



DELEGATION OF THE UNITED STATES OF AMERICA

Council of Foreign Ministers
American Embassy, Moscow

March 24, 1947

Dear John, Covey et al,

It is still too early to determine whether the conference will break up in an explosion, adjourn or get down to business. General Clay is trying to force a decision on the U.S. side, but thus far without result. He is proposing that the Council of Foreign Ministers direct the ACA to study reparation out of current production to see what the effects of various programs would be on the cost of making up the deficit in the German balance of payments to the British and the Americans (ducking for the moment the problem of sharing the deficit), and the availability of coal for export. Ben Cohen is counselling a delay until the Soviet Union puts out concrete proposals, on the ground that to recommend a study, except possibly as a counter-~~xx~~ proposal corrupts the U.S. position. Meanwhile Cohen is working with us on a draft of an ingenious proposal which provides that schedules of reparation out of current production be drawn up to run until some such date as June 1, 1955 (final position 1960), such reparation to begin only after Germany has a balanced economy. The gimmick in the proposal, however, is the provision that any country can start drawing its schedule of reparation commodities prior to the achievement of a balanced economy upon payment of 75 per cent of the total value thereof. This may go down with the British who up to now have been maintaining stoutly that no reparation out of current production can take place which would cost them more than present scheduled advances, which they interpret to mean until Germany has a balanced economy. It will contain, if it is used, a safeguarding clause respecting coal for France which wants reparation out of current production if it can get coal too. But it is not likely to satisfy the Soviet Union at all. It seems to be the maximum position we could stand, however. This proposal has not yet been shown to Clay or to Dulles.

The Ruhr - The Times' article and editorial on the breach in the US ranks on the subject of the Ruhr were accurate, and the latter excellent. I have been disturbed over the arena in which the debate has been carried out. Clay and Draper claim that Germany will go communist shortly after any proposal to infringe on its sovereignty over the Ruhr is carried out; Dulles claims that France will go Communist if the demands of the French for coal and the Ruhr are not met. Clay claims that he would be willing to agree to internationalization on a basis which threw in French, Belgian, Dutch etc coal and steel. Cohen is proposing as a compromise adding the Saar and Silesia to the areas to be internationalized. All of this mind you, is not on the basis of the French proposals, but on that of our Departmental draft which provides for local exercise of sovereignty subject only to international supervision with limited rights of appeal to the German government and then to the (anti-German to be sure) ECE.

I would be happier if our conception of European politics were less timid than suggested either by Clay or Dulles. I wonder if we cannot now see that Communism in Europe has already passed its post-war peak, and that Europe today, as in 1919 with the failure of Luxembourg and Liebknecht in

Berlin. Instead of being on the timid defense with respect to France and Germany, and particularly attempting to decide which we would defend if we have to make a choice, I should prefer that we adopt a policy of trying to unify all of Europe. In the Clay-Dulles-Cohen discussion, however, it was impossible ~~ix~~ for me to get the discussion off the existing basis. More on this later.

Coal - As you have doubtless gathered, we have been making some headway with General Draper on the coal question. I doubt, however, whether our dent will stick unless we can impress the Berlin people, who continue to feed him what we regard as phoney statistics. It is lucky that Katherine Kellogg is not here, for she would have long since been a candidate for a strait-jacket. I am having some difficulty in keeping George's safety valve in good working order.

One awkwardness is that the French do not have a decent coal expert here, which is very foolish of them. In their innocence, they accept propositions put forward in innocence by Draper and Robertson, but behind which lies a lot of guile as George thinks, or more likely in my view a complete Freudian identification of the bizonal area with German welfare. We have hammered hard the point that the French demands are in reality the demands of all of Europe, including the Greece, Italy, Austria, France etc which are equally with Germany on U.S. relief, and that it boots it little with incessant care to get Germany balanced and leave all our other step-children in need of support.

But the French have just come through with a paper of proposals which has to be worked into the synthesis on economic principles being enclosed. I shall have to halt this and get to work.

Hastily and sincerely yours,

Charlie



PS. Ed has just come down from the Secretary's morning briefing (which I do not attend) to say that General Clay has suffered a resounding defeat on reparation from current production and that if we are required to expose a point of view today or shortly, it should be that put out in the Stuttgart speech.