to the Germans is to cause distrust and dis-affection of America. Every policy is attributed to the greed of monopolists and capitalists. Here again may be seen the continued fight between centralism, and federalism, the U.S. being charged with trying to divide Germany and the Soviet appealing to the Germans as the champion of unity. The appeal to labor is made on the ground that the U.S. sabotages socialization of industry in order to take the profit from the people. And finally a universal appeal is made to a hungry people by blaming U.S. policy for the scarcity of food.

SECRET

SECRET

DISTRIBUTION

EUCOM

COPY NO. 1 General Glay
 2 Political Advisor
 3 Economics Advisor
 4 U.S. Chairman, BCO
 5 Governmental Affairs Advisor
 6 Finance Advisor
 7,8 Director of Intelligence, Berlin

OMGUS

9 Deputy Military Governor
10 Chief of Staff
11 German Civil Admin. Advisor
12 Secretary General
13 Control Officer
14 Control Office, Historical Section
15 Director, Armed Forces Div.
16 Director, Civil Administration Div.
17,18 Director, Economics Div.
19 Director, Finance Div.
20 Director, Information Control Div.
21 Director, Internal Affairs & Communications Div.
22 Director, Legal Div.
23 Director, Manpower Div.
24 Director, Personnel Officer
25,26, Director, Political Affairs Div.
27 Director, PW & DP Div.
28, Intelligence Officer, ONA
29,30
31 S-2, Berlin Command

32,33 Intelligence Officer, OMG Bavaria APO 407
34,35 Intelligence Officer, OMG Hesse APO 633
36,37 Intelligence Officer, OMG Württemberg-Baden APO 154
38,39 Intelligence Officer, OMG Bremen APO 751
40,41 Intelligence Officer, OMG Berlin Sector APO 742-A
42,43,
44 Director of Intelligence, EUCOM, Frankfurt APO 757
45 AC of S A-2, USAFE, APO 633
46,47 7712 European Command Intelligence School, APO 172

48,49
50 Director of Intelligence, War Department, Washington, D.C.
51,52
53 Civil Affairs Division, War Department, Washington, D.C.

54,80 FILE

SECRET