

THE MINISTRY OF FOREIGN AFFAIRS OF THE USSR

**THE SOVIET UNION
and
THE BERLIN QUESTION**
(Documents)

MOSCOW 1948

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**NOTE OF THE SOVIET GOVERNMENT
TO THE GOVERNMENT OF GREAT BRITAIN
of February 13, 1948***

It has become known to the Soviet Government from press reports that the Governments of Great Britain, the United States of America and of France intend to call in London, on February 19, a conference to discuss questions regarding Germany. According to the reports that have been published, it is intended at this conference to consider the following questions: the common policy of Great Britain, the United States and France with regard to Germany, the future status of Western Germany, control over the Ruhr, problems of security, reparations, etc.

The Soviet Government deems it necessary to draw the attention of the Government of Great Britain to the fact that the calling of such a conference for the consideration of questions falling under the competence of all occupying Powers in Germany and involving other European countries, would constitute a violation of the Potsdam agreement and of other Four-Power decisions, according to which responsibility for the administration of Germany and for defining policy with regard to Germany lies jointly on the occupying Powers, and this is incompatible with separate actions.

The Soviet Government also calls attention to the fact that in accordance with the Declaration on the Defeat of Germany of June 5, 1945, the Governments of the four occupying Powers in Germany took upon themselves the supreme authority, including all authority which had belonged to the German Government, and undertook later to define "the status

* Identical notes were sent to the Governments of the USA (on February 13, 1948), and of France (on February 16, 1948).

of Germany or of any area which is at present a part of German territory."

The questions to be considered at the London conference of the representatives of Great Britain, the United States and France are such as could be settled only with the common consent of all the occupying Powers in Germany.

The convening of the said conference in London constitutes a violation of the agreement on Control Machinery in Germany and also a violation of the Potsdam agreement which provides for the treatment of Germany as a single unit.

In connection with the above, the Soviet Government deems it necessary to inform the Government of Great Britain that it will not consider as legitimate the decisions which will be taken at that conference.

**NOTE OF THE SOVIET GOVERNMENT
TO THE GOVERNMENT OF GREAT BRITAIN,
dated March 6, 1948***

In reply to your letter of Feb. 23 of this year regarding the London conference of the Governments of Great Britain, the United States and France on the German question, I have the honour, on instructions from the Soviet Government, to state the following:**

In the Soviet Government's statement forwarded to you on Feb. 13 it was pointed out that the London conference of representatives of Great Britain, the United States and France on the German question constituted a violation of the agreement between Great Britain, the USSR, the United States and France on the Control Council in Germany, as well as a violation of the Potsdam agreement on the establishment of a Council of Foreign Ministers, which was charged with the preparation of a peace settlement for Germany as one of its basic tasks. In reply to this, the Governments of Great Britain, the United States and France have declared that the agreement on Control Machinery in Germany and the Potsdam agreement did not contain any prohibition of consultations among the Powers. Such statements, however, cannot be regarded as convincing.

It is known that more than one violation of agreements previously concluded by the Four Powers have already been committed as a result of unilateral consultations of this kind between the Governments of Britain and the United States,

* Identical notes were sent to the Governments of the USA and France.

** The note was handed by the Ambassador of the USSR in London to the British Foreign Minister.

and of France as well. It is clear to everyone that the so-called consultations at the London conference constitute preparation of a new deal on the German question among Great Britain, the United States and France, although it is perfectly obvious that deals of this kind among the Governments of the three Powers are incompatible with a loyal attitude toward the above-mentioned agreements signed by the Four Powers.

It followed from the very reply of the British Government that the London conference of representatives of Great Britain, the United States and France was convened to examine a number of important problems relating to Germany. From the published agenda of the London conference it appears that this agenda included such items as the role of German economy in Europe and the question of the Ruhr, security measures in regard to Germany, territorial changes, reparations and other issues which come directly within the competence of either the Control Council or the Council of Foreign Ministers and consequently cannot be settled other than by agreement among all the Four Powers occupying Germany.

It follows therefrom that the British Government's reply not only fails to refute the assertion contained in the Soviet statement of Feb. 13, to the effect that the London conference of representatives of the three Governments constitutes a violation of the agreement on the Control Machinery in Germany, as well as a violation of the Potsdam agreement on the establishment of the Council of Foreign Ministers, but confirms the fact of such violation with utter clarity.

The Soviet Government deems it necessary to call special attention, first of all, to the position of the Control Council in Germany. It was stated in the agreement concluded by Great Britain, the USSR, the United States and France on the establishment of Control Machinery in Germany, published on June 6, 1945, that the Control Council in Germany was being established for the purpose of insuring agreed action of the Four Powers in the respective zones of occupation "on the chief military, political, economic and other questions affecting Germany as a whole."

In the Declaration on the Defeat of Germany, which was

also published on June 6, 1945, the Governments of Great Britain, the USSR, the United States and France undertook jointly to determine "the status of Germany or of any area which is at present a part of German territory."

Thus, under these agreements the Four Powers—Great Britain, the USSR, the United States and France—undertook to pursue an agreed policy both toward Germany as a whole and in regard to determining the status of any area of Germany during the occupation period. Consequently, separate conferences and decisions on the German question, affecting Germany as a whole or any of its parts, run counter to the obligations assumed by the Four Powers.

The Governments of the above Powers considered the agreed Four-Power policy in regard to occupied Germany as the most important condition for insuring lasting peace and the security of the European nations; and this formed the basis of the decisions of the Yalta and Potsdam conferences on the demilitarization and democratization of Germany. At the same time such a policy was to prevent the possibility of the resurgence of Germany as an aggressive power and insure her transformation into a peaceable democratic state.

Throughout the past period the Soviet Union has consistently acted in accordance with this policy established by the Four Powers. In so doing, the Soviet representatives invariably insisted that the Control Council adopt appropriate agreed measures in regard to all zones in Germany, which, however, did not meet with the support of the British, American and French representatives, even in regard to highly important issues.

In the meantime the other occupying Powers, as early as 1946, adopted the path of direct renunciation of this policy established by the Four Powers.

This found expression first of all in the separate agreement between Great Britain and the United States of America on the fusion of the British and American occupation zones in Germany, and subsequently in a number of other separate actions on the part of the British and American authorities, and also of the French authorities, in their respective zones of occupation. It is known that the question of setting up a fused Anglo-American zone was not even

submitted for the consideration of the Control Council. Things went so far that at the Anglo-American conference in Frankfurt-am-Main in January 1948 decisions were passed which lent the bizonal agencies the nature of a government, although one month before this the representatives of Great Britain and the United States of America denied that they carried on preparations for the formation of a separate Western-German state. Nor is it a secret that the point at issue now is the adherence of France to this Anglo-American separatist policy of forming a Western-German state counterposed to the rest of Germany.

The consequences of this policy and of this attitude toward the Control Council are well known. The above-mentioned actions of the British, American and French representatives have paralyzed the Control Council in Germany and undermined its significance.

All this means that the Governments of Great Britain, the United States and France have assumed responsibility for disrupting the agreement on the Control Council in Germany.

The London conference of representatives of Great Britain, the United States and France on the German question proves that the point at issue now is not only the disruption of the agreement on the Control Council in Germany but also the disruption of the Potsdam agreement on the Council of Foreign Ministers. Disregarding the fact that the Four-Power agreement placed all the questions pertaining to a peace settlement for Germany within the competence of the Council of Foreign Ministers, the Governments of Great Britain, the United States and France organized the above separate conference on the German question without the participation of representatives of the USSR and in violation of the agreement on the Council of Foreign Ministers.

The Soviet Government believes that the organization of the London conference of three Powers represented a further development of the policy pursued by Great Britain, the United States and France and aimed at liquidating the Council of Foreign Ministers, which represents all the four occupying Powers.

Sessions of the Council of Foreign Ministers on the German question were held in Moscow and in London in 1947.

On both occasions the Soviet Government exerted efforts to achieve agreement among the Four Powers in regard to Germany and met halfway the proposals of other powers on a number of questions in so far as this was compatible with the basic principles of previous agreements on demilitarization and democratization of Germany. In doing so the Soviet Government was guided in the first place by the desire to expedite the preparation of a peace treaty with Germany and to secure the restoration of complete peace in Europe, a matter of concern to all peace-loving peoples. The Soviet Government also insisted on the fulfilment of the decisions of the Yalta and Potsdam conferences regarding the satisfaction of the legitimate demands of the Allied states which had suffered from German aggression. At the same time the Soviet Government insisted on the need to assist in the rehabilitation of Germany as a democratic and peaceable state, which is also in full accord with the Yalta and Potsdam decisions.

Nevertheless the Council of Foreign Ministers was unable to reach agreed decisions on the German question in view of the stand taken by Great Britain, the United States of America and France.

The Governments of Great Britain, the United States and France rejected the proposal regarding the preparation of a peace treaty with Germany which was submitted by the Soviet Union to the Council of Foreign Ministers in London. The Governments of the above three Powers also declined the Soviet Union's proposal to establish central German economic departments, which was directly provided for by the Potsdam agreement. The Governments of the three Powers also turned down the Soviet Union's proposal for the organization of a central German government, which is necessary for restoring the political and economic unity of Germany.

Had the Governments of Great Britain, the United States and France agreed to start the preparation of a peace treaty with Germany and take measures aimed at restoring the unity of Germany, important progress in solving the German problem as a whole and in securing peace in Europe would have been made. Agreement on all these questions was not reached because of the negative attitude taken by the above three Powers.

Had the Governments of Great Britain, the United States and France adhered to the positions which found expression in the decisions of the Yalta and Potsdam conferences, the Council of Foreign Ministers would undoubtedly have successfully coped with its tasks when considering the German question.

The failure of the Moscow and London conferences of the four Foreign Ministers was due to the fact that Great Britain, the United States and France departed from the Yalta and Potsdam decisions on the German question and attempted to impose on the Council of Foreign Ministers a policy that runs counter to and is incompatible with these decisions.

All sorts of attempts are now being made to justify the present separate actions on the grounds of the unsuccessful work and failure of the Moscow and London conferences of the four Ministers. These attempts are aimed at relieving the three Powers of responsibility for this failure and to put the blame for it on the Soviet Union, although it is perfectly obvious that responsibility for the failure of the Council of Foreign Ministers rests wholly with the Governments of Great Britain, the United States of America and France, who disrupted these conferences.

Now the true purpose of these separate actions is perfectly clear to everybody who follows the policy of the above Powers toward Germany. The meaning of these actions aimed at liquidating the Council of Foreign Ministers is to discard all restrictions that could hinder the implementation of such a policy in regard to Germany to which the Council of Foreign Ministers could not agree since it is fundamentally at variance with the previously agreed Four-Power policy.

The facts show that the so-called "American plan" in regard to Europe, including Germany as well, has become the basis for the policy of aggressive circles in the United States of America, Great Britain and France that is now being pursued by these Powers in disregard of the tasks of the demilitarization and democratization of Germany instead of the policy agreed upon by the Powers of the anti-Hitlerite coalition during the establishment of the terms of Germany's surrender and the adoption of the decisions at the Yalta and Potsdam conferences. And everything is being done to con-

vert the western part of Germany, as though it were some colony, into a mere object and tool to be used in plans of this kind.

When the fused Anglo-American zone—Bizonia—was created in 1946 in Germany and opposed to the rest of Germany, this was explained by economic considerations. It was stated that the fusion of the two zones would facilitate the rehabilitation of German economy and at the same time reduce the expenditures of the occupying Powers. These explanations and promises proved untrue.

Actually, the formation of Bizonia can by no means be explained by economic considerations. This step, which has brought about the splitting up of Germany, was prompted by the desire to secure a free hand in order that the Anglo-American authorities in the Western part of Germany could pursue the unilateral policy they failed to impose on the Control Council in regard to the whole of Germany. Inasmuch as departure from the policy of Yalta and Potsdam encountered resistance in the Control Council, the Governments of Great Britain and the United States created Anglo-American Bizonia with its bipartite agencies, in which, in circumvention of the Control Council, they began carrying out their separate political and economic plans.

Whereas in the Control Council the British and American representatives constantly encountered the demand of the Soviet Union for consistent demilitarization in all the occupation zones, in Bizonia they obtained a free hand, and elimination of the war potential in that part of Germany was reduced to naught. The measures for the liquidation of Germany's war plants, even those which had been designated for transfer on account of reparations, remained unrealized.

Whereas in the Control Council reports were demanded concerning the progress of democratization in all zones, in Bizonia the Anglo-American authorities could act without control and without abiding by the previously agreed Four-Power decisions on the policy of the democratization of Germany. And they increasingly relied for support on aggressive German circles and German monopolies, which had in the past served as a bulwark of Hitlerism and German aggression and are always willing to act as bellicose German revanchists.

The plans for agrarian reform and for division among the small peasants of the estates of the big landowners and Junkers, who had always served as a bulwark of German militarism, remained on paper.

It should be added that the policy pursued in the French occupation zone in no way differs from that obtaining in the Anglo-American zone.

It is now clear to everyone that the creation of the fused Anglo-American zone served as preparation for the implementation of the so-called "American plan" for Europe.

The appearance of the "Marshall plan" was also chiefly explained by economic motives. It was argued that this "plan" was aimed at rendering aid to the European states which suffered from the war. Now it is clear that those explanations are utterly groundless.

Actually the European countries which suffered most from the war were left outside of the American "plan" because these countries could not agree to the conditions attached to that "plan" as incompatible with their national sovereignty and political independence. It is perfectly understandable that the democratic states which with their own blood upheld their national independence in the struggle against fascism did not accept the conditions of so-called American "aid" which entailed the intervention of a foreign state in their internal affairs, their economic life and national development. On the other hand, the "Marshall plan" embraces not only Italy but also the western part of Germany, although Germany's obligations for repairing the immense damage caused to the Allied states have not even been fixed to this day.

Since the Anglo-American policy deprives Germany of the possibility of having her central democratic government, which could uphold the interests of its country, and since the Anglo-American occupation zone is outside of Four-Power control, Bizonia represents a convenient place for the uncontrolled rule of the American and British monopolies. There, in Bizonia, the Anglo-American monopolists, banks and cartels penetrate into all branches of economic life, subordinating them to their expansionist aspirations.

The facts show that nothing has been done to this day for the effective restoration of the highly developed industry

in the western part of Germany and that on the contrary the development of that industry has constantly been retarded for fear of competition. At the same time, Bizonia and the Ruhr with its heavy industry, which has always served as a powerful base of armaments production, are included in the American plan for "aid"; this reflects the desire of certain American circles to restore Germany's war economic potential and utilize it for the above-mentioned ends.

It is not surprising, therefore, that the attempts to secure the joint control of all four occupying Powers over the Ruhr industrial area encountered resolute opposition on the part of the United States of America and Great Britain.

This policy of the Anglo-American authorities in regard to the economic measures in Germany is calculated to secure the support of the German heavy industry magnates, but it glaringly contradicts the aims of the peaceable and democratic reconstruction of Germany. Instead of leading to the restoration of Germany's peace economy, this policy is fraught with the danger of the western part of Germany being converted into a strategical base of future aggression in Europe.

At the present time the Government of Great Britain has advanced a plan for a so-called "Western Union." France, Belgium, Holland, Luxembourg and also Italy and the western part of Germany are being enlisted in this political bloc, and the participation of the United States of America in it is also envisaged. It is also planned to include certain other West-European states in it.

It is easy to see that this British plan is closely bound up with the "Marshall plan," supplementing it and disclosing the political objectives of the American plan for Europe. Both the American plan for economic "aid" and the British political plan of a "Western Union" oppose Western Europe to Eastern Europe and thus lead to the political splitting of Europe. It follows therefrom that both the American economic plan and the British political plan which supplements it have nothing in common with the interests of consolidating peace and the security of the European nations.

Considering the grave lessons of the first and second world wars, the peace-loving European states have been

striving to reach agreements in order to prevent the possibility of new German aggression. On this are based all the known treaties, such as the Anglo-Soviet and Franco-Soviet twenty-year treaties of mutual assistance, the treaties between the Soviet Union and other European states and also the Anglo-French treaty of 1947. Such a desire to prevent new German aggression meets the interests of all peace-loving nations and cannot lead to the counterposing of some European states to other European states. Conclusion of such treaties has contributed and is contributing to the security of the European nations and the consolidation of general peace.

Of an entirely different nature is the plan for a "Western Union" which sets no such purpose as the prevention of German aggression and the rendering of mutual assistance in the event of such aggression. And the British political plan cannot even set such an aim, since it is not directed against the resurgence of German aggression but on the contrary includes in the Western bloc that part of Germany in which a dominant position is preserved for the aggressive German monopolies, which but yesterday constituted a bulwark of Hitler aggression. On the other hand, the nature of the British political plan is sufficiently revealed by the fact that it opposes the European states united in this bloc to other states of Europe which consistently champion the consolidation of general peace and the prevention of new German aggression.

It follows therefrom that the creation of the Anglo-American Bizonia and the splitting of Germany effected thereby were not fortuitous. With the western part of Germany placed outside of joint Four-Power control, attempts are now being made to utilize it with a view to creating a special group of West-European states opposed to other states of Europe, and this leads to the political splitting of Europe and to the formation of two camps of European countries.

Thus both the American economic plan and the British political plan do not serve the aims of consolidating peace, of economic recovery and progress, but diametrically opposite aims. All this explains the attitude of the Soviet Union towards these plans.

It follows from all the above-said that the policy being pursued by Great Britain and the United States of America, as well as by France, has undermined the Four-Power agreement on the Control Council in Germany and the Potsdam agreement on the Council of Foreign Ministers, which was charged with all the preparatory work for the peace settlement in Europe. This policy of the three Powers, far from facilitating the establishment of lasting, democratic peace in Europe, is fraught with consequences which can benefit only all and sundry instigators of a new war.

The secret London meetings of representatives of Great Britain, the United States of America and France on the German question, organized in circumvention of the Council of Foreign Ministers, in which the Soviet Union would also have participated, testify that the Governments of the three Powers do not hesitate at completely disregarding their undertakings.

The fact that representatives of only a narrow group of several states were invited to this conference, whereas the majority of the states which suffered most from German aggression remained outside of it, goes to show that the London conference pursued the narrow group purposes of the sponsors of the Western bloc which is being opposed to all the other European states.

In view of the above the Soviet Government deems it necessary to reaffirm its statement that the decisions drafted by that conference cannot have legal force or international authority.

**STATEMENTS OF MARSHAL SOKOLOVSKY
AT THE MEETING OF THE CONTROL COUNCIL
on March 20, 1948**

Marshal Sokolovsky declared that before the meeting the following memorandum of the Soviet Command had been sent by him to the other members of the Control Council:

“A fortnight ago the press published a brief communiqué on the London conference of representatives of the United States, Britain and France which discussed important political and economic questions affecting Germany as a whole. As is known, this conference was convened without the knowledge of the Control Council and was held in secret from the world public. Nor has the Control Council thus far been informed of the results of this conference although the latter, judging from the communiqué, discussed such important questions as the state organization of Germany, control over the Ruhr, reparations, extension of the Marshall plan to the Western zones of Germany, coordination of the actions of the occupation authorities in the three Western occupation zones. Such questions fall under the competence of the Control Council, which has been entrusted by the governments of the four occupying Powers with the task of exercising supreme authority in Germany and which was set up in order to secure unity of action of the Four Powers in their respective occupation zones regarding major military, political, economic and other questions common to the whole of Germany. (See agreement on Control Machinery in Germany, published on June 6, 1945.)

“The Control Council must therefore know what decisions on Germany were prepared in London and also what political and economic measures the American, British and

French commands intend to take in the Western zones of occupation in Germany in this connection.

"The Soviet Command deems it necessary that the American, British and French representatives report to the Control Council on the instructions received by the respective occupation authorities in connection with the work of the London conference, and that they submit detailed explanations to the Control Council regarding other questions touched upon in the communiqué on the London conference, or not mentioned therein."

In view of the fact that the members of the Control Council refused to present to the Control Council information on the London conference, Marshal Sokolovsky made the following statement:

"At the London conference official representatives of the United States, Britain and France discussed and decided such questions regarding Germany which come directly within the competence of the Control Council and can be decided only on the basis of agreement among the Four Powers occupying Germany. The American, British and French occupation authorities, however, do not wish to inform the Control Council of the decisions prepared in London nor to give an account of the instructions they received in connection with the unilateral London decisions on the German question.

"Why do the American and British representatives refuse to give an account to the Control Council of the above questions involving Germany as a whole discussed by the London conference? Firstly, because while discussing these questions the Control Council might disclose to the world public the deal struck by the United States, Britain and France in London directed against the Potsdam agreement and the other Four-Power decisions, a deal whose aims are incompatible with publicity and with the policy of peace and democratization of Germany. Secondly, because the representatives of these countries are bent on discarding all restrictions which could hinder their policy with regard to Germany, a policy contradicting the Four-Power decisions and the purposes of the occupation of Germany.

"A situation has arisen in which only the Soviet side has

to give an account to the Control Council whereas the American and British sides refuse to give an account to the Control Council of their actions in the zones of Germany they occupy. Thus, these delegations merely prove that they are tearing up the agreement on the Control Machinery in Germany and are assuming responsibility for breaking up this agreement. By their actions these three delegations once again confirm that the Control Council virtually no longer exists as the supreme body of authority in Germany exercising quadripartite administration of that country. This is also clear from the position taken by the afore-mentioned three delegations at all recent meetings of the Control Council and its agencies.

“This means that these delegations are destroying the Control Council and burying it, are destroying the agreements reached regarding the Allied Control Council in Germany. Undoubtedly this constitutes one of the most serious violations of the obligations undertaken by the British, American and French occupation authorities in Germany by virtue of the Four-Power agreements on the administration of Germany during the occupation period.

“But it is hence clear that the actions taken now or which will be taken in the future in the Western zones of occupation in Germany in implementation of the unilateral decisions of the London conference cannot be recognized as lawful.”

Inasmuch as the British and American representatives refused to report to the Control Council on the questions discussed at the London conference, Marshal Sokolovsky declared that he saw no sense in continuing the meeting and declared it as closed.

PROCLAMATION OF THE SOVIET MILITARY ADMINISTRATION TO THE GERMAN POPULATION

Citizens of Germany!

A separate currency reform has been announced in the Western zones of occupation of Germany. By order of the American, British and French occupation authorities the Reichsmark, the uniform currency unit for all Germany, is being withdrawn from circulation and replaced by a separate currency. Henceforth Germany will have no uniform currency unit, and no uniform currency circulation. This is being done in defiance of the will and interests of the German people. The separate currency reform is being effected in the interests of the American, British and French monopolies which are dismembering Germany and striving to weaken her by subordinating her economy to their domination.

A new serious blow has been dealt to German state unity. The agreements providing for the control machinery in Germany and the Potsdam agreement which stipulated that Germany be treated as a single unit and that her currency remain uniform, have been violated.

The financial reform being effected in the three Western zones of Germany completes the division of Germany. Fearing responsibility and the indignation of the German people, the organizers of the separate currency reform are trying to justify it by alleging that a single currency reform for all of Germany is impossible. The purpose of this invention is to deceive public opinion.

A single currency reform throughout Germany on the basis of a Four-Power agreement was fully possible and necessary. It is generally known that the Soviet Military Administration in Germany, in pursuance of the instructions of the Soviet Government, always insisted on preserving Ger-

many's political and economic unity. It always opposed separate actions aimed at dismembering Germany. The representatives of the Soviet Union in the Control Council agencies availed themselves of every opportunity to reach agreement on a single currency reform for all of Germany. In doing so, the Soviet representatives insisted on the immediate establishment of a central German finance department and a central German Bank of Emission so that the Germans could themselves participate in carrying out the reform and ensuring a stable currency for their country's economic rehabilitation.

Soviet representatives on the Control Council proposed that the Council condemn all preparations for separate zonal financial reforms. Four-Power agreement had already been reached on the fundamental principles of a nation-wide currency reform. Nevertheless, currency reform for the whole of Germany was frustrated.

It is now obvious that the American, British and French representatives discussed all-German currency reform in the Control Council merely for the sake of form, taking advantage of these discussions secretly to prepare for a separate currency reform.

Attempts are also being made to justify the separate currency reform by pleading the need to regulate currency circulation, disrupted by National Socialism, in the Western zones of occupation.

For three years, however, the occupation authorities in the Western zones actually sabotaged measures that would normalize currency circulation. The disorganization of currency circulation was utilized for the purpose of subordinating German economy to the American, British and French monopolies. In the Western zones huge sums, accumulated through profiteering and war contracts, remain completely at the disposal of big capitalists and profiteers.

German banking and industrial monopolies have been preserved in the Western zones and many of them have actually become branches of Wall Street, i.e., branch offices of American banking and industrial monopolies.

In carrying out the policy of dismembering Germany, the American, British and French monopolies are relying for support, in the Western zones of occupation, on the big

German capitalists and the Junkers who ensured the advent to power of fascism and prepared and unleashed the second world war. The separate currency reform strengthens the political and economic position of these reactionary circles in Western Germany to the detriment of the interests of the working people.

The bizonal and trizonal bodies which have been set up in the Western zones and which claim to represent the German people are, as the facts show, puppets of the British, American and French monopolies.

The separate currency reform seriously prejudices the economic recovery of Germany. Instead of a uniform German currency, two currencies are being introduced. Instead of uniform prices, dual prices. Trade ties within the country are being disrupted. With the existence of different currencies, interzonal trade actually becomes trade between different states. The currency of Western Germany falls under the control of the American dollar even in internal German payments, which is precisely what the American monopolies have been striving for. The prerequisites for a free movement of population and commodities between the various occupation zones in Germany are being destroyed.

The financial reform in the Western occupation zones of Germany tends to disrupt economic ties between the different parts of Germany, built up through the centuries. It will have an adverse effect on the economic position of all the provinces of Germany, including those in the Western zones, whose economy has always been inseparably linked with the Eastern provinces. It signifies the completion of the division of Germany.

That is why the attempt to justify the separate currency reform by clamour about the need to regulate currency circulation in the interests of German economy, is a false one.

In an effort to ensure the development of Germany's peacetime economy on the basis of the Potsdam decisions and in the interests of the German people, the Soviet Military Administration in Germany strove for all-German currency reform. The Soviet Military Administration, continuing to uphold the policy of German political and economic unity, condemns the actions of the American, British and

French occupation authorities in carrying out a separate currency reform and places upon them the entire responsibility for the consequences of these actions.

Taking into account the situation that has arisen, the Soviet Military Administration in Germany declares:

1. Currency issued in the Western zones of occupation in Germany will not be permitted to circulate in the Soviet zone of occupation and in the area of Greater Berlin which comes within the Soviet zone of occupation and is economically part of the Soviet zone.

2. The Soviet Military Administration notifies the population of Germany that the new currency issued in the Western zones of occupation, as well as Reichsmarks, Rentmarks and marks of the Allied Military Command, may not be introduced into the Soviet zone of occupation or in Greater Berlin from the Western zones of occupation in Germany.

3. Introduction of the new currency issued in Western Germany, as well as of Reichsmarks, Rentmarks and marks of the Allied Military Command of the Western zones, or the acceptance of the new currency of the Western zones as payment in the Soviet zone of occupation in Germany and in Greater Berlin will be regarded as actions designed to undermine the economy, and those guilty will be punished accordingly.

These regulations have the force of law.

In order to protect the interests of the population of the Soviet zone of occupation in Germany and of Greater Berlin and to prevent the disruption of economic life as a result of the separate actions of the Western Powers, the Soviet Military Administration in Germany will take other necessary measures arising from the situation that has been created.

The Soviet Military Administration in Germany is confident that the German population will support its measures and take the necessary steps to overcome difficulties, ensure economic progress and consolidate currency circulation in the Soviet zone of occupation in Germany.

*Supreme Commander of the Soviet Military Administration
in Germany, Commander-in-Chief of the group of Soviet
occupation forces in Germany,*

V. SOKOLOVSKY

Marshal of the Soviet Union

Berlin, June 19, 1948

**LETTER OF MARSHAL SOKOLOVSKY
TO GENERAL CLAY
of June 20, 1948***

Dear General Clay,

I have received your letter of June 18 last, in which you informed me a few hours before the radio broadcast that the United States, British and French Commanders of occupation forces in Germany had decided to join together and carry out a separate currency reform in the Western zones of occupation in Germany.

Thus, by a unilateral and unlawful decision, taken without the knowledge and consent of the Control Council and behind its back, you are carrying out a separate currency reform in Western Germany, and you are thus liquidating the uniformity of currency circulation and completing the division of Germany. I cannot accept your references to the necessity of ensuring the rehabilitation of economy in the United States zone as a justification for your separate actions aimed at destroying the unity of Germany. You are aware that the most important principles of the currency reform for the whole of Germany which has now been prevented with your participation, had already been agreed in the organs of the Control Council.

I must confess that I find it difficult to understand how the separate actions you are taking in Western Germany can be reconciled with the references made in your letter to me

* Identical letters were sent by Marshal Sokolovsky to Generals Robertson and Koenig.

to the possibility of reaching agreement in the very near future among the occupation authorities on uniform currency notes for the four zones. It seems to me that your practical actions have destroyed the hopes of the German people in this respect.

You informed me of your decision to carry out a separate currency reform in Western Germany almost simultaneously with its practical realization. This undoubtedly puts the Soviet occupation authorities in a difficult position and compels me to take urgent and necessary measures to safeguard the interests of the German population and the economy of the Soviet zone of occupation in Germany.

You write in your letter to me that in view of the fact that the City of Berlin is under the joint administration of the four occupying Powers, you have decided that the present currency reform will not affect the United States sector of occupation in the City of Berlin.

Such a statement on your part can only cause surprise, since it is generally known that there exist international agreements on the quadripartite administration of the whole of Germany, of which you prefer not to speak, while the agreement on the quadripartite administration of Berlin is only part of the agreement on the Allied Control Machinery for the whole of Germany.

I cannot recognize your actions aimed at destroying the agreement on the Control Machinery in Germany to be lawful, and I must state that all responsibility for such actions falls solely on the United States, British and French authorities.

At the same time, I take note with satisfaction of your statement to the effect that the currency reform announced for the Western zones will not be introduced in the United States sector of Berlin. I believe that this goes without saying, since there can be only one currency in circulation in Berlin. It is clear to everybody that the introduction of two currencies in Berlin would not only undermine the economy and currency circulation in the area of Greater Berlin, which is located in the Soviet zone of occupation and economically forms a part of that zone, but it would also undermine the economy of the Soviet zone, and this cannot be allowed by

the Soviet occupation authorities in virtue of the obligations placed upon them by international treaties.

As to your desire to develop trade relations between the Western zones of occupation and the Soviet zone, I take note of this and I believe that there is no need to remind you of the fact that I have always favoured the widest development of the trade relations between our zones.

Yours respectfully,

V. SOKOLOVSKY

Marshal of the Soviet Union

**LETTER OF MARSHAL SOKOLOVSKY
TO GENERAL CLAY
of June 22, 1948***

Dear General Clay:

Actions of the United States, British and French occupation authorities which have proclaimed a separate currency reform in the Western zones of occupation in Germany, have put the occupation zone entrusted to me in a difficult position. This has compelled me to take a decision to protect the interests of the German population and of the economy of the Soviet occupation zone and the Greater Berlin area from economic chaos and the disorganization of currency circulation in connection with the influx of cancelled currency notes from Western Germany. In view of this fact I have decided to introduce a currency reform in the Soviet zone and in the Greater Berlin area.

The Soviet Military Administration in Germany favoured the currency reform for the whole of Germany, that was being prepared within the framework of the Control Council, but for political and moral considerations it did not think it possible to make preparations for a separate currency reform in its own zone. At the present moment, therefore, we do not have any new currency notes at our disposal and are compelled to introduce the reform on the basis of old Reichsmarks and Rentmarks to which special coupons will be attached.

I hope that you will not put any obstacles to the implementation of this reform, which your separate actions have forced us to introduce, in the United States sector of

* Identical letters were sent by Marshal Sokolovsky to Generals Robertson and Koenig.

Berlin and that you will not create unnecessary difficulties to the securing of normal currency circulation and of economic life both in the Soviet zone of occupation and in the Greater Berlin area.

The conditions and the procedure governing the introduction of currency reform in the Soviet occupation zone and in the Greater Berlin area are set out in the Order of the Soviet Military Administration in Germany No. 111, attached herewith, and also in the Regulations on the currency reform in the Soviet zone of occupation in Germany and in the Greater Berlin area adopted by the German Economic Commission and approved by me.

Sincerely yours,

V. SOKOLOVSKY
Marshal of the Soviet Union

**LETTER OF MARSHAL SOKOLOVSKY
TO GENERAL ROBERTSON
of June 25, 1948**

Dear General Robertson,

I acknowledge the receipt of your letter of June 23 last regarding the decision of British occupation authorities to extend the separate currency reform in Western Germany to the British sector of Berlin.

I must first of all point out that this decision contradicts the assurances contained in your letter addressed to me only a few days ago, i.e., on June 18, concerning the carrying out of the separate currency reform in the Western zones of occupation of Germany. You will recall that in the letter of June 18 you stated that the currency reform in the British zone would not be applied to the British sector of Berlin.

Furthermore, the proposal you made yesterday to call a meeting of our financial experts to discuss the situation that has arisen in Berlin as a result of the currency reform in the Western zones of occupation of Germany cannot be regarded by me as anything more than a manoeuvre designed merely to produce an outward effect.

As you know, at the joint meeting of the financial experts of the four occupying Powers held on June 22 the British, American and French experts made demands which they knew to be unreal and clearly unacceptable and which were designed to delay in every way the practical solution of the question of currency circulation in Berlin and thus to disrupt the economy and currency system both of the Soviet zone and of Berlin, which is located in the Soviet zone and economically forms a part of that zone. Therefore, full responsibility for the disruption of the work of financial experts

falls exclusively on the British, American and French authorities.

Neither can I help noting the lack of reality in your demands that all measures relating to currency circulation in Berlin should be implemented through the Komendatura in Berlin. You know very well, General, that the Inter-Allied Komendatura in Berlin has in reality ceased to function after its work had been disrupted by Colonel Hawley, a fact about which I duly protested, but have not yet even received a reply to that protest.

The British, American and French occupation authorities have not submitted any other practicable proposals which could serve as a basis for negotiations concerning currency circulation in Berlin.

Although you admit that the existence of two currencies in Berlin is unreasonable and economically impossible, you have, nevertheless, decided to introduce a second currency in the British sector being, apparently, guided by outside aims that have nothing in common either with the interests of the German population or with economic advisability.

It must be well known to you, General, that the dissident actions of the Western occupying Powers give rise to feelings of just indignation on the part of the German people and are being strongly condemned by the democratic public of all countries interested in honest international cooperation and in the strengthening of peace.

In view of the situation that has arisen, the Soviet Command will be compelled to take all the measures necessary to secure the protection of the interests of the German population in the Soviet zone of occupation and in the area of Greater Berlin which is located in the Soviet zone and economically forms a part of that zone.

Respectfully yours,

V. SOKOLOVSKY

Marshal of the Soviet Union

STATEMENT
OF THE FOREIGN MINISTERS OF THE USSR, ALBANIA,
BULGARIA, CZECHOSLOVAKIA, YUGOSLAVIA, POLAND,
RUMANIA AND HUNGARY WITH REGARD TO THE
DECISIONS OF THE LONDON CONFERENCE ON GERMANY,
ADOPTED ON JUNE 24, 1948 AT THE CONFERENCE
IN WARSAW

On June 7 a communiqué was issued in connection with the conclusion of the London conference of the three Powers—the USA, Great Britain and France—on the German question. The communiqué outlines the decisions adopted at this secret conference with respect to Germany on major political and economic questions, as well as on the question of altering Germany's western borders. However, reports which have appeared in the press indicate that certain other decisions were taken at the conference of which the communiqué makes no mention.

The London conference was convened in violation of the Potsdam agreement, which stipulated that questions affecting Germany are to be decided by the Four Powers—the USSR, the USA, Great Britain and France—and which entrusted the examination of these questions to the Council of Foreign Ministers, composed of representatives of these Powers. Nor can the fact be ignored that the Benelux countries (Belgium, the Netherlands and Luxembourg) were invited to this separate conference of the three Powers, although such states as Poland and Czechoslovakia, which border on Germany, as well as other directly interested countries, were not represented at the conference.

The convening of the London separate conference on the German question indicates that its sponsors, the Govern-

ments of the USA, Great Britain and France, have made it their object to eliminate the Council of Foreign Ministers established by the Potsdam Conference, as well as the Four-Power control machinery in Germany instituted earlier by agreement of the Four Powers. This violation of earlier agreements on the German question between the USA, the USSR, Great Britain and France, as well as the violation of the obligation to consult with interested countries, is being committed in the sight of all, and is leading to the disruption of the Potsdam agreement to demilitarize and democratically reconstruct Germany with a view to preventing a recrudescence of German aggression.

These violations of the existing agreements on Germany affect the vital interests not only of the Four Powers occupying Germany and of the states which were the victims of German aggression, but also the interests of all European countries which are anxious to secure firm and lasting peace in Europe.

As is generally known, the Yalta and Potsdam agreements were aimed at the disarmament of Germany and the elimination of her war industry, at destroying the very foundations of German militarism and preventing the re-emergence of Germany as an aggressive power, and, hence, at transforming Germany into a peaceable and democratic state. Furthermore, the Yalta and Potsdam agreements obligated Germany to pay reparations, and thereby compensate, at least in part, for the damage caused to the countries which suffered from German aggression.

But the decisions of the London conference of three Powers and Benelux pursue different objectives. These decisions discard the task of demilitarizing and democratically reconstructing Germany and converting her into a peaceable and democratic state, and make no mention whatsoever of Germany's reparations obligations. The London decisions are designed, not to avert a repetition of German aggression, but to transform the Western part of Germany, and particularly the heavy industry of the Ruhr, into an instrument for the rebuilding of Germany's war potential, to be used for the furtherance of the strategical aims of the United States and Great Britain. It stands to reason that such a plan

cannot but create favourable conditions for récrudescence of German aggression.

At the same time, the London conference decisions reveal the true significance of the "Western military alliance" recently formed by the Governments of Great Britain, France, Belgium, the Netherlands and Luxembourg under the aegis of the United States. Even more frankly than the "Western military alliance" composed of the aforesaid five states, the London conference, in which the USA also participated, set itself aims quite different from the prevention of a repetition of German aggression. Recognizing that it was impossible to involve all Germany in the strategical plans of the USA and Great Britain, the London conference aimed at making the Western zones of Germany the basis of these plans, by severing these zones from the rest of Germany.

1. The decisions of the London conference are designed *to consummate the division and dismemberment of Germany*. Renouncing even the verbal recognition of the political and economic unity of Germany earlier professed by the Governments of the USA, Great Britain and France, the London conference made preparations for the establishment of a government for the Western part of Germany, which has been severed, by the separate actions of the aforementioned Powers, from the rest of the country. For this purpose the convening of a hand-picked Constituent Assembly is envisaged, composed of representatives of the Länder in the British, American and French zones of occupation, which is to ensure the setting up in the Western part of Germany of a puppet government consisting of German elements who meet with the favour of the occupation authorities in the Western zones and who are connected by close ties with the American and British capitalist monopolies, but who are not connected with the German people and are inimical to its democratic aspirations. This means that the USA, Great Britain and France have compacted to split and dismember Germany politically and economically and to establish in the Western zones a separate government which is to oppose the legitimate demand of the German people for the unity and democratic reconstruction of Germany.

In addition to the above-mentioned measures for the political division and dismemberment of Germany, the Governments of the USA, Great Britain and France are now implementing new measures for the economic division and dismemberment of Germany. Immediately after the conclusion of the London conference, the Governments of the USA, Great Britain and France began to carry out a separate currency reform in the Western zones of Germany, proclaimed on June 18, although the aforesaid communiqué made no mention of the decisions taken by the London conference on this score. The separate currency reform was carried out in the Western zones of Germany notwithstanding the obvious necessity for a single currency reform for the whole of Germany, carried out by agreement between the USSR, the USA, Great Britain and France, as the Soviet Government has proposed.

Instead of the hitherto existing single currency system, with one mark for the whole of Germany, as originally established by agreement between the Four Powers, the Governments of the USA, Great Britain and France have, by separate action, carried out a currency reform and established a special mark for the Western part of Germany. From the point of view of economic relations, this erects a wall between the Western part of Germany and the rest of the country, and creates numerous new obstacles to the repair of the economic disruption and to Germany's economic recovery. The entire currency reform in the Western zones of Germany is designed to benefit the big property owners, and especially those German monopolies which are closely connected with the American and British capitalist monopolies, and this threatens a growth of unemployment and deterioration of the material conditions of the working people in Western Germany, and will create new difficulties in economic relations with other countries.

Such are the inevitable consequences of the London conference, whose decisions make for the consummation of the economic and political division and dismemberment of Germany.

2. The policy of splitting and dismembering Germany is *frustrating the conclusion of the peace treaty with Ger-*

many, without which it is impossible to put an end to the protracted state of war and to the occupation regime in Europe. It is not fortuitous that in the communiqué of the London conference not a word is said of the peace treaty with Germany and the question of preparing the peace treaty is not even touched upon.

The decisions of the London conference of the USA, Great Britain and France, with the participation of Benelux, confirm that the Governments of these Powers and the German circles closely connected with them are not interested in the speedy conclusion of the German peace treaty, nor in the early withdrawal of the occupation forces from Germany.

Instead of a peace settlement for the whole of Germany, the Governments of the USA, Great Britain and France have prepared the way for a so-called occupation statute for the Western zones of Germany, at which the London communiqué hints in deliberately vague terms. Whereas the interests of all peace-loving nations demand the speedy conclusion of the peace treaty with Germany, which would terminate the occupation regime in that country and return the German people to conditions of peaceful and democratic development, the Governments of the USA, Great Britain and France do not want to permit the speedy conclusion of the peace treaty with Germany and are endeavouring to impose their "occupation statute" on the Western zones of Germany, in order arbitrarily to prolong the occupation of Germany and to make the German people bear the burden of the occupation expenses for many years to come. This policy of the American, British and French authorities, which makes for the enthrallment of the German population and the postponement of the peace settlement in Europe, is incompatible with the task of reconstructing Germany into a peaceful and democratic state, it is likewise incompatible with the desire of the peoples for the speedy establishment of democratic peace in Europe.

3. The decisions of the London conference regarding the political structure of the Western zones of Germany *are imbued with an anti-democratic spirit*. The entire work of convening the so-called Constituent Assembly and framing a German Constitution is entrusted to the three military gov-

ernors and the Prime Ministers of the Länder in the Western zones of occupation. Democratic parties, trade unions and other democratic organizations, representing the interests of the German people are to be allowed no share whatever in this work.

The peace and security of the nations of Europe demand the liquidation of the Nazi centralized administration of Germany—which abolished the Landtags and the autonomous governments of the Länder—and the restoration of the decentralized administration which existed before the Hitler regime, the re-establishment of the Landtags and a two-chamber parliament for all Germany. This will ensure the unity of Germany and the reformation of the German State on peaceful and democratic lines, provided the democratic organizations are allowed freedom of activity.

The decisions of the London conference aim in an entirely different direction.

On the pretext of preventing the resurgence of a centralized Reich, the London conference would throw Germany back to the past and force upon the German people a federal form of state, in which the chief power is assigned to the separate Länder, while the general government of the state is limited to minor functions, although this runs counter to the modern trend of development of democratic states.

The aim of the Anglo-French-American plan is to dismember Germany, which leads to the destruction of the independent state of Germany. The implementation of this plan for the federalization (dismemberment) of Germany entrusts the championship of the unification of Germany to the German chauvinists and revanchists, who are out to restore Germany as a militarist country dominating over other nations. The result will be that the idea of revenge will raise its head, chauvinism, for which there is a favourable soil in Germany, will gather strength, and the conditions will be created for the emergence of new Bismarcks and even of new Hitlers. If the urge of the German people for a united Germany again becomes a weapon in the hands of the German chauvinists and militarists, who have already received plenty of encouragement from the occupation authorities in the Western zones of Germany, this will inevita-

bly lead to a repetition of German aggression, with the direst consequences for the peoples of Europe, including the people of Germany. This compels the peace-loving nations to take more effective measures to combat the instigators of a new war.

4. The policy of the occupying powers in the Western zones of Germany encourages the German revisionist elements. The latter are campaigning against the agreements concluded at the Yalta and Potsdam conferences regarding the democratic reconstruction and demilitarization of Germany and her obligation to compensate for damage caused by German aggression, and against the decisions regarding the settlement of German populations, whom they are endeavouring to utilize for purposes hostile to neighbouring states.

In particular, the German revisionist elements are campaigning against the Polish-German frontier on the Oder and the Western Neisse, which is an inviolable frontier—a frontier of peace.

The London conference ignored the revisionist campaign, thereby encouraging the aggressive trends in German reactionary circles. Under these circumstances, the adoption of measures against all or any revisionist activity is a cardinal condition for the fortification of the peace and security of the peoples of Europe.

5. The decisions of the London three-Power conference *subordinate the economy of Western Germany to the aims of the United States and Great Britain*, making it dependent on the implementation of the so-called Marshall plan in Europe. This means that the industry and other branches of the economy of Western Germany will be fettered to the plans of the American, as well as the British, capitalist monopolies, which are endeavouring to bring the entire economic life of the Western zones of Germany under their sway, and are not in the least interested in the real recovery and progress of Germany's peace industry, which they regard as a competitor.

The aim of this expansionist policy is still further to increase the dependence of the Marshall plan countries on the American and British monopolies.

The recovery and development of Germany's peace in-

dustry, far from being inimical to the interests of other nations, would help to promote the economic recovery of Europe. The German people must be given wide opportunity to rehabilitate and develop their peace industry, agriculture, transport and foreign trade, for otherwise Germany cannot exist and cannot discharge her reparations obligations toward the countries which suffered from German aggression. Furthermore, Four-Power control must be retained for a definite period, so as to prevent the revival of Germany's war industry and of German militarism. The inclusion of the economy of the Western zones of Germany in the Marshall plan implies the inclusion of this part of Germany in the process of the division of Europe, in accordance with the Marshall plan, into two camps: the European states which have accepted the Marshall plan and, as a consequence, have come under the control of the United States, on the one hand, and, on the other, the European countries, to which belong the USSR and the people's democratic republics, which refuse to consent to foreign interference in their domestic affairs.

Thus the London conference not only consummates the plan for the division and dismemberment of Germany; it at the same time, in accordance with the Marshall plan, still further widens the split of the countries of Europe into two opposite camps. Obviously, this policy has nothing in common with the true interests of the peoples of Europe, with Europe's economic recovery. It stands to reason that this policy of the USA, Great Britain and France places the economy of the Western zones of Germany in an intolerable state of subordination to the expansionist plans of foreign capital, which is not in the least concerned for the interests of a democratic Germany.

6. The London conference adopted a special decision on the Ruhr. It has been decided to set up a special agency, composed of representatives of the Powers which participated in the London conference to control the allocation of Ruhr coal, coke and steel; this agency, however, is not to exercise control over the production of coal, coke or steel, which ensures the perpetuation of the dominating position of the American and British financial and industrial monopolies in the Ruhr industries.

Thus, instead of making the coal and steel trusts and cartels of the Ruhr the property of the German people, on which the Soviet Union and the other participants in this conference insist, the Governments of the USA and Great Britain are actually retaining the heavy industry of the Ruhr in their own hands, without allowing any share of control over production to France or the USSR, or any influence to the German democratic organizations. This facilitates the possibility of a deal between the American and British monopolies, on the one hand, and the German coal and steel magnates of the Ruhr, on the other, thus creating the possibility for the rebuilding of Germany's war potential and the creation of a base for new German aggression.

It will be easily seen that such a policy is absolutely incompatible with the interests of peace, with the interests of the German people and the other peoples of Europe. Only if the heavy industry of the Ruhr is turned over to the German people and control over the production and allocation of the products of Ruhr industry is established for a certain period by the Four Powers—the USSR, the USA, Great Britain and France—which together can ensure the development of the Ruhr industry exclusively for peaceful purposes, will it be possible to solve the Ruhr problem in the interest of the peace and security of the peoples of Europe.

7. From all that has been said it will be seen that the London decisions are *a gross violation of the Yalta and Potsdam agreements* concerning the unity of Germany, the demilitarization, denazification and democratization of Germany, the destruction of her war potential, and the elimination of conditions which might facilitate a recrudescence of German aggression.

In view of this, it must be admitted that the assertion of the London communiqué that the London decisions should facilitate eventual agreement among the Four Powers on the question of Germany is absolutely unfounded. This is obvious if only from the fact that the London decisions completely contradict the earlier decisions of the Yalta and Potsdam conferences, violating both the agreement to establish Four-Power control machinery for Germany, and the

agreement that the German question shall be examined in the Council of Foreign Ministers of the Four Powers. The London three-Power separate conference, with the participation of Benelux, and the London separate decisions of these Powers not only fail to facilitate agreement between the Four Powers on the German question but undermine the confidence of nations in international agreements in which the USA and Great Britain participate. Surely, violation of international agreements cannot create confidence in their violators.

In view of the aforesaid, we refuse to regard the decisions of the London conference as having legal validity or moral authority .

8. In conformity with the Yalta and Potsdam agreements on the question of Germany, the Governments of the USSR, Albania, Bulgaria, Czechoslovakia, Yugoslavia, Poland, Rumania and Hungary consider it urgent and essential to settle, first and foremost, the following questions:

First, the adoption of measures, by agreement between Great Britain, the USSR, France and the USA, which will guarantee the completion of the demilitarization of Germany.

Second, the establishment, for a definite period, of control by the Four Powers—Great Britain, the USSR, France and the USA—over the heavy industry of the Ruhr, with a view to developing the peace industries of the Ruhr and preventing the rebuilding of Germany's war potential.

Third, the formation, by agreement between the Governments of Great Britain, the USSR, France and the USA, of a provisional democratic and peaceable all-German government, composed of representatives of German democratic parties and organizations, with the purpose of creating a guarantee against the repetition of German aggression.

Fourth, conclusion of a peace treaty with Germany in conformity with the Potsdam decisions, and the withdrawal from Germany of the occupation forces of all the Powers within a year after the conclusion of the peace treaty.

Fifth, the drawing up of measures to ensure the discharge by Germany of her reparations obligations toward the countries which suffered from German aggression.

**NOTE OF THE SOVIET GOVERNMENT
TO THE GOVERNMENT OF THE USA
of July 14, 1948***

1. The Soviet Government has acquainted itself with the note of the Government of the United States of America of July 6th last, in which the situation that has been created at the present time in Berlin is explained as a result of measures taken by the Soviet side. The Soviet Government cannot agree with this statement of the Government of the United States and considers that the situation which has been created in Berlin has arisen as a result of violation by the Governments of the United States, Great Britain and France of agreed decisions taken by the Four Powers in regard to Germany and Berlin, which (violation) has found its expression in the carrying out of a separate currency reform, in the introduction of a special currency for the western sectors of Berlin and in the policy of the dismemberment of Germany.

The Soviet Government repeatedly warned the Governments of the USA, Great Britain and France in regard to the responsibility which they would take upon themselves in following along the path of the violation of agreed decisions previously adopted by the Four Powers in regard to Germany. The decisions adopted at the Yalta and Potsdam conferences and also the agreement of the Four Powers concerning the control machinery in Germany have as their aim the demilitarization and democratization of Germany, the undermining of the very basis of German militarism and the prevention of the revival of Germany as an aggressive Power and thereby

* Identic notes were sent to the Governments of Great Britain and France.

the conversion of Germany into a peace-loving and democratic State. These agreements envisage the obligation of Germany to pay reparations and thereby to make at least partial compensation for the damage to those countries which suffered from German aggression. In accordance with these agreements the Governments of the Four Powers took upon themselves the responsibility for the administration of Germany and bound themselves jointly to determine a statute for Germany or for any areas including Berlin which are part of German territory, and to conclude with Germany a peace treaty which should be signed by a Government of a democratic Germany adequate for that purpose.

These most important agreements of the Four Powers in regard to Germany have been violated by the Governments of the United States of America, Great Britain and France. Measures for the demilitarization of Germany have not been completed and such a very important centre of German war industry as the Ruhr region has been taken out from under the control of the Four Powers. The execution of the decision concerning reparations from the Western zones of occupation of Germany has been disrupted by the Governments of the USA, Great Britain and France. By the separate actions of the Governments of the USA, Great Britain and France the quadripartite control machinery in Germany has been destroyed and the Control Council as a result thereof has ceased its activity.

Following the London conference of the three Powers with the participation of the Benelux, measures have been undertaken by the Governments of the USA, Great Britain and France aimed at the division and dismemberment of Germany, including preparations which are now in progress for the designation of a separate Government for the Western zones of Germany and the separate currency reform for the Western zones of Germany carried out on June 18, 1948.

Inasmuch as the situation created in Berlin as well as in all Germany is the direct result of the systematic violation by the Governments of the USA, Great Britain and France of the decisions of the Potsdam Conference and also of the agreement of the Four Powers concerning the control machinery in Germany, the Soviet Government must reject as

completely unfounded the declaration of the Government of the United States to the effect that the measures for the restriction of transport communications between Berlin and the Western zones of occupation of Germany introduced by the Soviet Command to protect the economy of the Soviet zone from its disorganization are allegedly in violation of the existing agreements concerning the administration of Berlin.

2. The Government of the United States declares that it is occupying its sector in Berlin by right deriving from the defeat and surrender of Germany referring in this connection to agreement among the Four Powers in regard to Germany and Berlin. This merely confirms the fact that the exercise of the above-mentioned right in regard to Berlin is linked to the obligatory execution by the Powers occupying Germany of the quadripartite agreements concluded among themselves in regard to Germany as a whole. In accordance with these agreements, Berlin was envisaged as the seat of the supreme authority of the Four Powers occupying Germany, in which connection the agreement concerning the administration of Greater Berlin under the direction of the Control Council was reached.

Thus, the agreement concerning the quadripartite administration of Berlin is an inseparable component part of the agreement for the quadripartite administration of Germany as a whole. After the United States, Great Britain and France by their separate actions in the Western zones of Germany destroyed the system of quadripartite administration of Germany and had begun to set up a capital for a Government for Western Germany in Frankfurt-am-Main they thereby undermined as well the very legal basis which assured their right to participation in the administration of Berlin.

The Government of the United States in its Note points out that its right to stay in Berlin is based also on the fact that the United States withdrew its troops from certain areas of the Soviet zone of occupation into which they had entered during the period of military operations in Germany, and that, had it foreseen the situation which has been created in Berlin, it would not have withdrawn its forces from these areas. However, the Government of the United States is well

aware that in removing its forces to the boundaries of the American zone established by agreement of the Four Powers concerning zones of occupation in Germany it was only carrying out the obligations which it had taken upon itself, the execution of which could alone give the right of the entry of the troops of the USA into Berlin.

A perusal of President Truman's letter to Premier Stalin of June 14, 1945, and of Premier Stalin's letter in reply of June 16, 1945, which are mentioned in the United States Government's Note, confirms the fact that thanks to the agreement then reached, the forces of the United States, Great Britain and France were given the opportunity to enter both the capital of Germany, Berlin, and the capital of Austria, Vienna, which, as is known, were taken only by the forces of the Soviet army. It is also known that the agreements referred to concerning the question of Berlin and also of Vienna were only a part of the agreements concerning Germany and Austria upon the fulfilment of which the Soviet Government continues to insist.

3. The Government of the United States declares that the temporary measures introduced by the Soviet Command for the restriction of transport communications between Berlin and the Western zones have created difficulties in supplying the Berlin population of the western sectors. It cannot, however, be denied that these difficulties were caused by the actions of the Governments of the USA, Great Britain and France, and above all by their separate actions in the introduction of a new currency in the Western zones of Germany and special currency in the western sectors of Berlin.

Berlin lies in the centre of the Soviet zone and is a part of that zone. The interests of the Berlin population do not permit a situation in which in Berlin or only in the western sectors of Berlin there shall be introduced special currency which has no validity in the Soviet zone. Moreover, the carrying out of a separate monetary reform in the Western zones of Germany has placed Berlin and the whole Soviet zone of occupation as well in a position in which the entire mass of currency notes which were invalidated in the Western zones threatened to pour into Berlin and the Soviet zone of occupation of Germany.

The Soviet Command has been forced therefore to take urgent measures for the protection of the interests of the German population and also of the economy of the Soviet zone of occupation and the area of Greater Berlin. The danger of the disruption of the normal economic activity of the Soviet occupation zone and of Berlin has not been averted even at the present time inasmuch as the United States, Great Britain and France continue to maintain in Berlin their special currency.

At the same time, the Soviet Command has invariably manifested and is manifesting concern for the well-being of the Berlin population and for ensuring to them normal supply in all essentials and is striving for the speediest elimination of the difficulties which have arisen recently in this matter. In this connection, if the situation requires, the Soviet Government would not object to ensuring by its own means adequate supply for all Greater Berlin.

As regards the declaration of the Government of the United States that it will not be induced by threats, pressure or other actions to abandon its right to participation in the occupation of Berlin, the Soviet Government does not intend to enter into discussion of this declaration since it has no need for a policy of pressure, since by violation of the agreed decisions concerning the administration of Berlin the above-mentioned Governments themselves are reducing to naught their right to participation in the occupation of Berlin.

4. The Government of the United States in its Note of July 6, expresses the readiness to begin negotiations among the four Allied Occupying Authorities for consideration of the situation created in Berlin but passes by in silence the question of Germany as a whole.

The Soviet Government, while not objecting to negotiations, deems, however, it necessary to declare that it cannot link the inauguration of these negotiations with the fulfilment of any preliminary conditions, and that, in the second place, the quadripartite negotiations could be effective only in the event that they were not confined to the question of the administration of Berlin, since that question cannot be separated from the general question of quadripartite control in regard to Germany.

**DIRECTIVE OF THE GOVERNMENTS
OF THE USSR, THE USA, GREAT BRITAIN AND FRANCE
TO THE FOUR COMMANDERS-IN-CHIEF
OF THE OCCUPATION FORCES IN GERMANY,
dated August 30, 1948***

The Governments of France, the United Kingdom, the United States of America and the Union of Soviet Socialist Republics have decided that, subject to agreement being reached among the four Military Governors in Berlin for their practical implementation, the following steps shall be taken simultaneously:

(a) Restrictions on communications, transport and commerce between Berlin and the Western zones and also on the traffic of goods to and from the Soviet zone of Germany which have recently been imposed shall be lifted;

(b) The German mark of the Soviet zone shall be introduced as the sole currency for Berlin, and the Western mark B shall be withdrawn from circulation in Berlin.

In connection with the above you are instructed to consult together with your colleagues so as to make, in the shortest time possible, the detailed arrangements necessary for the implementation of these decisions, and to inform your Government not later than September 7th of the results of your discussions, including the exact date on which the measures under (a) and (b) can be brought into effect.

The four Military Governors will work out arrangements involved in the introduction of the German mark of the Soviet zone in Berlin.

* This directive was agreed upon by the four Governments during the negotiations which took place in August 1948 in Moscow.

The arrangements relating to the currency changeover and to the continued provision and use in Berlin of the German mark of the Soviet zone shall ensure:

(a) no discrimination or action against holders of Western marks B in connection with the exchange of those Western marks issued in Berlin. These shall be accepted for exchange for German marks of the Soviet zone at the rate of one for one;

(b) equal treatment as to currency and provision of fully accessible banking and credit facilities throughout all sectors of Berlin. The four Military Governors are charged with providing adequate safeguards to prevent the use in Berlin of the German mark of the Soviet zone from leading to disorganizing currency circulation or disrupting the stability of currency in the Soviet zone of occupation;

(c) a satisfactory basis for trade between Berlin and third countries and the Western zones of Germany. Modifications of this agreed basis to be made only by agreement among the four Military Governors;

(d) the provision of sufficient currency for budgetary purposes and for occupation costs, reduced to the greatest extent possible, and also the balancing of the Berlin budget.

The regulation of currency circulation in Berlin is to be undertaken by the German Bank of Emission of the Soviet zone through the medium of the credit establishments operating at present in Berlin.

A financial commission of representatives of the four Military Governors shall be set up to control the practical implementation of the financial arrangements indicated above, involved in the introduction and circulation of a single currency in Berlin.

**AIDE MEMOIRE OF THE SOVIET GOVERNMENT
TO THE GOVERNMENTS OF THE USA,
GREAT BRITAIN AND FRANCE
of September 18, 1948**

1. The Government of the USSR has acquainted itself with the Aide Memoire, dated September 14 last, of the Governments of France, the United Kingdom and the United States, which gives a unilateral account of the course of discussions between the four Military Governors in Berlin and which presents incorrectly the position adopted by the Soviet Military Governor during those discussions.

The Soviet Government believes that consideration of the differences referred to in the said Aide Memoire, which arose during the Berlin discussions in regard to the interpretation of the Directive to the Military Governors, would have been facilitated and expedited had the four Military Governors submitted to their Governments a joint report with an account of the course of discussions. In that event the discussions in Moscow would not have been based on any unilateral communications but on an accurate statement of the positions adopted by all four Military Governors both on points already agreed among them and on points left outstanding. Since, however, the representatives of the three Governments have refused to follow that method of discussion, the Soviet Government finds it necessary to reply to the questions raised in the Aide Memoire.

The Aide Memoire of September 14 refers to the following three questions: (1) restrictions on communications, transport and commerce between Berlin and the Western zones; (2) the authority and functions of the Financial

Commission, and in particular its relation to the German Bank of Emission; (3) the control of the trade of Berlin.

At the same time it is asserted that the Soviet Military Governor allegedly deviated from the understanding reached on these questions in Moscow.

The Soviet Government believes this assertion to be without foundation, because during the Berlin discussions the Soviet Military Governor strictly followed the agreed Directive and the clarifications which had been given by the Soviet Government when it was being drawn up in Moscow. Study by the Soviet Government of all materials relating to the Berlin discussions has shown that the reason for the differences which arose during the Berlin discussions lies in the desire of the United States, the United Kingdom and French Military Governors to interpret the Directive agreed upon in Moscow in a unilateral manner and to give it an interpretation which had not been implied when it was being drawn up and which constitutes a violation of the Directive, and with this the Soviet Government is unable to agree.

2. The Directive to the four Military Governors states the following in regard to the first question referred to in the Aide Memoire of September 14:

"Restrictions on communications, transport and commerce between Berlin and the Western zones and on the traffic of goods to and from the Soviet zone of Germany which have recently been imposed shall be lifted."

The concrete proposals submitted by the Soviet Military Governor on this point are in full conformity with the Directive and have for their purpose the lifting of all restrictions on communications, transport and commerce which have been imposed after March 30, 1948, as was stipulated when the Directive was drawn up. During consideration of this question the Soviet Military Governor pointed to the necessity of the other three Military Governors complying strictly with the regulations imposed by the Control Council's decision of November 30, 1945, on air traffic for the needs of the occupation forces, and this had never been disputed by any of the Military Governors since the adoption of these regulations three years ago.

There is no foundation whatsoever for regarding this

justified demand of the Soviet Military Governor as an imposition of new restrictions on air traffic, because these regulations had been imposed as far back as 1945 and not after March 30, 1948. Nevertheless, the USA Military Governor attempted to deny the necessity of observing the regulations which had been imposed by the Control Council on air traffic of the occupation forces and which remain in force to this very day.

In view of the above, the Soviet Government believes that the position of the Soviet Military Governor on this question is absolutely correct, while the position of the USA Military Governor, far from being based on the agreed Directive, is in contradiction with it. An interpretation to the contrary might lead to an arbitrary denial of any decision previously agreed upon by the Control Council, and to this the Soviet Government cannot give its assent.

3. The Directive to the Military Governors also contains a clear statement regarding the authority and functions of the Financial Commission and regarding the German Bank of Emission:

"The arrangements relating to the currency changeover and to the continued provision and use in Berlin of the German mark of the Soviet zone shall ensure:

(a) no discrimination or action against holders of Western marks B in connection with the exchange of those Western marks issued in Berlin. These shall be accepted for exchange for German marks of the Soviet zone at the rate of one for one;

(b) equal treatment as to currency and provision of fully accessible banking and credit facilities throughout all sectors of Berlin. The four Military Governors are charged with providing adequate safeguards to prevent the use in Berlin of the German marks of the Soviet zone from leading to disorganizing currency circulation or disrupting the stability of currency in the Soviet zone of occupation;

(c) a satisfactory basis for trade between Berlin and third countries and the Western zones of Germany. Modifications of this agreed basis to be made only by agreement among the four Military Governors;

(d) the provision of sufficient currency for budgetary

purposes and for occupation costs, reduced to the greatest extent possible, and also the balancing of the Berlin budget.

The regulation of currency circulation in Berlin is to be undertaken by the German Bank of Emission of the Soviet zone through the medium of the credit establishments operating at present in Berlin.

A Financial Commission of representatives of the four Military Governors shall be set up to control the practical implementation of the financial arrangements indicated above, involved in the introduction and the circulation of a single currency in Berlin."

This Directive was drawn up in full conformity with the preliminary clarifications on this matter made by Premier J. V. Stalin on August 23, and referred to in the above-mentioned Aide Memoire.

It will be seen from the above text that the authority and functions of the Financial Commission and of the German Bank of Emission are precisely laid down in the Directive, and it was by this that the Soviet Military Governor was guided. According to that Directive and to the understanding reached in Moscow by the Four Powers, the Financial Commission should not exercise control over all operations of the Bank of Emission in regard to Berlin, but only over those operations of the German Bank of Emission in Berlin which are specifically provided for in paragraphs (a), (b), (c), and (d) of the Directive. The proposal to establish control of the Financial Commission over the whole activity of the German Bank of Emission in Berlin was not accepted during the discussion of this question in Moscow because this would have led to such interference on the part of the Financial Commission in matters of the regulation of currency circulation as is incompatible with the Soviet Administration's responsibility for the regulation of currency circulation in the Soviet zone of occupation.

Accordingly, the Soviet Government cannot agree to the incorrect interpretation of the agreed Directive given in the Aide Memoire of the Governments of France, the United Kingdom and the USA, and believes it necessary that the Directive should be strictly followed.

4. As to trade, the previously agreed Directive is confined

to an instruction to the Military Governors to work out a satisfactory basis for trade between Berlin and third countries and the Western zones of Germany. It will be recalled that on August 23 during the discussions in Moscow the Soviet Government submitted a definite proposal on this subject, but the question was not considered in detail and was referred to the Military Governors for discussion.

The proposals on this subject made by the Soviet Military Governor give no reason to assert that they are a contradiction of the spirit and meaning of the agreed Directive. On the contrary, the intention of those proposals is to have the Directive fulfilled in accordance with the agreements reached in Moscow.

However, for the purpose of expediting the drawing up of practical arrangements in Berlin, the Soviet Government proposes that the Military Governors be given more detailed instructions on this matter than those contained in the agreed Directive. The Soviet Government agrees to have trade between Berlin and third countries and the Western zones of Germany placed under the control of the quadripartite Financial Commission, which control should provide at the same time for the maintenance of the existing procedure regarding the traffic of goods in and out of Berlin under license of the Soviet Military Administration. The Soviet Government believes that such an instruction would be of help in the drawing up of a concrete agreement on matters of trade with Berlin.

5. The Soviet Government believes that discussions between the Military Governors in Berlin can yield positive results only in the event that all the Military Governors follow strictly the directives and instructions agreed among the Governments of France, the United Kingdom, the USA and the USSR.

**NOTE OF THE SOVIET GOVERNMENT
TO THE GOVERNMENT OF THE USA,
dated September 25, 1948***

1. The Government of the Union of Soviet Socialist Republics has acquainted itself with the note of the Government of the USA of September 22, 1948, concerning negotiations of the Four Powers which have taken place in Moscow and Berlin on the question of the introduction of the German mark of the Soviet zone as the sole currency in Berlin and concerning the lifting of the restrictions on communications, transport and commerce between Berlin and the Western zones of Germany.

In connection with this, the Soviet Government considers it necessary to declare that the position taken by the Government of the USA not only does not facilitate but, on the contrary, impedes the reaching of agreement concerning the settlement of the situation which has arisen in Berlin as a result of carrying out a separate currency reform and the introduction of a special currency in the Western zones of Germany and in the Western sectors of Berlin, which constituted an extreme and most far-reaching measure in execution of the policy of partitioning Germany pursued by the Governments of the USA, Great Britain and France.

2. In its note the Government of the USA refers to three points at issue which were mentioned by the Governments of the USA, Great Britain and France in the Aide Memoire of September 14, and by the Government of the USSR in the Aide Memoire of September 18, 1948.

The Government of the United States of America declares that further discussions as regards the above-mentioned is-

* Identical notes were sent to the Governments of Great Britain and France.

sues on the present basis would be useless and considers that to create conditions which would permit the continuance of discussions it is necessary to remove the temporary transport restrictions between Berlin and the Western zones which have been introduced by the Soviet Command for the purpose of protecting the interests of the German population and also the economy of the Soviet zone of occupation and of Berlin itself.

Such a statement by the Government of the USA is in direct contradiction with the agreement reached on August 30 in Moscow among the four Governments (the Directive to the Military Governors) in which it was stated:

"The Governments of France, the United Kingdom, the United States of America and the Union of Soviet Socialist Republics have decided that, subject to agreement being reached among the four Military Governors in Berlin for their practical implementation, the following steps shall be taken simultaneously:

(a) Restrictions on communications, transport and commerce between Berlin and the Western zones and also on the traffic of goods to and from the Soviet zone of Germany which have recently been imposed shall be lifted;

(b) The German mark of the Soviet zone shall be introduced as the sole currency for Berlin, and the Western mark B shall be withdrawn from circulation in Berlin."

From the text of the agreement cited above it is evident that the four Governments agreed during the negotiations in Moscow on the simultaneous lifting of restrictions on trade and communications between Berlin and the Western zones and on the introduction of the German mark of the Soviet zone as the sole currency for Berlin. The Soviet Government insists on this, since the situation created by the separate measures of the Western Powers signifies that the three Governments are not limiting themselves to their absolute administration of the Western zones of Germany, but wish at the same time to administer in currency and financial matters the Soviet zone of occupation as well by means of introducing their special currency into Berlin, which lies in the centre of the Soviet zone, and thus to dislocate the econ-

omy of the Eastern zone of Germany and, ultimately, to force the USSR to withdraw therefrom.

The Soviet Government considers it necessary to carry out the agreement reached in Moscow and believes that further negotiations can be successful only in the event that the other three Governments also follow that agreement.

If the Government of the USA rejects the agreement reached on August 30, only one conclusion can be drawn therefrom, namely, that the Government of the USA does not wish any agreement among the USSR, the USA, Great Britain and France concerning the settlement of the situation in Berlin.

3. Inasmuch as the position of the Governments of the USA, Great Britain and France on the three points at issue was set forth in the note of September 22, the Soviet Government considers it necessary to do likewise:

(a) As regards air traffic between Berlin and the Western zones, the establishment by the Soviet Command of a control over the transport of commercial freight and passengers is just as necessary in this case as in the case of the railway, water and highway transport. The airways cannot remain uncontrolled since an understanding was reached among the four Governments to the effect that the agreement must provide for the establishment of an appropriate control over currency circulation in Berlin and the trade of Berlin with the Western zones.

(b) In the Directive to the Military Governors adopted by the four Governments on August 30 the functions of control by the quadripartite Financial Commission with regard to the implementation of financial arrangements involved in the introduction and the circulation of a single currency in Berlin were explicitly provided for. The Soviet Government considers it necessary that this agreement be carried out, including the reduction of occupation costs in Berlin to the greatest extent possible and the balancing of the Berlin budget, which were provided for in that agreement—questions that have so far remained unconsidered in the Berlin negotiations.

(c) The Soviet Government has already expressed its agreement to have trade between Berlin and third countries

and the Western zones of Germany placed under the control of the quadripartite Financial Commission. The Soviet Government now declares its readiness to have quadripartite control established likewise over the issuance of import and export licenses provided that agreement is reached on all other questions.

4. Thus, the reaching of agreement about the situation in Berlin now depends, above all, on whether the Governments of the United States of America, Great Britain and France are seeking such an agreement.

STATEMENT BY MARSHAL SOKOLOVSKY

Berlin, October 2 (TASS). The correspondent of the Berlin ADN agency and correspondents of the *Berliner Zeitung*, *Tribüne* and *Neues Deutschland* submitted questions to the Chief of the Soviet Military Administration and Commander-in-Chief of the Soviet occupation forces in Germany Marshal Sokolovsky concerning the situation in Berlin in connection with the discussions of the Four Powers in Moscow and Berlin.

The answers given by Marshal Sokolovsky are as follows:

1. *Question.* Why are the American and British authorities putting complications in the way of the settlement of the Berlin question?

Answer. We are getting the impression that the Western Powers are not seeking for a settlement of the Berlin question at all. They are continuing their aggressive policy, the aims of which have nothing in common with the regulation of the situation in Berlin. In complicating the settlement of the Berlin question, the Western Powers are trying above all to divert attention from their moves to partition Germany and create a West German State. A schismatic "Parliamentary Council" for Western Germany has already been set up, and a West German constitution and a so-called occupation statute for the Western zones are hastily being prepared as an ersatz for a peace treaty with Germany.

The complication of the Berlin issue is also being utilized in order to gird the reactionary forces inside and outside Germany and to use them as a support in carrying out the Marshall plan.

The Western Powers, maintaining uncertainty and uneasiness, are using the Berlin issue to camouflage the formation

of an aggressive Western military bloc directed against the Soviet Union and the people's democracies, and to divert the attention of the people from the questions of peace and disarmament.

If the three Western Powers had sought for a settlement of the Berlin question which would loyally take into account the interests of all the four countries, the discussions would have long ago led to positive result. But they are not out for a bona fide solution, they want to use Berlin as an "advanced position" in the fight against democracy and socialism, and Bevin definitely said as much in his last speech in the House of Commons. Actually, Berlin is already being used by the Western Powers as a base for the disruption of the economic and political life of the Soviet zone by disorganizing the currency and by other aggressive actions which violate the Potsdam agreement.

2. *Question.* What in your opinion are the causes of the so-called "Berlin crisis"?

Answer. The more profound causes of the crisis lie in the policy of splitting Germany pursued by the Western Powers. Had it not been for their policy of splitting Germany, neither the Berlin nor any other "crisis" in German affairs could have arisen. The conference of the three Powers in London in March of this year adopted a decision to consummate the partition of Germany and to create a West German State. When, on March 20, the Soviet Command demanded in the Control Council information as to the secret decisions of the London tripartite conference on the German question, the three Western commanders refused to give such information to the Control Council. Nor did they give any assurance that the separate decisions of the London conference did not contravene the Potsdam agreements or the principles of quadripartite administration of Germany.

These separate decisions of the three Powers on fundamental questions affecting the future of Germany disrupted the Control Council and the quadripartite administration of Germany, thus dealing a devastating blow to the quadripartite administration of Berlin, all the more that the Western occupying Powers tried to include the Western sectors of the city in the West German State they are forming.

The immediate cause of the so-called "Berlin crisis" was the separate currency reform introduced on June 18, 1948, by the American, British and French occupation authorities in Western Germany and extended a few days later to the Western sectors of Berlin.

The demand from the Soviet side for a currency reform for Germany generally, and the agreement on the basic principles of such a general German reform already reached in the Control Council were ignored by the Western occupying Powers, who had decided on a separate currency reform in Western Germany. This was the most significant step taken by the Western occupation authorities toward consummating the partition of Germany. Instead of one German currency, two currencies began to circulate in Germany. Instead of uniform prices, dual prices. The conditions for free passenger and freight traffic between the German zones of occupation were destroyed. Interzonal trade as good as became trade between different states, and in fact ceased. Irreparable damage was done to the economic rehabilitation of Germany. The Soviet occupation authorities were compelled to introduce restrictions on traffic with the Western zones in order to protect the economy of the Soviet zone and of Berlin from being inundated with old currency notes which had lost all value in Western Germany.

Not content with the aforesaid separate actions in Western Germany, the Western occupation authorities introduced the Western mark stamped "B" into their sectors of Berlin, although it is clear that the presence of American, British and French authorities in Berlin does not give them the right to disorganize the currency of Berlin and the Soviet zone of occupation by putting into circulation in Berlin a second currency from the West. The attempt to disorganize the economic life of the Soviet zone with the help of the B marks compelled the Soviet authorities to prolong the protective restrictions on traffic between Berlin and the Western zones.

At the meeting on June 22, even the Western financial experts admitted that they "fully concur in the argument of the Soviet occupation authorities that it is impossible to put into circulation in Berlin a different currency from that of

the Soviet zone, since Berlin is located in the centre of the zone and is connected with it by every species of economic tie."

Democratic opinion in Berlin and the Soviet zone likewise vigorously protested against the introduction of a second currency in Berlin, in which connection mass meetings and demonstrations of working people have been taking place ever since June.

The pernicious consequences of the introduction of a second currency in Berlin have also been pointed out in the British and French press. The Liberal British *Manchester Guardian*, for instance, wrote with a note of warning on June 24: "We have to consider very carefully whether by making the life of the Germans harder we are not making it more difficult for us to stay in Berlin than we would do by letting the Russians alone control the currency. We must admit that by far the best thing for the Germans is what the Russians are trying to do—to make their notes the currency for the whole of Berlin."

The aggressive character of the policy of the Western Powers in Berlin is also evidenced by the practical actions undertaken by the Western authorities to undermine and discredit the currency of the Soviet zone after the introduction of the B mark in Berlin. Black market speculation in the currency of the Soviet zone was at once organized on a grand scale in the Western sectors of Berlin, and a rate of exchange of the two currencies unfavourable to the currency of the Soviet zone was artificially maintained.

With this same object of undermining the currency of the Soviet zone, American cigarettes, coffee, chocolate and other goods were thrown into the speculative black market in the Western sectors of Berlin for sale "only for B marks." Continuing this line, on August 5 the Western occupation authorities in Berlin instituted the so-called "exchange offices" in the Western sectors for the purpose of open speculation in the currency of the Soviet zone.

The speculative rates of exchange in these "exchange offices" were arbitrarily established by their owners in conjunction with representatives of the Western occupation authorities "in accordance with political considerations."

Dr. Haas, chief of the finance department of the Berlin Magistrat, was forced to confirm this fact. The Western occupation authorities have utilized the earnings from speculation in the currency of the Soviet zone in Berlin to meet occupation and other expenses of the Western authorities in Berlin at the cost of the Soviet zone.

The Western authorities in Berlin have also resorted to other measures to disrupt the circulation and create currency chaos in Berlin, which cannot but affect the situation in the Soviet zone.

On August 10, 1948, the American, British and French authorities in Berlin issued an order forbidding all institutions and persons in the Western sectors of the city to transfer money from their accounts to accounts in the Soviet sector, or to accept such transfers from the Soviet sector.

This order of the Western occupation authorities practically put an end to the free circulation of money within Berlin and disrupted the operations of the Berlin credit establishments.

Furthermore, the Western occupation authorities ordered the Berlin Magistrat to collect taxes in the Western sectors separately, which put an end to the unity of the city budget.

In July and August of this year the occupation authorities in the Western sectors of the city issued orders prohibiting commercial and industrial firms in the Western sectors to maintain any industrial or commercial connections with firms in the Soviet sector and the Soviet zone of occupation, which was a blow to Berlin's economy in general, and above all to the industry of the Western sectors. The occupation authorities compelled German firms in the Western sectors to cancel business arrangements with firms in the Soviet sector, even when the latter were supplying plants in the Western sectors with scarce coal or raw materials.

All these facts indicate that the Western occupation authorities introduced the second currency in Berlin with the object of undermining the currency and disorganizing the economy of the Soviet zone, with which the Soviet occupation authorities could under no circumstances agree.

3. *Question.* What is your opinion regarding the so-called "blockade" of Berlin? Can the demand of the Western Pow-

ers that the so-called "blockade" of Berlin should be removed as a preliminary condition for the discussions be considered justified?

Answer. No blockade of Berlin exists or has existed. If there had been a blockade, the Berlin population would have been deprived of the possibility of receiving supplies of foodstuffs, fuel and other necessities. But the fact is that all the people of Berlin have full possibility of receiving the supplies due to them, including coal for winter, from the Soviet sector of Berlin. Only the opposition of the Berlin Magistrat, which obeys the behests of the Western occupation authorities, robs the Berlin population of the possibility of receiving these supplies directly in the shops of the Western sectors of Berlin.

The costly transport to Berlin of foodstuffs and coal by plane from the Western zones by the so-called "air lift" is therefore an unnecessary and purely propagandist measure, which only lays a superfluous burden of expense on Germany.

True, the "air lift" is also used to remove property from Berlin to the Western zones, but this is no justification for the existence of the "air lift." However, even under present conditions, with the existence of the "air lift" between Berlin and the Western zones, Berlin is practically supplied at the cost of the Soviet zone. According to far from complete data, 900 tons of necessities, not counting coal, textiles and other goods, enter the Western sectors of the city from the Soviet zone by various ways daily. I want most vigorously to repudiate the false assertion made recently in the House of Commons in London that the Soviet occupation authorities calculated on starvation occurring among the population of Berlin when they introduced the restrictions on traffic between Berlin and the Western occupation zones on June 18 of this year. In the middle of June the Western sectors of Berlin had large stocks of provisions, and now, too, there are large quantities of grain of the Soviet military administration in the warehouses of the Western sectors of Berlin.

Nevertheless, on the representations of the Soviet military administration of Germany, the Soviet Government in the

early part of July decided to take upon itself entirely the supply of the whole population of Berlin.

From the Soviet Union were delivered 100,000 tons of grain, and later 10,800 tons of fats, which covered the immediate needs of the German population of Berlin, as well as the fat deficit which had arisen in the Soviet zone of occupation.

Is it not clear in view of this that the talk of a "hunger blockade" of Berlin is a deliberate slander and a malicious fabrication? As to the supply of coal, electricity and gas to the Western sectors of Berlin, the settlement of this question depends exclusively on the removal of the obstacles created by the Western occupation authorities to commercial transactions between the industries of the Western sectors of Berlin and the industries of the Soviet zone, which are in a position to supply the Western sectors of the city with the fuel and raw materials they need.

This should dispose of the false legend regarding the so-called "Berlin blockade."

As to the demand of the Western Powers that the restrictions on traffic between Berlin and the Western occupation zones be lifted before the discussions of the Berlin question are resumed, this is clear evidence that the Western Powers have departed from the quadripartite agreement reached in Moscow that the traffic restrictions shall be lifted simultaneously with the withdrawal from circulation in Berlin of the second currency, that is, the B. marks.

4. *Question.* Can you say anything regarding the course of the Berlin discussions of the four Commanders-in-Chief?

Answer. The discussions of the four Commanders-in-Chief in Berlin began on August 31 and were broken off on September 7 at the instance of the American Commander-in-Chief, General Clay. At first, committees of experts on communications, finance and trade were set up. At the first meetings the Western experts submitted no concrete proposals, which rather delayed the work of the Commanders-in-Chief. In view of this, and also in view of the large number of technical questions, by September 7 the expert committees had succeeded in examining only part of the questions referred to them. The Commanders-in-Chief would have re-

quired at least three or four more days to complete the examination of all the remaining unagreed questions of trade and finance and to submit to the governments a joint report of the Commanders-in-Chief indicating both the agreed and the unagreed questions, upon which the Soviet Command insisted. But the three Western Commanders-in-Chief did not wish to present such an agreed report.

The American Commander-in-Chief insisted on an adjournment of the discussions, which later led to their breakdown.

5. *Question.* What was the attitude of the Soviet Commander-in-Chief in the discussions of the Commanders-in-Chief in Berlin to the question of removing the restrictions on traffic between Berlin and the Western zones?

Answer. In the discussions in Berlin the Soviet Commander-in-Chief strove to find, in accordance with the directive of the four Governments, a satisfactory basis for the restoration of normal traffic between Berlin and the Western zones.

On September 7, 1948, the Soviet Command submitted the following proposals:

"1) All restrictions on rail and automotive transport imposed since March 30, 1948 shall be removed.

"2) Passenger and freight traffic between Berlin and the Western occupation zones shall proceed by the Helmstedt-Berlin railway line and the Helmstedt-Berlin auto road.

"3) A daily limit of 16 pairs of trains, three of which military, shall be established on the Helmstedt-Berlin line.

"4) Military personnel, members of their families, and civilian employees of the occupation forces who are subjects of the country of the given occupation forces shall travel in military trains and in motor vehicles on the auto road on the basis of the identification certificates in the possession of the military personnel, their families and civilian personnel of the occupation forces. German personnel in the employ of the occupation authorities shall travel between the zones in normal passenger trains. They shall not use military trains of the Allied occupation forces. Military freight of the occupation forces shall be transported in military trains, the right to transport such freight being testified by the waybill,

which must be presented at the control point by the commandant of the given military train.

"5) Provisions and coal transported on the Helmstedt-Berlin railway line for the supply of the population of Berlin shall be verified at the control point by presentation of waybill, and commercial freight by presentation of license.

"6) For the checking of military trains, a bilateral patrol shall be established at each station of entry and exit and, in respect to automotive transport, also on the auto road in the area of the zonal border and in Berlin.

"7) The four occupation authorities shall issue orders forbidding the carrying of currency, Western marks or Eastern marks, in trains, motor vehicles or airplanes.

"8) Air traffic with Berlin for the needs of the occupation troops of the Western Powers shall proceed on the basis of the decision of the Control Council of November 30, 1945.

"9) For interzonal trade and international traffic, all railways and waterways, both from West to East and from East to West, may be utilized."

The proposals of the Soviet Command on traffic would fully restore normal conditions for the supply of Berlin with food, fuel and other commodities. Neither as regards the number of trains, nor as regards road traffic would they in any way worsen the supply of the Western sectors of Berlin as compared with what was previously established by the Control Council bodies. More, never in the past have 16 pairs of trains a day, the number proposed by the Soviet Command, been required in practice for the carrying of freight into and out of Berlin.

The proposals of the Soviet Command relative to the removal of traffic restrictions were recognized by the Western Commanders-in-Chief as important and as considerably advancing the discussions.

Nevertheless, the Commanders-in-Chief of the Western zones were evidently not disposed to accept Soviet proposals in general, even though they met all the major wishes of the Western occupation authorities, and concentrated their attention solely on point 8, which concerns air traffic, using it as a convenient excuse to refuse to discuss and accept the

Soviet proposals on traffic between Berlin and the Western zones.

They endeavoured to remove the question of air traffic from the discussion, as if it was entirely within their own competence.

I must observe that on the subject of the air corridors between Berlin and the Western zones a decision was passed by the Control Council as far back as November 30, 1945, which laid down that air communication between Berlin and the Western zones should only be used to serve the needs of the occupation forces of the Western Powers in Berlin. The Soviet Command in Berlin only proposed that the parties be guided by this decision, and did not offer any amendments to it. At all events, it is clear that, in view of the existence of two different currencies in the western and eastern parts of Germany, control by Soviet bodies must be established on all freight traffic, including air traffic, which is an essential measure for the protection of the currency of the Soviet zone against illicit traffic and contraband.

It should be remarked that the Western Commanders-in-Chief, having received the Soviet proposals on the subject of communications, did not for their part make any such definite statement that immediate measures would be taken on their part to restore the traffic they had interrupted between the Soviet zone and the Western zones, as well as transit traffic between the Soviet zone and other countries through the Western zones.

6. *Question.* What was the attitude of the Soviet Command in the Berlin discussions on the subject of introducing the currency of the Soviet zone in Berlin and withdrawing the B marks?

Answer. The directions received by the Commanders-in-Chief were that the German mark of the Soviet zone was to be the sole currency for Berlin, and that the Western B marks were to be withdrawn from circulation in Berlin simultaneously with the removal of the restrictions on traffic with the Western zones.

The four Commanders-in-Chief were instructed to work out concrete measures for the adoption of the German mark of the Soviet zone in Berlin. These measures were to insure:

“(a) No discrimination or action against holders of Western B marks in connection with the exchange of those Western marks issued in Berlin. These shall be accepted for exchange for German marks of the Soviet zone at the rate of one for one;

“(b) Equal treatment as to currency and provision of fully accessible banking and credit facilities throughout all sectors of Berlin.

“The four Military Governors are charged with providing adequate safeguards to prevent the use in Berlin of the German mark of the Soviet zone from leading to disorganizing currency circulation or disrupting the stability of currency in the Soviet zone of occupation;

“(c) A satisfactory basis for trade between Berlin and third countries and the Western zones of Germany. Modifications of this agreed basis to be made only by agreement among the four Military Governors;

“(d) The provision of sufficient currency for budgetary purposes and for occupation costs, reduced to the greatest extent possible, and also the balancing of the Berlin budget.”

The Directive of the four Governments envisaged that “the regulation of currency circulation in Berlin is to be undertaken by the German Bank of Emission of the Soviet zone through the medium of the credit establishments operating at present in Berlin.

“A Financial Commission of representatives of the four Military Governors shall be set up to control the practical implementation of the financial arrangements indicated above, involved in the introduction and circulation of a single currency in Berlin.”

In the discussions in Berlin, the Commanders-in-Chief reached agreement in the main as to the procedure of exchange of Western B marks circulating in Berlin for German marks of the Soviet zone, as well as to the procedure of revaluing current and savings accounts in banks in the western sectors of Berlin.

The proposals of the Soviet Command on financial matters represented a concrete program of action also in other fields, and guaranteed the observance of the conditions laid down in the Directive of the four Governments. However, it

was clear from the attitude taken by the Western Commanders-in-Chief that they wanted to create a position for themselves in Berlin which would have practically meant completely subordinating financial policy and currency both in Berlin and the Soviet zone to their control and influence.

The British command submitted a document on the functions of the Financial Commission which defined that body as the "highest financial authority" in Berlin.

In contravention of the Directive of the four Governments, in which it was stated that currency circulation in Berlin was to be regulated by the German Bank of Emission, the British command proposed that the Western authorities introduce their own policy for the credit institutions of Berlin through the Berlin City Bank, and that the German Bank of Emission of the Soviet zone exercise its functions in Berlin under the direction of the Financial Commission. This meant in practice that the quadripartite Financial Commission was to control currency circulation in the Soviet zone, for which there is absolutely no justification, all the more that currency circulation in the Western occupation zones is regulated exclusively by the military authorities of these zones. This demand of the Western authorities implied in essence, placing control of the economic life of the Soviet zone into the hands of the quadripartite Financial Commission.

Such interference of the Western occupation authorities in the regulation of currency is incompatible with the responsibility which the Soviet military administration bears for the regulation of the currency in the Soviet zone of occupation.

The very nature of currency circulation requires that direction of financial policy shall be in one hand. The demand that Berlin should have an independent financial policy, when the currency of the Soviet occupation zone becomes the currency of Berlin, is fraught with grave consequences for the economic life of the Soviet zone. If, as a result of independent orders of the Financial Commission, inflation were to become possible in Berlin, it would inevitably spread to the Soviet occupation zone, which is something the Soviet occupation authorities cannot permit. Yet the British proposals, supported by the American and

French Commanders-in-Chief, contained the direct demand that the German Bank of Emission of the Soviet zone should supply the banks of Berlin with currency notes at their demand, that is, actually in unlimited quantities. This proposal of the Western occupation authorities plainly contradicts the Directive of the four Governments, which instructs the four Commanders-in-Chief to provide for adequate guarantees that the utilization of the German mark of the Soviet zone in Berlin may not lead to disturbance of the currency circulation or to undermining the stability of the currency in the Soviet occupation zone. Thus the proposals of the Commanders-in-Chief of the Western zones were not indicative of good will or of a desire to find a position acceptable to all four sides on the basis of the directives of the four Governments. On the contrary, they betrayed the definite aggressiveness of their intentions and their desire to utilize the Financial Commission for the disorganization of the currency and economy of the Soviet zone. Hence it is clear how unfounded are the assertions that in the matter of adopting the mark of the Soviet zone in Berlin and of the functions of the quadripartite Financial Commission the Soviet Command departed from the instructions given to the Commanders-in-Chief. On the contrary, it was the Commanders-in-Chief of the Western zones that put forward demands which were in crass contradiction to their obligations. Apparently, this was done deliberately with the intention of disrupting the discussions and thus preventing the carrying out of the agreement reached by the four Governments in Moscow.

7. *Question.* What proposals were made by the Soviet side as regards trade between Berlin and the Western zones and third countries?

Answer. On this question, too, the Soviet Command endeavoured in the Berlin discussions to find the solution most acceptable for all parties. I know that in its note of September 25 of this year the Soviet Government made proposals of a still wider character on this subject, which would permit the finding of an agreed decision. In this note, the Soviet Government suggested a quadripartite procedure of issuing export and import licenses for trade between Berlin and the Western zones and third countries. This, in fact, was the

procedure proposed by the American Commander-in-Chief, General Clay, in the course of the discussions of the Commanders-in-Chief in Berlin. But for some reason the representatives of the Western Powers now consider that the substantial concession contained in this proposal of the Soviet Government is illusory, and evidently want a procedure under which, in spite of the fact that the currency of the Soviet zone would be the currency of Berlin, the Soviet administration would altogether be deprived of the possibility of participating in the regulation of trade between Berlin and the Western zones and third countries. Quite obviously, under present conditions, when two different currencies are circulating in Germany, also with the currency of the Soviet zone adopted as the single currency in Berlin and the Soviet zone, the Soviet administration bears even greater responsibility for the state of the currency in Berlin and the Soviet zone, an important condition for which is the insurance of normal trade in Berlin. Under these circumstances, the denial to the Soviet military administration of a share in regulating the trade of Berlin would practically mean opening broad channels for every sort of speculative trade transaction in the western sectors of Berlin, which might do irreparable damage both to the economy and to the currency of the Soviet zone and Berlin. And that such speculative transactions and trade are possible, is shown by the fact that the economic department of the Berlin Magistrat is now engaged in investigating speculative affairs of this sort connected with illicit trade with the Western zones, even by way of the "air lift," the extent of which is at present estimated at 10,000,000 marks. It will be seen from this that in the Berlin discussions the Soviet side was guided by the necessity of seeking a positive basis for the settlement of the questions submitted to the Commanders-in-Chief in a spirit of concord and agreement. However, from the very beginning of the negotiations it encountered a prejudiced and unreceptive attitude toward its proposals on the part of the other Commanders-in-Chief. In the expert committees on finance, communications and trade set up by the Commanders-in-Chief a common viewpoint was achieved on many questions; nevertheless, the Western Commanders-in-Chief did not con-

sider it possible to consummate the work begun. And, generally, the course of the discussions showed that the Commanders-in-Chief of the Western zones had apparently entered into them with the premeditated determination to reject every proposal made by the Soviet side. Such ill-willed tactics were to be observed all through the discussions.

8. *Question.* What are the prospects for a settlement of the "Berlin crisis"?

Answer. The Soviet Government has already informed the Western Powers on September 25 that it is prepared to continue the discussions on Berlin on the basis of the agreement reached in Moscow on August 30. The achievement of agreement on the Berlin question, on a practical basis and with consideration for mutual interests, therefore entirely depends on the wishes of the Governments of the United States, Great Britain and France. The attempts to settle this question by other means are obviously only calculated to protract the abnormal situation which has arisen in Berlin owing to the fault of the Western occupation authorities, and this cannot lead to the results which the Western occupation authorities anticipate.

**NOTE OF THE SOVIET GOVERNMENT
TO THE GOVERNMENT OF THE USA,
dated October 3, 1948***

I. The Government of the USSR has acquainted itself with the note of the Governments of the USA, Great Britain and France of September 26, 1948, and deems it necessary to state that the responsibility for the situation which has arisen in Berlin lies entirely on the Governments of the three Powers. The question of the situation in Berlin did not exist as such until the Governments of the USA, Great Britain and France proceeded to carry out a separate currency reform in the Western zones of Germany and in three sectors of Berlin. Moreover, the aforesaid separate currency reform was only one of the last and particularly far-reaching measures in the policy of dismembering Germany, which has removed the Western zones of Germany from Four-Power control.

The Government of the USA and the Government of Great Britain inaugurated the policy of dismembering Germany with the separate economic fusion of the American and British zones of occupation in 1946, in contravention of the agreement made by the Powers of the anti-Hitler coalition on the German question at the Potsdam Conference. This also grossly violated the agreement concluded earlier by the USSR, the USA, Great Britain and France regarding joint control by the Four Powers of occupied Germany. At that time this was justified on the ground of economic considera-

* Identical notes were sent to the Governments of Great Britain and France.

tions and it was contended that the fusion of the two zones would not lead either to the dismemberment of Germany or to the rupture of the policy agreed upon by the Four Powers regarding the demilitarization and democratic reconstruction of Germany. Actually, however, this policy is being applied by the three Powers in the western part of Germany, which has been severed from the rest of Germany, in a way which tends more and more to strengthen the influence of the anti-democratic and Nazi elements who bear the responsibility for the old aggressive policy of German imperialism, and who have not renounced their revanchist ambitions, which are a threat not only to neighbouring countries but to the security of the nations of all Europe. Of late, especially in connection with the operation of the Marshall plan, there has arisen a real danger of the restoration of the war-economic potential in the western part of Germany, which is in contravention of the Potsdam agreement of the Powers and runs counter to the interests of all peace-loving countries.

Since then this policy of the USA, Great Britain and France has been carried so far that at the London conference of the three Western Powers held in the spring of this year, in which the Benelux countries participated, a plan was adopted for the creation of a West German State, separated from the rest of Germany and removed from Four-Power control. It is now contemplated setting up a government for Western Germany. This decision of the three Western Powers makes for the consummation of the political and economic dismemberment of Germany, with all its dangerous consequences.

With the aim of preparing the carrying out of the plan of definitely dismembering Germany, in June of this year a separate currency reform was inaugurated in the American, British and French zones of occupation of Germany and in three sectors of Berlin, where a separate currency—the Western B mark—was introduced. Had it not been for this separate currency reform which, in respect to currency and finance, dismembered not only Germany but also Berlin, which is located in the centre of the Soviet zone, the question of the situation in Berlin would not have existed at all, just

as it did not exist prior to June of this year, that is, prior to the currency reform introduced by separate action of the three Western Powers.

This situation compelled the Soviet Command to sanction the issue of German marks of the Soviet zone, and at the same time to impose such transport restrictions without which, in view of the existence of different currencies in the various sections of Germany and Berlin, it would have been impossible to safeguard the interests of the German population and to protect the normal economic life of the Soviet zone, and especially of Berlin, from disorganization. This signifies that, had it not been for the separate currency reform, which violated the agreement of the Four Powers and threatened to disorganize the entire economic life of the Soviet zone and of Berlin, there would have been no necessity for the aforesaid transport restrictions, which represent a defensive, protective measure on the part of the Soviet Government against the offensive actions of the three Governments.

The Governments of the three Powers continue to state their rights respecting the administration of Berlin based on the agreements of the Four Powers regarding joint administration of Germany and Berlin. But the right of Four-Power administration of Berlin, which is located in the heart of the Soviet zone of occupation, can have meaning only if Germany is recognized as an integral state, and Berlin as its capital, but inasmuch as the three Governments have severed Western Germany from Eastern Germany and are setting up a separate state there, the right of these Governments to administer Berlin loses all meaning. By their separate actions in the Western zones of Germany and in the three sectors of Berlin, the USA, Great Britain and France disrupted the system of quadripartite administration both of Germany and of Berlin, and thereby undermined the legal basis which guaranteed their right to share in the administration of Berlin. However, the Soviet Government did not object to the presence of the occupation troops of the three Powers in Berlin, which was confirmed by Premier J. V. Stalin at the meeting with the representatives of the USA, Great Britain and France on August 2.

Nevertheless, when two months ago the Governments of the USA, Great Britain and France proposed that practical measures be jointly devised for the regulation of the situation in Berlin, the Government of the USSR consented. The discussions which followed in Moscow and Berlin have been incorrectly reflected in the note of the Government of the USA of September 26, which makes it necessary to dwell in greater detail on the facts of the case.

II. In the course of the discussions begun in Moscow, Premier J. V. Stalin, on August 2, made the following proposals to the representatives of the USA, Great Britain and France:

a) that the Soviet Command shall rescind the restrictions latterly introduced on transport between Berlin and the Western zones, and

b) that simultaneously the German mark of the Soviet zone shall be adopted in Berlin as the sole currency, and the Western B mark shall be withdrawn from circulation in Berlin.

Besides, Premier J. V. Stalin insistently expressed the wish that the Governments of the USA, Great Britain and France defer the carrying out of the London decisions respecting the creation of a government for the western part of Germany until representatives of the USSR, the USA, Great Britain and France could meet and discuss the question of Germany as a whole. This question was then repeatedly discussed at the meetings of Premier J. V. Stalin and Foreign Minister V. M. Molotov with the representatives of the three Powers.

As a result of the negotiations with the representatives of the aforesaid three Powers in Moscow, on August 30 agreement was reached that the following Directive be issued to the four Commanders-in-Chief of the occupation forces in Berlin:

"The Governments of France, the United Kingdom, the United States of America and the Union of Soviet Socialist Republics have decided that, subject to agreement being reached among the four Military Governors in Berlin for their practical implementation, the following steps shall be taken simultaneously:

“(a) Restrictions on communications, transport and commerce between Berlin and the Western zones and also on the traffic of goods to and from the Soviet zone of Germany which have recently been imposed shall be lifted;

“(b) The German mark of the Soviet zone shall be introduced as the sole currency for Berlin, and the Western B mark shall be withdrawn from circulation in Berlin.

“In connection with the above you are instructed to consult together with your colleagues so as to make, in the shortest time possible, the detailed arrangements necessary for the implementation of these decisions, and to inform your Government not later than September 7th of the results of your discussions, including the exact date on which the measures under (a) and (b) can be brought into effect.

“The four Military Governors will work out arrangements involved in the introduction of the German mark of the Soviet zone in Berlin.

“The arrangements relating to the currency changeover and to the continued provision and use in Berlin of the German mark of the Soviet zone shall ensure:

“(a) No discrimination or action against holders of Western B marks in connection with the exchange of those Western marks issued in Berlin. These shall be accepted for exchange for German marks of the Soviet zone at the rate of one for one;

“(b) Equal treatment as to currency and provision of fully accessible banking and credit facilities throughout all sectors of Berlin. The four Military Governors are charged with providing adequate safeguards to prevent the use in Berlin of the German mark of the Soviet zone from leading to disorganizing currency circulation or disrupting the stability of currency in the Soviet zone of occupation;

“(c) A satisfactory basis for trade between Berlin and third countries and the Western zones of Germany. Modifications of this agreed basis to be made only by agreement among the four Military Governors;

“(d) The provision of sufficient currency for budgetary purposes and for occupation costs, reduced to the greatest extent possible, and also the balancing of the Berlin budget.

“The regulation of currency circulation in Berlin is to be undertaken by the German Bank of Emission of the Soviet zone through the medium of the credit establishments operating at present in Berlin.

“A Financial Commission of representatives of the four Military Governors shall be set up to control the practical implementation of the financial arrangements indicated above, involved in the introduction and circulation of a single currency in Berlin.”

The note of the USA, Great Britain and France of September 26 does not contain the text of this agreed Directive of the four Governments to the Commanders-in-Chief in Berlin. As to the substance of this Directive and of the statements of Premier J. V. Stalin, they are given in the note of the three Governments in a very distorted form.

It is sufficient to say that the Directive agreed upon by the four Governments and sent to the Commanders-in-Chief in Berlin precisely defines, as may be seen from its text, the control functions of the quadripartite Financial Commission with regard to the financial measures connected with the introduction and circulation of the single currency in Berlin, namely, the German mark of the Soviet zone. It is definitely stated in the Directive that quadripartite financial control shall be established with respect to the introduction and circulation of the single currency in Berlin, but nowhere is it said that it shall likewise extend to the emission of this currency, inasmuch as this might lead to interference on the part of the three Powers in the regulation of currency circulation in the whole Soviet zone. It goes without saying that no one can be responsible for the emission of the German mark of the Soviet zone except the Soviet Command, which is responsible for the emission of these notes by the German Bank of Emission of the Soviet zone, since on the amount of money in circulation depends the entire economic life of the zone. Just as in the Western zones the issue and circulation of money is completely under the control of the occupation authorities of these zones, so in the Soviet zone the issue of money must be under the control solely of the Soviet Command. Yet in the course of the discussions in Berlin the Commanders-in-Chief of the Western zones demanded that the

three Powers should control the emission of money in the entire Soviet zone, whereby they would impose their control over the whole economic life of the Soviet zone, to which the representatives of the Soviet Union could not agree.

Notwithstanding the assertion made in the note of the three Governments of September 26, the text of the agreed Directive to the four Commanders-in-Chief does not envisage quadripartite control of the emission of German marks of the Soviet zone especially for Berlin; nor was this envisaged in the statements made by Premier J. V. Stalin during the preliminary discussion of this Directive. The Soviet Government categorically repudiates such incorrect assertions, the purpose of which is to conceal the renunciation by the Governments of the USA, Great Britain and France of the Directive to the Commanders-in-Chief agreed upon by the Four Powers. The attempts to set off the position of the Soviet Commander-in-Chief in Berlin against the position of the Soviet Government as expressed in the Directive agreed upon by the four Governments have already been repudiated by the Soviet Government in its note of September 18.

The Soviet Government strictly adhered to the agreed Directive of August 30, which provided, as simultaneous measures, for the rescindment of the restrictions on transport between Berlin and the Western zones, and for the adoption of the German mark of the Soviet zone as the sole currency in Berlin, with the establishment of quadripartite control of all the financial measures in Berlin indicated in the Directive. Inasmuch as this Directive would, in respect to currency and finance, establish an identical status and identical facilities for all the four sectors of Berlin, the Soviet Government regards this Directive as a satisfactory basis for agreement between the Four Powers.

As regards trade between Berlin and the Western zones and third countries, the Soviet Government, as is known, expressed its consent to the proposals made on this subject by the three Governments, and consequently no differences exist on this question.

Still unagreed remained the question of the establishment of control over commercial freight and passenger transport on the air lines between Berlin and the Western zones. With

two different currencies circulating in the western and eastern parts of Germany, it was perfectly obvious that the Soviet Command must have guarantees against the utilization of air transport for illicit currency and trade operations. This was unanimously admitted by the representatives of the USA, Great Britain and France at the meeting with V. M. Molotov on September 18. At that meeting the representative of the USA stated: "It stands to reason that the Soviet Government should want to have certain guarantees against the utilization of air transport for illicit currency transactions or black market operations. Satisfactory guarantees of this nature might be easily provided." If the Governments of the three Powers acknowledge the correctness of this statement, then the Soviet Government considers it quite possible to settle this question on a mutually acceptable basis.

Hence on this question too the differences may be overcome, given a desire to arrive at an agreement satisfactory to all Four Powers.

The talks on the Berlin question opened an opportunity for the Four Powers to reach agreement on a mutually satisfactory basis, provided the Governments of the USA, Great Britain and France did not advance claims incompatible with the rights of the USSR in the Soviet zone of occupation in Germany. The discussions were broken off in spite of the insignificance of the remaining differences, because the Governments of the USA, Great Britain and France refused to abide by the Directive to the Commanders-in-Chief agreed upon by the Four Powers.

III. The talks which J. V. Stalin and V. M. Molotov had with the representatives of the three Powers in Moscow in August concerned not only the Berlin question, but the question of Germany as a whole. And on August 27 agreement was reached regarding the following text of a communiqué which was to be published after the negotiations were concluded:

"The four Governments have also agreed that in addition to meetings of the four Military Governors, meetings among representatives of the four Governments in the form of the Council of Foreign Ministers or other conferences of repre-

representatives of the Four Powers shall be held in the near future to discuss:

“(1) Any outstanding questions regarding Berlin, and (2) any other outstanding problems affecting Germany as a whole.”

However, there still remained unagreed the concluding part of this communiqué, which was to contain the reply of the Governments of the USA, Great Britain and France to the desire expressed by the Soviet Government that the implementation of the London decisions relative to the creation of a government for the western part of Germany be deferred until the representatives of the USSR, the USA, Great Britain and France could meet and discuss the whole question of Germany. The Soviet Government was assured by the representatives of the three Powers that the London decisions did not preclude the possibility of an agreement being reached by the four Governments regarding the setting up of a single government for all Germany.

All this shows that the Governments of the three Powers could not but acknowledge the existence of a close connection between the Berlin question and the German question as a whole. It further indicates that the decision of the German question, including the Berlin question, must be based on the observance of the agreed decisions of the Four Powers, and above all on the observance of the Potsdam agreement and the agreement of the Four Powers regarding joint control of Germany.

Inasmuch as the Governments of the USA, Great Britain and France have committed serious violations of the Potsdam agreement and other agreements of the Four Powers on the German question, they bear the responsibility for the situation that has arisen in Germany and in Berlin. The said three Governments have disrupted the quadripartite control mechanism in Germany and in Berlin. They have completely withdrawn the three Western zones of Germany from quadripartite control, thereby breaking their pledges. In Berlin, moreover, which is located in the heart of the Soviet zone, the three Governments are striving to create a privileged position for themselves by demanding the preservation of rights that were based upon those quadripartite agreements, which

they themselves have trampled upon and nullified. The false commotion they have raised over the non-existent "Berlin blockade," and their insistence on the immediate removal of the transport restrictions can only imply a desire to preserve the separate currency they have arbitrarily introduced in Berlin and to untie their hands for the uncontrolled import and export of commodities, which would have the effect of turning Berlin into a centre of currency and commodity speculation, and which would be bound to result in the complete disorganization of economic life in the Soviet zone. Agreement respecting rescindment of the transport restrictions and simultaneous adoption of a single currency in Berlin was not achieved owing to the refusal of the three Governments to reach agreement regarding the guarantees which are essential in order to avert disruption of economic life in the Soviet zone, and now these Governments want to deny their responsibility for the breakdown of the negotiations. More, under the pretext of protecting their rights in Berlin, the Governments of the USA, Great Britain and France are in fact striving to administer, in respect to currency and finance, the Soviet zone of occupation of Germany as well, in order in this way to rob the USSR of its legitimate rights in this part of Germany too, and ultimately to oust it from there.

IV. Having disrupted the negotiations, the Governments of the USA, Great Britain and France are levelling all sorts of unsupported and directly absurd charges at the USSR.

By their note of September 26, the Governments of the three Powers give every encouragement to the noisy hubbub raised over the so-called "Berlin blockade," although no "Berlin blockade" actually exists. The assertion that Berlin is threatened with starvation and disease is absolutely baseless and is a false propaganda trick. There are adequate stocks of food in Berlin. The Soviet Government has already taken measures to keep the Berlin population provided with all essentials. Nothing threatens the supply of the occupation forces.

The "Berlin blockade" is the name given to the transport restrictions introduced by the Soviet Command in order to safeguard the interests of the population and protect the eco-

conomic life of the Soviet zone from disorganization and collapse. These protective measures are indispensable until the question of the adoption of the single currency in Berlin, the necessity for which was recognized by the Governments of the three Powers, is settled. The hue and cry raised over this question is needed by those who are striving to aggravate the uneasiness, alarm and war hysteria to the utmost, and not by those who are striving for genuine regulation of the situation in Berlin.

The note of the Governments of the three Powers contains the unsupported assertion that the Soviet authorities in Berlin permitted an attempt on the part of a minority of the population of Berlin to forcibly overthrow the city administration. The fact is that, notwithstanding the dissatisfaction among the Berlin population with the present situation, the Soviet authorities in Berlin have had strict instructions from the Soviet Government to insure a calm atmosphere for the work of the Berlin local bodies, which was confirmed by V. M. Molotov at the meeting with the representatives of the three Governments on August 30. The Soviet Command has unswervingly observed these instructions of the Soviet Government, but the disorders which have disturbed the life of Berlin took place in the part of Berlin which is not under the control of the Soviet Command and for which the military authorities of the three other Powers are responsible.

From all this it is clear that the assertion of the Governments of the USA, Great Britain and France that a situation has arisen in Berlin which constitutes a threat to international peace and security is absolutely unfounded. Such assertions cannot deflect attention from the separate and anti-democratic policy which is being pursued in Western Germany and is converting it into an obedient tool of the aggressive plans of a definite group of Great Powers. Nor can it be denied that if anyone is responsible for the present situation in Berlin, it is precisely the Governments of the three Powers, who broke off the talks on the regulation of the situation in Berlin. Moreover, the Governments of the USA, Great Britain and France have ignored their obligation to submit disputed questions concerning Germany and Berlin to the Council of

Foreign Ministers, within whose competence, as is generally known, it is to settle such matters.

V. Inasmuch as the Governments of the USA, Great Britain and France state in their note of September 26 that they are submitting the question of the situation in Berlin to the United Nations Security Council, the Government of the USSR deems it necessary to declare the following:

1. The question of the situation in Berlin is closely bound up with the German question as a whole, with the question of the dismemberment of Germany and the setting up of a separate government in Western Germany and, in accordance with Article 107 of the United Nations Charter, is a matter for decision by the governments which bear responsibility for the occupation of Germany, and not for submission to the Security Council.

2. The assertion of the Government of the USA that a situation has arisen which constitutes a threat to international peace and security does not correspond with the facts of the situation and is nothing more than a means of pressure and an attempt to utilize the United Nations Organization for the achievement of its own aggressive aims.

3. The Soviet Government proposes that the agreed directive of August 30 to the Commanders-in-Chief be recognized as an agreement of the Governments of the USSR, the USA, Great Britain and France, on the basis of which the situation in Berlin should be regulated.

4. The Soviet Government proposes that the Council of Foreign Ministers be convened to examine the question of the situation in Berlin, as well as the German question as a whole, in conformity with the Potsdam agreement of the Four Powers.