

DIVISION OF GERMAN REPARATIONS
ECONOMIC
DEPARTMENT WASHINGTON
MAR 26 1947

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Moscow, March 20, 1947

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Dear Willard:

After a week of somewhat vituperative discussion on demilitarization, denazification, and other minor subjects, the Conference got down this week to a discussion of economic issues. We have now had three days of discussions on all questions concerned with the treatment of Germany as an economic unit and with reparations. The four Ministers spoke at length and we are now in the middle of a second round. So far, the positions of all four have not changed a bit and are exactly what one expected them to be before the start of the Conference. In his opening speech, Molotov made a great many charges against the other three countries of improper unilateral action taken in their zones. The Secretary has been trying to avoid being drawn into discussion of this sort, though he found it necessary to answer certain specific charges. Charlie scored a great coup by producing at the right moment a letter from John Green in the Commerce Department, who had been mentioned by name by Molotov. For the rest, the Secretary wants to handle these charges by submitting in writing an answer. Charlie and I have just finished preparing such a statement for him.

It's a little difficult to see at this point just where we go from here on economic questions. As I said, we are in the middle of a second round but this second round seems to consist to date merely in a re-statement of original positions. The Secretary would like, as soon as may be, to get off this topic and on to the subject of a provisional government for Germany, which is linked together with the question of central administrative agencies. I hope that after these questions have been discussed, directives might be worked out to refer all these matters concerning the short-run treatment of Germany to the Deputies or to economic and political committees. Whether

this is

The Honorable
Willard L. Thorpe,
Assistant Secretary of State,
Washington.

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this is going to work I don't know. At the meeting yesterday, Molotov for the first time avoided charges and undertook a calm presentation of the Soviet position. Many people were much cheered by this. As for myself, I continue to be essentially pessimistic since the gap between the British position and ours on the one hand and the divergent positions of Russia and France on the other hand are enormous.

Outside of the CFM meetings, we have been having a number of informal discussions with the British and French on the coal question. The French, as expected, have taken a strong and rather arbitrary line and have hinted in fashion not too veiled that unless their coal demands are satisfied they are not going to be too cooperative. In separate meetings with the British, we have worked out a joint line indicating how far we are prepared to go. I am enclosing a short statement of the points we intend to make when we meet with them tomorrow.

Apart from these meetings, there seems to be nothing much to report. We continue to work pretty hard but Charlie and I did manage to get to the opera on Saturday and to the ballet on Sunday. The latter was magnificent, "Cinderella", with music by Prokofieff.

On the whole, everything seems to be going as well as could reasonably be expected.

With best wishes,

Sincerely yours,

Edward Mason

cc: John C. deWilde, Esquire,
Associate Chief, Division of
German-Austrian Economic Affairs