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January 7, 1949

DEPARTMENT OF STATE

OFFICE OF PUBLIC AFFAIRS INFORMATION MEMORANDUM NO. 28

While this memorandum itself is not for release, officers participating in public liaison through speeches or background talks may find this material useful in answering questions.



BERLIN BACKGROUND

1. To understand the problem of Berlin it is necessary to go back to the decision that was made at Casablanca in January 1943 to demand Germany's unconditional surrender. That decision meant that the Nazi regime could be expected to fight until utter extermination and that Germany would therefore be left in chaos and confusion, physically destroyed, morally bankrupt, without government of any kind.
2. The following October (1943) Secretary Hull flew to Moscow and it was there agreed that the Allies (the U.S., Great Britain, and Russia) would cooperatively deal with the problem of Germany. It was agreed to establish a European Advisory Commission with headquarters in London to prepare the necessary background studies and make preliminary recommendations.
3. By September 1944 the European Advisory Commission had come to some tentative conclusions. In view of the belief that there would be no regime in Germany when the Nazi armies collapsed, and in view of the demoralized state of the German people under the Nazis, the handicaps in the way of their undertaking on their own the establishment of a democratic regime, as well as to assure that Nazi influence was eradicated from German life, it was decided to occupy Germany temporarily. The Commission proposed that each of the victorious powers (U.S., Great Britain, Russia and, eventually, France) should assume responsibility for the administration of a particular zone in Germany and for a sector of Berlin.
4. The following February (1945) Roosevelt, Churchill and Stalin again met at Yalta. The proposal to divide Germany into zones pending the setting up of a permanent government was approved and it was agreed to establish an Allied

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Control Council, consisting of the commanders of each of the zones, to deal with over-all problems relating to Germany.

5. On May 8, 1945 the last of the German armed forces surrendered and on June 5 the four Allies assumed administration of their respective zones. Berlin necessarily was in the Russian zone as it is only a short distance from the eastern boundary of Germany and it was logical that the Russians should assume responsibility for the Eastern zone.

6. The armies of the Western Allies did not push into Berlin during the closing stages of the war because our military plans were devised for the single purpose of speeding victory. From a military point of view Berlin was not considered to be an essential objective for the Western forces.

7. Rights of the United States, Britain and France as occupying powers in Berlin derive from international agreements which established the quadripartite control of Berlin on a basis of friendly cooperation. The right of free access to the city was specified in a message sent by President Truman to Premier Stalin on June 14, 1945. In accordance with assurances made by Stalin on June 16 that all necessary measures would be taken in accordance with the plan, the United States, whose armies had penetrated deep into Saxony and Thuringia, parts of the Soviet one, withdrew its forces to its own area of occupation in Germany and took up its position in its own sector of Berlin.

8. In July 1945 the heads of state of the U.S., Britain and the U.S.S.R. met at Potsdam and agreed (1) politically there was to be no central government for the time being; (2) economically there was to be a single economic unit during occupation; and (3) reparations were to be computed and levied as follows:

Soviet reparations (including Poland's) were to consist of (a) removal of capital equipment and goods from the Eastern zone; (b) German external assets in Bulgaria, Finland, Hungary, Rumania and Eastern Austria; and (c) 25 percent of the capital equipment in the Western zone not needed for peace-time industry (the value of 15 percent of such capital equipment to be equaled by shipments of food, coal, potash, petroleum, etc., by the

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U.S.S.R. to the Western zone).

The U.S., British, and other countries' reparations were to be taken from the balance of capital equipment in the Western zone and the remaining external assets.

9. The Soviet Union proceeded with a systematic and drastic looting of the Eastern zone, but failed to deliver materials to the Western zones as it had agreed.

10. The Allied Control Council could not agree on the procedure for administering Germany as an economic whole. As a result there was little sharing of resources, and no common foreign trade, banking, mail, telegraph communications, or railroad policies. The amount of trade between the two zones decreased to a low level. The burden of this fell on the Western zones and the cost of maintaining the Western zones above a starvation and disease level rose to a half billion dollars a year. As a result, in May 1946 the United States stopped reparations deliveries from the United States zone. The whole question was, therefore, taken up in the Council of Foreign Ministers in its meeting in April-July 1946.

11. At this meeting the U.S.S.R. insisted upon:

- a. Four-power control of the Ruhr;
- b. A German Government able to extirpate fascism and carry out reparations deliveries, i.e., it was opposed to a federal type of state.

The U.S.S.R. claimed that the United States had stopped reparations payments from the Western zone because it wished to rearm Germany. The U.S., as evidence of its determination that Germany should not again constitute a menace, offered to enter into a 25 (later, 40) year treaty with its former allies, agreeing to take any necessary action to prevent further German military threats.

12. As a result of the apparently irreconcilable positions that had developed, the U.S. announced in July 1946 that it would administer its zone in conjunction with any other occupying power or powers as an economic unit. Britain agreed to join its zone economically with that of the U.S. in January 1947, and Bizonia came into existence.

13. In March 1947 the Council of Foreign Ministers met in

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Moscow and again in November 1947 in London. The Soviet position was that political unification with a strong central government should take place before economic unity and furthermore that the U.S.S.R. would not consider economic unity for Germany until reparations had been agreed upon. The United States and Great Britain insisted on economic unification as agreed at Potsdam before political unification and before any final decision with respect to reparations.

14. The basic issues became clear. The Soviet Union desired to have a strong central government (which might lend itself to communist infiltration and seizure). The Soviet Union also apparently desired to prolong the economic chaos in order to induce the kind of hopelessness that yields to communist arguments, and therefore prevented economic unification. In addition, the Soviet Union desired to have a large reparations claim (10 billion dollars) against Germany, as this would give the U.S.S.R. powerful economic and political controls over Germany. The U.S. and Britain believed that the German people should be allowed to decide what form of government they desired and should make this decision under conditions of normal existence, i.e., following economic unification. The U.S. and Great Britain also desired to postpone a final decision on the amount of reparations until it was possible to determine what level of industry was to be established in Germany so that the amount of reparations could be fixed at a figure that would be capable of payment from the German economy and would not, in effect, have to be paid by American contributions to Germany.

15. The U.S.S.R. opposed currency reform presumably because the lack of a sound currency was contributing in large measure to the economic stagnation of Western Germany. The old currency was so valueless that cigarettes had in practice replaced it in many areas. On June 18, 1948 a new currency was therefore introduced in the Western zones. Following the introduction of the new currency, although many economic stresses remained, factory production increased, goods reappeared in the stores, workers returned to their jobs, agricultural production flowed in from the country, and the general economy was greatly improved.

16. On June 22 at the request of the three Western powers, a quadripartite meeting of financial and economic advisers took place in Berlin to discuss the problem of currency for Berlin. The Soviet representative insisted that there could be no currency for Berlin different from the currency of

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the surrounding Soviet Zone and he would not accede to quadripartite control of the currency for Berlin. Immediately after the meeting the Soviet authorities issued their orders for currency reform in the Soviet zone and all of Berlin. The following day the Western Allies announced introduction into the Western sectors of Berlin of the new Deutsche Mark of the Western zones.

17. On June 23, 1948 the U.S.S.R. imposed a blockade of rail and road traffic from the Western zones into Berlin. The Western powers countered with the air lift.

18. The U.S. basic position in Germany is:

a. That the great industrial resources of Western Germany should not be in the hands of forces that are inimical to the U.S.

b. That Germany be rehabilitated economically to the extent that is necessary for the recovery of Europe and that it be able to support itself.

c. That political responsibility be transferred to the Germans without however doing it in such a way that it becomes incorporated in the Soviet orbit.

d. In general that Germany be an asset to world peace and not a liability.

19. The abandonment of Berlin would be interpreted throughout Germany and Europe as evidence of our lack of determination both to defend our rights and to support democratic peoples in their effort to resist totalitarian threats and pressures. Psychologically and politically such a step would have profound consequences, leading to a hasty effort on the part of many European people to reinsure themselves with the Communists, to whom it would be felt that central Europe had been abandoned.

For further information on this topic see:

Information Memorandum No. 2

Information Memorandum No. 7

The Berlin Crisis, September 1948.

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