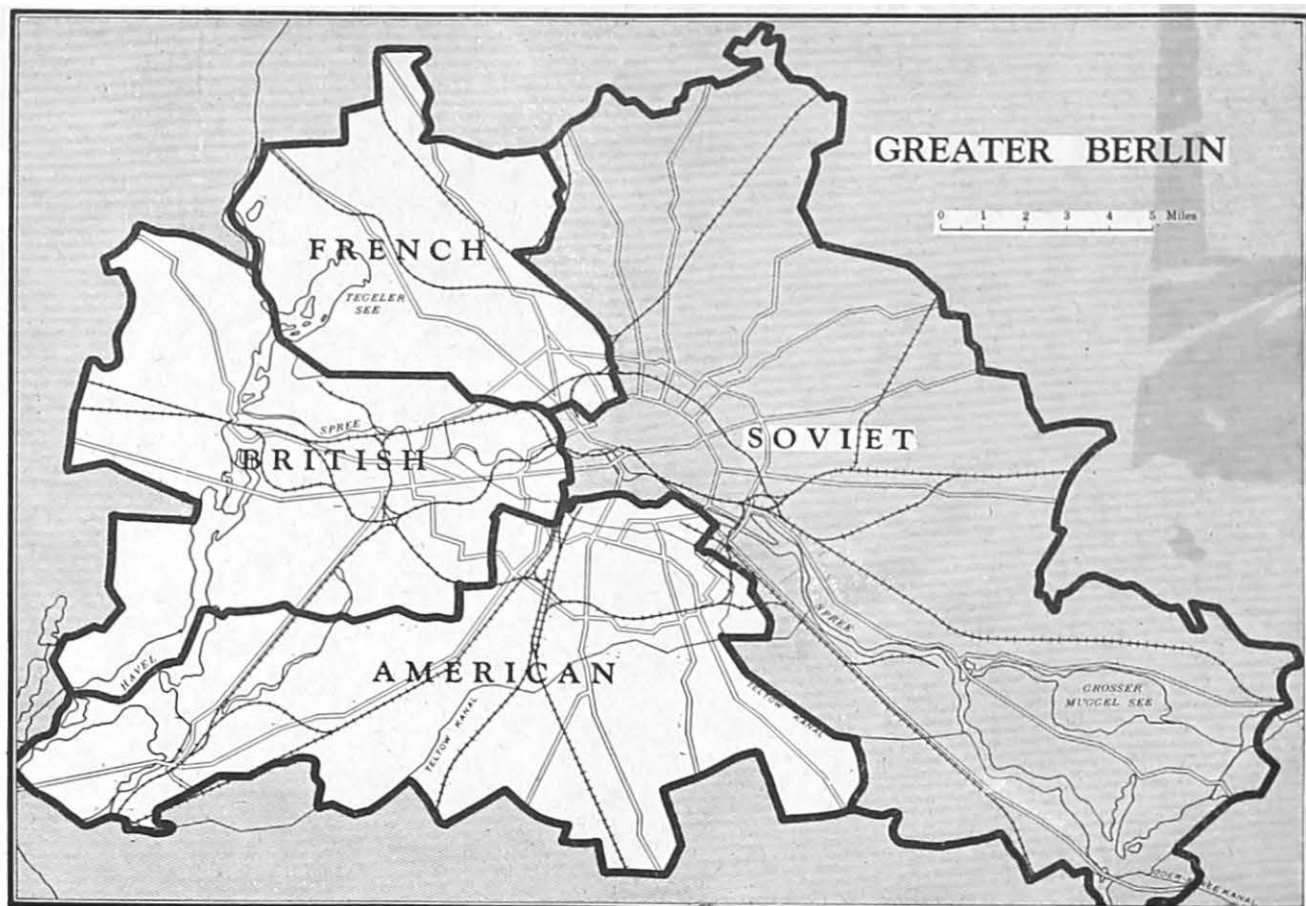


The Berlin Crisis

A REPORT ON THE
MOSCOW DISCUSSIONS

1948

THE DEPARTMENT OF STATE



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Including text of a note addressed to the Soviet Government on September 26 by the Governments of the United States, the United Kingdom, and France



DEPARTMENT OF STATE

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Introduction

IN VIEW of the breakdown of the discussions at Moscow between representatives of the Western Powers and the Soviet Union, centering upon the Berlin crisis, it is appropriate to review the events leading to that breakdown and to place on record the documents in the case.

By agreement among the three Western Governments, joint statements made during the course of these discussions in Moscow on behalf of all three were presented by the senior representative, Ambassador Smith. Communications made separately or in parallel are indicated by the context.

SECTION I

Soviet Interference with Access to Berlin

THE SOVIET GOVERNMENT has maintained first that its measures restricting communications, transport and commerce between Berlin and Western Germany were necessitated by "technical difficulties" and then that they were "defensive" against conditions created by the currency reform in Western Germany and Western Berlin. The following chronological record of events reveals that many of the Soviet restrictive measures were imposed months before the currency reform and that they have been systematic products of a deliberate coercive purpose rather than the results of "technical difficulties":

On March 30, 1948, ten days after the Soviet Delegation had walked out of the Allied Control Council meeting, the Soviet Deputy Military Governor, General Dratvin, stated in a letter to the United States Military Government that supplementary provisions regarding communications between the Soviet and US zones of occupation in Germany would go into effect on April 1, 1948. These provisions, which were contrary to practice established since the quadripartite occupation of Berlin, set forth that:

- (1) US personnel traveling through the Soviet zone by rail and highway must present documentary evidence of identity and affiliation with the US Military Administration of Germany;
- (2) Military freight shipments from Berlin to the Western zones must be cleared through Soviet check points by means of a Soviet permit; freight shipments into Berlin would be cleared by accompanying documents;

(3) All baggage must be inspected at Soviet check points, with the exception of personal belongings of US personnel carried in a passenger railway car or a passenger automobile.

Similar letters were delivered to the British and French Military Government authorities.

On March 31 the Chief-of-Staff, US Military Government, replied that the new provisions were not acceptable and that such unilateral changes of policy could not be recognized. In this letter General Gailey states:

"I am prepared to have each train commandant of passenger trains furnish you at an established entry point a passenger list accompanied by copies of the orders of each passenger. Likewise each train commandant of freight trains will furnish you at the entry point with a manifest of cargo.

"However I cannot agree to permit your representatives to enter these trains for the purpose of examining individual documentation or belongings or inspecting cargo.

"I shall be glad to discuss with you or your representatives the procedure which I have outlined above, although not on 24 hours notice."

In the same letter, General Gailey also stated:

"The agreement under which we entered Berlin clearly provided for our free and unrestricted utilization of the established corridors. This right was a condition precedent to our entry into Berlin and our final evacuation of Saxony and Thuringia. I do not consider that the provisions you now propose are consistent with this agreement."

In his reply of April 3, General Dratvin challenged this statement and claimed that there was no agreement "concerning the orderless and uncontrolled traffic of freight and personnel through the territory of the Soviet Zone of occupation". He termed the new regulations "an internal matter" concerning the Soviet occupation authorities and saw no possibility of changing the new regulations.

In his reply of April 4, General Gailey pointed out that on June 29, 1945 a clear understanding was reached between Marshal Zhukov and US representatives that the US Forces in Berlin would have free and unrestricted use of the established corridors to meet their requirements, subject only to normal regulation of movements. He reiterated our willingness to provide appropriate documents for both passenger and freight trains, made up as military trains, but refused to agree to

entry of representatives of another power into our military trains while in transit between Berlin and our zone of occupation.

Meanwhile, on April 1, two US passenger trains were stopped at the Soviet zone border and turned back upon refusing to accept Soviet inspection. Two British trains were turned back under the same condition.

Beginning April 1, the Soviet authorities refused to permit mail cars containing packages to depart from Berlin to the west, and demanded the filing of additional forms, the character of which was not adequately clarified. On April 3, 1948, the Soviet authorities closed the Hamburg-Berlin and Bavaria-Berlin rail routes requiring all freight to move to Berlin via Helmstedt.

On April 2 the Soviet authorities requested the American authorities to close down effective May 1, the US aid station which was midway on the only automobile highway available between Berlin and Helmstedt. Later they also requested removal by April 15 of US Signal Corps personnel stationed in the Soviet zone at Weimar for the maintenance of repeater stations required for our official telephone communications with Berlin. The British received a similar request to remove their Signal Corps men from Magdeburg. The request was protested by our letter of April 9, but the personnel were removed on April 14.

On April 20 the Soviet authorities imposed the requirement for individual clearance of barges moving through the Soviet zone to and from Berlin. Protest by the British had no effect.

On April 23 international train service from Berlin was suspended by a Soviet order prohibiting the two international coaches from being attached to the interzonal train between Berlin and Osnabrueck.

On May 20 a new documentation requirement for barge traffic entering the Soviet zone was instituted. When British authorities thereupon reciprocally introduced similar requirements on barge traffic, a temporary suspension of all barge traffic across zonal boundaries resulted. Subsequently this traffic was resumed for a time on a reciprocal basis.

On June 9 the Soviet authorities introduced unilaterally new regulations for German travel into the Soviet zone, demanding special authorization in contravention of Allied Control Council directives.

On June 9 the Soviet authorities, by orders to German Railway officials, tried to interfere with operations in the railroad yards in the US sector of Berlin. This interference was prevented by the appearance of US military guards.

On June 11 the Soviet authorities stopped all eastbound railway traffic at the entrance point (Helmstedt) but resumed accepting traffic to Berlin on the next day.

On June 12 the Soviet authorities announced the closing of the Elbe Bridge on the Autobahn between Berlin and the West for repairs. A detour and ferry service were arranged.

On June 16 the Soviet Delegation walked out of the Allied Kommandatura of Berlin.

After the announcement on June 18 of the currency reform for all of Western Germany (but not Western sectors of Berlin), the Soviet authorities on June 19 suspended all passenger train traffic between Western and Eastern zones. All road traffic from Western zones into the Soviet zone, including traffic on the Autobahn to Berlin, was also stopped. Incoming rail freight was reduced in volume by change of technical procedures and water transport was subject to stricter regulations.

The French Commandant, Chairman of the Berlin Kommandatura, invited on June 19 the other members to a special meeting to discuss the effects of the currency reform on Berlin, but the Soviet member declined the invitation.

On June 22 at the request of the three Western powers, a quadripartite meeting of financial and economic advisers took place in Berlin to discuss the problem of currency for Berlin. The Soviet representative insisted that there could be no currency for Berlin different from the currency of the surrounding Soviet zone. They would not accede to quadripartite control of the currency for Berlin. Immediately after the meeting the Soviet authorities issued their orders for currency reform in the Soviet zone and *all* of Berlin.

In view of the inability to obtain agreement on a currency for Berlin under quadripartite control, the Western allies informed the Soviet authorities of their intention to introduce into the Western sectors of Berlin the new Deutsche mark of the Western zones (overstamped "B" for Berlin). The public announcement was made on June 23.

On June 23 the Soviet authorities suspended all railroad passenger and freight traffic into Berlin, because of alleged "technical difficulties" on the Berlin-Helmstedt rail line. They also stopped barge traffic on similar grounds.

Shortly before midnight of June 23 the Soviet authorities issued orders to the Berlin central electric switch-control station (located in their sector) to disrupt delivery of electric power from Soviet zone

and Soviet sector plants to the Western sectors. Shortage of coal was given as a reason for this measure.

Soviet traffic restrictions issued on June 19 were followed by subsequent prohibitions in the following week. West-bound road traffic only was still permitted for a time, subject to Soviet control at check points. Mail and parcel post traffic was completely suspended. On June 24, because of these unacceptable restrictions, the American and British authorities ordered all freight trains from US and British zones to the Soviet zone stopped. Traffic from the East continued to be accepted.

On June 24 the Soviet authorities issued orders prohibiting the distribution of any supplies from the Soviet zone to the Western sectors of Berlin thereby violating a Four Power agreement for supplying Berlin from a common pool. The Western powers thereupon forbade distribution of any supplies from Western sources to the Soviet sector of Berlin.

On June 26 General Robertson in a letter to Marshal Sokolovsky protested against interruption of essential freight traffic between Berlin and the West.

On June 29 Marshal Sokolovsky answered General Robertson's letter. He described the restrictions on interzonal passenger traffic as connected with the currency exchange and announced the re-establishment of rail facilities for movement of the German population. He declared that the restrictions on motor traffic must be retained to prevent conveyance to Berlin of currency from the Western zones. He announced that the technical defects on the railroad line were in process of elimination and his expectation that traffic would recommence as soon as possible. He protested against British stoppage of freight train movements between the Soviet and the British zones.

General Robertson answered this letter on July 3, stressing the positive elements of the letter and reiterating his willingness to discuss use of one currency in Berlin. He repeated his request for resumption of normal transportation facilities between Berlin and the West.

On July 3, Generals Robertson, Noiret and Clay visited Marshal Sokolovsky. General Robertson inquired what the technical difficulties were which according to Sokolovsky's letter were holding up train traffic. He asked for assurance that traffic could be resumed at an early date, and when. He further drew attention to the fact that no alternative routes had been made available. Marshal Sokolovsky stated that the question raised by Robertson was important to the Western allies and that they wanted it treated alone, whereas there

were other questions important to him. He continued that he had never said that traffic on the railway was held up for other than technical reasons and that these reasons still applied. He declared at length that the Western allies as a result of their London conference had created economic disorders in the Soviet zone which made it impossible to provide alternate routes. He reiterated that the present stoppage was for technical reasons, although he would not guarantee that when these technical difficulties had been cleared, others might not occur elsewhere.

It became thus evident that further endeavors by the Western Military Governors to settle the Berlin problem locally would serve no useful purpose.

SECTION II

The Moscow Discussions

Exchange of Notes on Berlin Crisis

THE GOVERNMENTS of the United States, the United Kingdom and France decided to make formal representations to the Government of the USSR. The three Western powers on July 6 delivered similar notes to the Soviet representatives in Washington, London and Paris.

The American Note of July 6. In the American note, the Soviet Government was informed that the United States regarded the blockade measures as "a clear violation of existing agreements concerning the administration of Berlin by the four occupying powers." The United States categorically asserted that it was in occupation of its sector of Berlin with free access thereto "as a matter of established right deriving from the defeat and surrender of Germany and confirmed by formal agreements among the principal Allies." The United States also emphatically declared that it would "not be induced by threats, pressures or other actions to abandon these rights."

This consideration, together with responsibility for the physical well-being of the population of its sector of Berlin, including hundreds of thousands of women and children, obliged the United States to insist that "in accordance with existing agreements the arrangements for the movement of freight and passenger traffic between the western zones and Berlin be fully restored." The United States emphasized again its willingness to settle by negotiation, or by any of the other peaceful methods provided for in article 33 of the Charter of the United Nations, any disagreement which might exist between the USSR and the United States over the administration of Berlin, but it stressed that such negotiation could not be entered

into as a result of duress. Specifically, the United States offered, once blockade measures were lifted, to participate in negotiations in Berlin among the four Allied Occupying Authorities. The full text of the American note follows:

"The United States Government wishes to call to the attention of the Soviet Government the extremely serious international situation which has been brought about by the actions of the Soviet Government in imposing restrictive measures on transport which amount now to a blockade against the sectors in Berlin occupied by the United States, United Kingdom and France. The United States Government regards these measures of blockade as a clear violation of existing agreements concerning the administration of Berlin by the four occupying powers.

"The rights of the United States as a joint occupying power in Berlin derive from the total defeat and unconditional surrender of Germany. The international agreements undertaken in connection therewith by the Governments of the United States, United Kingdom, France and the Soviet Union defined the zones in Germany and the sectors in Berlin which are occupied by these powers. They established the quadripartite control of Berlin on a basis of friendly cooperation which the Government of the United States earnestly desires to continue to pursue.

"These agreements implied the right of free access to Berlin. This right has long been confirmed by usage. It was directly specified in a message sent by President Truman to Premier Stalin on June 14, 1945, which agreed to the withdrawal of United States forces to the zonal boundaries, provided satisfactory arrangements could be entered into between the military commanders, which would give access by rail, road and air to United States forces in Berlin. Premier Stalin replied on June 16 suggesting a change in date but no other alteration in the plan proposed by the President. Premier Stalin then gave assurances that all necessary measures would be taken in accordance with the plan. Correspondence in a similar sense took place between Premier Stalin and Mr. Churchill. In accordance with this understanding, the United States, whose armies had penetrated deep into Saxony and Thuringia, parts of the Soviet zone, withdrew its forces to its own area of occupation in Germany and took up its position in its own sector in Berlin. Thereupon the agreements in regard to the occupation of Germany and Berlin went into effect. The United States would not have so withdrawn its troops from a large area now occupied by the Soviet Union had there been any

doubt whatsoever about the observance of its agreed right of free access to its sector of Berlin. The right of the United States to its position in Berlin thus stems from precisely the same source as the right of the Soviet Union. It is impossible to assert the latter and deny the former.

"It clearly results from these undertakings that Berlin is not a part of the Soviet zone, but is an international zone of occupation. Commitments entered into in good faith by the zone commanders, and subsequently confirmed by the Allied Control Authority, as well as practices sanctioned by usage, guarantee the United States together with other powers, free access to Berlin for the purpose of fulfilling its responsibilities as an occupying power. The facts are plain. Their meaning is clear. Any other interpretation would offend all the rules of comity and reason.

"In order that there should be no misunderstanding whatsoever on this point, the United States Government categorically asserts that it is in occupation of its sector in Berlin with free access thereto as a matter of established right deriving from the defeat and surrender of Germany and confirmed by formal agreements among the principal Allies. It further declares that it will not be induced by threats, pressures or other actions to abandon these rights. It is hoped that the Soviet Government entertains no doubts whatsoever on this point.

"This Government now shares with the Governments of France and the United Kingdom the responsibility initially undertaken at Soviet request on July 7, 1945, for the physical well-being of 2,400,000 persons in the western sectors of Berlin. Restrictions recently imposed by the Soviet authorities in Berlin have operated to prevent this Government and the Governments of the United Kingdom and of France from fulfilling that responsibility in an adequate manner.

"The responsibility which this Government bears for the physical well-being and the safety of the German population in its sector of Berlin is outstandingly humanitarian in character. This population includes hundreds of thousands of women and children, whose health and safety are dependent on the continued use of adequate facilities for moving food, medical supplies and other items indispensable to the maintenance of human life in the western sectors of Berlin. The most elemental of these human rights which both our Governments are solemnly pledged to protect are thus placed in jeopardy by these restrictions. It is intolerable that any one of the occupying authorities should attempt to impose a blockade upon the people of Berlin.

"The United States Government is therefore obliged to insist that in accordance with existing agreements the arrangements for the movement of freight and passenger traffic between the western zones and Berlin be fully restored. There can be no question of delay in the restoration of these essential services, since the needs of the civilian population in the Berlin area are imperative.

"Holding these urgent views regarding its rights and obligations in the United States sector of Berlin, yet eager always to resolve controversies in the spirit of fair consideration for the viewpoints of all concerned, the Government of the United States declares that duress should not be invoked as a method of attempting to dispose of any disagreements which may exist between the Soviet Government and the Government of the United States in respect of any aspect of the Berlin situation.

"Such disagreements if any should be settled by negotiation or by any of the other peaceful methods provided for in Article 33 of the Charter in keeping with our mutual pledges as copartners in the United Nations. For these reasons the Government of the United States is ready as a first step to participate in negotiations in Berlin among the four Allied Occupying Authorities for the settlement of any question in dispute arising out of the administration of the city of Berlin. It is, however, a prerequisite that the lines of communication and the movement of persons and goods between the United Kingdom, the United States and the French sectors in Berlin and the Western Zones shall have been fully restored.

"Accept, Excellency, the renewed assurances of my highest consideration."

The Soviet Note of July 14. The Soviet reply to the American note, dated July 14, 1948, contained no reference to the previous explanation of the blockade measures as due to "technical difficulties." Rather, it was now openly admitted that the blockade was in effect retaliation against actions of the Western powers in their own occupation zones of Germany. For the first time, and despite all agreements to the contrary, the Soviet Government put forward the claim that Berlin "is a part of" the Soviet zone. The Soviet note ended with the contention that Berlin problems were inseparably linked with questions involving the whole of Germany and that negotiations would be effective only if they encompassed the entire German situation. Moreover, the Soviet Government refused to permit restoration of the lines of communication between the Western zones and

Berlin, which restoration had been declared by the United States Government to be a prerequisite for any negotiations. Translated text of the reply follows:

"1. The Soviet Government has familiarized itself with the note of the Government of the United States of America of July 6, 1948 in which the situation which has been created at the present time in Berlin is described 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 of America, 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 has more than once warned the Governments of the United States of America, 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 mechanism in Germany have as their aim the demilitarization and democratization of Germany, the removal of the base itself of Germany militarism and the prevention of the revival of Germany as an aggressive power and thereby the transformation 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 draw up a statute for Germany or for any areas including Berlin which were 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 center of German military industry as the Ruhr district

has been taken out from under the control of the four powers. The execution of decisions concerning reparations from the western zones of occupation of Germany has been interrupted by the Governments of the U. S. A., the U. K., and France. By the separate actions of the Governments of the U. S. A., Great Britain, and France the four power control mechanism in Germany has been destroyed and the Control Council as a result thereof has ceased its activity.

"Following the London meeting of the three powers with the participation of Benelux, measures have been undertaken by the Governments of the U. S. A., Great Britain, and France directed towards 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 occupation carried out on June 18th of this year.

"In as much 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 U. S. A., Great Britain, and France of the decisions of the Potsdam Conference and also of the agreement of the four powers concerning the control mechanism in Germany, the Soviet Government must reject as completely unfounded the statement of the Government of the U. S. 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 for the defense of the economy of the Soviet zone against its disorganization are allegedly in violation of the existing agreements concerning the administration of Berlin.

"2. The Government of the U. S. declares that it is occupying its sector in Berlin by right arising out of the defeat and capitulation of Germany, referring in this connection to agreements between 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 four power agreements concluded among themselves in regard to Germany as a whole. In conformity 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 four power administration of Berlin is an inseparable component part of the agreement for the

four power administration of Germany as a whole. After the U. S. A., Great Britain, and France by their separate actions in the western zones of Germany destroyed the system of four power 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 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 be in Berlin is based also on the fact that the United States withdrew its forces from certain regions of the Soviet zone of occupation into which they had penetrated during the period of hostilities in Germany, and that if it [the United States Government] had foreseen the situation, which has been created in Berlin, it would not have withdrawn its forces from those regions. However, the Government of the United States well knows that in removing its troops 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 an obligation which it had taken upon itself, the execution of which could alone accord the right of the entry of the troops of the U. S. into Berlin. An examination of the letter referred to in the note of the Government of the U. S. A. of President Truman to Premier Stalin of June 14, 1945 and the letter in reply of Premier Stalin of June 16, 1945 confirms the fact that, thanks to the agreement then reached, the forces of the U. S. A., Great Britain, and France were given the opportunity to enter not only the capital of Germany Berlin, but also the capital of Austria Vienna, which as is known, were taken only by the forces of the Soviet Army. In addition, it is 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 fulfillment of which the Soviet Government continues to insist.

"3. The Government of the United States declares that the temporary measures put into effect 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 is impossible, however, to deny the fact that these difficulties were occasioned by the actions of the Governments of the U. S. A., Great Britain and France, and primarily by their separate actions in the introduction of new currency in the western zones of Germany and special currency in the western sectors of Berlin.

"Berlin lies in the center 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 situation in which the entire mass of currency notes which were cancelled in the western zone threatened to pour into Berlin and the Soviet zone of occupation of Germany.

"The Soviet Command has been forced therefore to adopt certain 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 zone and of Berlin has not been eliminated even at the present time, in as much as the United States, Great Britain and France continue to maintain in Berlin their special currency.

"Furthermore, the Soviet Command has consistently displayed and is displaying concern for the well being of the Berlin population and for assuring 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 assuring by its own means adequate supply for all 'Greater Berlin'.

"With reference to the statement of the Government of the United States that it will not be compelled by threats, pressure or other actions to renounce its right to participation in the occupation of Berlin, the Soviet Government does not intend to enter into discussion of this statement 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 between 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, considers, however, it necessary to state that it cannot link the inauguration of these negotiations with the fulfilling of any preliminary conditions whatsoever and that, in the second place, four-power conversations could be effective only in the event that they were not limited to

the question of the administration of Berlin, since that question cannot be severed from the general question of four-power control in regard to Germany.

"Accept, Mr. Secretary of State, the assurances of my highest consideration."

Preliminaries to Stalin Meeting

Western Request for Discussions with Stalin and Molotov. The Government of the United States, as well as the Governments of the United Kingdom and France, considered the Soviet reply to their notes of July 6 unsatisfactory. Nevertheless, desiring to leave no stone unturned in the interest of peace, they decided to make another appeal to Soviet authorities. A request for an appointment on July 30 for representatives of the Three Powers to meet with Foreign Minister Molotov met with a reply from Mr. Molotov's principal secretary, Erfeev, to the effect that the Foreign Minister was "on vacation," and the suggestion that in view of Mr. Vishinsky's absence as well, the matter be taken up with Deputy Foreign Minister Zorin. US Ambassador Smith pointed out that the matter was of great importance, and inquired whether Molotov personally might be available "within a few days." Erfeev promised to investigate; but later the same day he reported that since Molotov's vacation had only just begun, it would be necessary for the western representatives to see Zorin. It was decided to present the problem to Zorin. At 6 p. m. on July 30, a meeting with Zorin was held and he was handed by Ambassador Smith the following *aide-mémoire* (similar to those handed simultaneously to Zorin by the British envoy, Mr. Roberts, and by the French Ambassador, Mr. Chataigneau, on behalf of their respective governments) :

US Aide-Mémoire. "The United States Government has given the most serious consideration to the note delivered by the Soviet Ambassador in Washington and has exchanged views with the British and French Governments on the similar notes received by these Governments. The United States Government does not accept the contention in the Soviet note that the right of the Western occupying powers to participate in the occupation of Berlin no longer exists, and

while they do not wish to enter into a detailed discussion of the allegations contained in Mr. Panyushkin's note of July 14, they would like to make it plain at the outset that they cannot accept the Soviet version of the facts nor the interpretation placed on them.

"Whatever may be the reasons which have led the Soviet authorities to decide the restriction of communications between Berlin and Western zones of occupation of Germany, whether these reasons be technical as was first stated, or political, as Mr. Panyushkin's note would seem to indicate, the measures taken by the Soviet authorities in Berlin have created an abnormal and dangerous situation, the gravity of which does not need to be emphasized.

"The Soviet reply of July 14 offers no constructive suggestion for the bringing to an end of the abnormal situation in Berlin. Nevertheless the United States Government as any peace-loving government, holds the view that this situation is capable of settlement. They trust that the Soviet Government share this view: the question of negotiation has never been, and is not the issue. The willingness to negotiate in the absence of duress has always been there. In the opinion of the United States Government, the best way to a solution of the present difficulties lies in direct approach. They think that a frank discussion between Generalissimo Stalin and Mr. Molotov on one side and the representative of each of the three Western occupying powers on the other side should give the opportunity of finding a solution. I accordingly have been instructed by my Government to request that you should arrange an interview between Generalissimo Stalin and Mr. Molotov on the one hand and the French Ambassador, the U. K. Charge d'Affaires and myself on the other hand in order to discuss the present situation in Berlin and its wider implications."

Conversation with Zorin. The reaction of Mr. Zorin to the western representation was described by US Ambassador Smith as "uncompromising." Zorin stated that the absence of Mr. Molotov on vacation prevented for the time being the granting of the requested meeting. He then said that there was no indication in the *aide-mémoire* of any change in the position of the US or of any subjects which would make profitable a discussion with Generalissimo Stalin and Mr. Molotov. However, he would transmit the request to his government for consideration. Ambassador Smith replied that the presentation had been brief since the general position of the US had already been made clear. It would be redefined and amplified during the proposed discussions.

Mr. Zorin said that he could only say that the position of the Soviet Government had also been clearly defined in its note of July 14 but that he would, as previously stated, present the request to his government.

Preliminary Meeting with Molotov, July 31. On the day following the Zorin interview, the representatives of the Western powers were informed that separate appointments with Mr. Molotov had been arranged for the same evening. At the meeting with Ambassador Smith, Molotov referred to the *aide-mémoire* and asked what kind of discussion and negotiations the Western Governments had in mind, at present and for the future. On Smith's replying that the *aide-mémoire* was intentionally brief and lacking in detail, since it was the purpose of the proposed conversations to develop necessary detail, Molotov repeated the point made in the Soviet note of July 14 to the effect that conversations regarding Berlin were not practical except within the framework of conversations regarding all of Germany. He then pressed for a statement of US views as to problems relating to Germany as a whole. Ambassador Smith reported that in reply he stated that the formal position of the two governments had been made clear in the two notes which had been exchanged, but the formal written word was very rigid and much more could be accomplished by informal exploration.

Molotov then said that he would report to his government on the US, British, and French approaches; that he hoped Stalin would agree to meet the representatives of the Three Governments; and that his purpose in this talk was simply to clarify our proposals.

The First Meeting With Stalin

The requested interview between representatives of the Western powers on the one side and Stalin and Molotov on the other took place on August 2 at nine in the evening.

Ambassador Smith opened the conversation by presenting the following oral statement to Generalissimo Stalin:

"It is not our purpose at this time to rebut in detail the charges contained in the Soviet note. It is highly important, however, to make completely clear certain fundamental points in the position of the

United States, the United Kingdom and France and to clarify the position of the Soviet Union which in certain respects is obscure. The Three Governments must re-emphasize their right to be in Berlin to be unquestionable and absolute. They do not intend to be coerced by any means whatsoever into abandoning this right.

"Action taken by the Soviets in interfering with rights in connection with occupation, derived through the defeat and surrender of Germany and through international agreement and usage, by interrupting communications between Berlin and the Western zones, thus interfering with duties of Allied Military Forces of Occupation, is viewed with extreme seriousness by the Governments of the United States, the United Kingdom and France. It is incumbent on them to take such measures as are necessary to assure the supply of their forces and discharge of their occupational duties. The United States, the United Kingdom and France do not wish the situation to deteriorate further and assume that the Soviet Government shares this desire. The Three Governments have in mind restrictive measures which have been placed by Soviet authorities on communication between the Western zones of Germany and Western sectors of Berlin. It was the feeling of our Governments that if these measures arose from technical difficulties, such difficulties can be easily remedied. The Three Governments renew their offer of assistance to this end. If in any way related to the currency problem, such measures are obviously uncalled for, since this problem could have been, and can now be, adjusted by representatives of the four powers in Berlin. If, on the other hand, these measures are designed to bring about negotiations among the four occupying powers they are equally unnecessary, since the Governments of the United Kingdom, the United States and France have never at any time declined to meet representatives of the Soviet Union to discuss questions relating to Germany. However, if the purpose of these measures is to attempt to compel the three Governments to abandon their rights as occupying powers in Berlin, the Soviet Government will understand from what has been stated previously that such an attempt could not be allowed to succeed.

"In spite of recent occurrences, the three powers are unwilling to believe that this last reason is the real one. Rather they assume that the Soviet Government shares their view that it is in the interest of all four occupying powers, of the German people and of the world in general to prevent any further deterioration of the position and to find a way by mutual agreement to bring to an end the extremely dangerous situation that has developed in Berlin.

"The Soviet Government will, however, appreciate that the three Governments are unable to negotiate in the situation which the Soviet Government has taken the initiative in creating. Free negotiations can only take place in an atmosphere relieved of pressure. This is the issue. Present restrictions upon communications between Berlin and the Western zones offend against this principle. When this issue is resolved, such difficulties as stand in the way of resumption of conversations on the lines set out above should be removed."

The remainder of the two hour meeting was taken up with a discussion which developed from the points brought out in Ambassador Smith's statement.

Premier Stalin, though emphatically maintaining that it was not the purpose of the Soviet Government to oust allied forces from Berlin, reiterated the contention of the Soviet note of July 14 that the Western powers no longer had a juridical right to occupy Berlin. This of course was categorically rejected in the statement just presented by Smith which declared that the three Western governments "re-emphasize their right to be in Berlin to be unquestionable and absolute. They do not intend to be coerced by any means whatsoever into abandoning this right."

Discussion of the possibility of resumption of negotiations on Berlin and of a Four Power meeting to consider problems relating to Germany as a whole revealed agreement as to the desirability of such developments. But to a suggestion by Stalin as to items to be included in the agenda of a Four Power meeting, the Western representatives replied that they were not in a position to consider an agenda, and that in any event negotiations on broad German problems would not be possible until duress in Berlin was removed.

Stalin developed the argument that the communication restrictions in Berlin had been made necessary because of the decisions taken at London in regard to the establishment of a new German government at Frankfurt and because of the introduction of a special Western currency in Berlin. The Western representatives explained that, contrary to the Generalissimo's apparent understanding, it had never been contemplated that the government at Frankfurt would be a central German government. The agency now to be set up under the London decisions would in no way hamper eventual understanding on a central government for a united Germany. The Western representatives added that they were not authorized to discuss the London decisions. They would report Stalin's views; but in the meanwhile

they felt strongly that agreement should be reached on the immediate issues in regard to Berlin.

At the opening of the meeting, Smith had specified in his prepared statements after emphasizing that the three Western powers were in Berlin as a matter of right and as co-equals, that if the blockade measures were "in any way related to the currency problem, such measures are obviously uncalled for, since this problem could have been, and can now be, adjusted by representatives of the Four Powers in Berlin." There seemed no reason, consequently, why agreement could not immediately be reached with respect to the Berlin situation. However, Smith stated that he was not himself an expert on currency matters and that the Western representatives were not competent to deal with technical arrangements of the currency question; with this view his British and French colleagues associated themselves.

At the end of the discussion Stalin asked whether the Western representatives wanted to settle the matter that night. If so, he could meet them and make the following proposal:

(1) There should be a simultaneous introduction in Berlin of the Soviet zone Deutsche mark in place of the Western mark B, together with the removal of all transport restrictions.

(2) He would no longer ask as a condition the deferment of the implementation of the London decisions although he wished this to be recorded as the insistent wish of the Soviet Government.

Ambassador Smith then asked Stalin about the announcement of a resumption of negotiations on Berlin and holding a Four Power meeting to consider other problems affecting Germany. Stalin said they should be included. Following this the three Western representatives agreed to present Stalin's proposal to their governments.

Reaction to Stalin Meeting. It was the belief of the Western governments that the progress made in the discussion with Stalin and Molotov was such that the settlement of the immediate Berlin crisis could be effected. The Soviet authorities were prepared to remove all transport restrictions between Berlin and the Western zones. Resumption of negotiations on Berlin and a Four Power meeting to consider other outstanding problems affecting Germany was accepted without conditions, although Stalin wished it recorded as the insistent desire of the Soviet Government that the execution of the London decisions with respect to the establishment of a Western German government be suspended until such time as the Four Powers met and tried to reach an agreement concerning Germany.

There remained the problem of working out general details with Molotov, and the arrangement of technical matters regarding the substitution of the Soviet zone mark for the Western B mark in Berlin.

In order, however, that there should be no misunderstanding of the position of the American Government in regard to finalizing the currency proposal developed at the meeting, the following specific instruction was sent to Ambassador Smith:

"We agree to the outline of the draft statement developed at your August 2 meeting with Stalin and Molotov.

"Our acceptance of Soviet zone currency in Berlin *cannot*¹ be unconditional and its use must be subject to some form of quadripartite control. This requirement is essential for the maintenance of our position in Berlin and is made doubly necessary because of Soviet action of the last few days in freezing the accounts of western sector enterprises in Berlin.

"The substitution of the Soviet zone mark for the B mark in Berlin can now be accepted in principle but our agreement must be supplemented by a satisfactory agreement providing for quadripartite control of the availability and use of the Soviet currency in Berlin. In our opinion, confirmed by General Clay, such agreement should include control of credit, uniform application of credit rules and currency issue within Berlin, availability of sufficient funds for occupation powers, and some arrangements to cover trade between the Western zones and Berlin. Arrangements of this character are necessary for the orderly use of separate currencies in the Eastern and Western zones."

Although the interview with Stalin had ended without his having made it a condition precedent to settlement of the Berlin crisis that there should be a suspension of the execution of the London decisions with respect to the establishment of a Western German government, his earlier expressed concern with that development received careful consideration, both by the Western representatives in Moscow and by this Government. Having it in mind, the Department of State sent Ambassador Smith the following for his information in case this question should arise again:

"September 1 does not represent the date of formal establishment of such a governmental organization. It is rather the date on which representatives from the German states will begin the exploratory study of the problems involved in the setting up of the common organ-

¹ Italics not in original document.

ization. It is certainly not intended that any conclusions that they reach shall preclude or contravene any agreement arrived at by the four powers on a government for all Germany."

The Drafting Meetings With Foreign Minister Molotov

On the basis of the foregoing and other similar instructions, as well as points developed in conversations with the British and French, Ambassador Smith joined with his British and French colleagues acting under the instructions of their respective governments in an endeavor to arrive at a draft implementation of the conversation with Prime Minister Stalin to be brought into final form in a further conversation with Foreign Minister Molotov. To this end they then arranged a meeting with the latter which in fact became a drawn-out series of meetings with him, on August 6, 9, 12 and 16, some of them over three hours long, ending in failure to arrive at any satisfactory agreement.

This failure to reach agreement in drafting a concrete implementation of the principles for terminating the Berlin crisis, as discussed with Stalin, resulted from the fact that the fundamental objectives from which Molotov approached the drafting were diametrically opposed to those of the Western representatives. This fundamental conflict is reflected in the differences between the initial draft suggested by the latter, and the counter-draft proposed by Molotov.

The Initial Western Draft. The initial draft proposed by the Western representatives and rejected by Molotov was in the form of a draft communiqué for issuance in the name of the four governments. Its text is as follows:

"As the result of discussions held in Moscow between Generalissimo Stalin and Mr. Molotov, and French, United Kingdom and United States representatives, the Governments of France, the United Kingdom, the United States of America and the Union of Soviet Socialist Republics have agreed as follows:

"All restrictions which have been imposed on the transport of persons and goods in either direction between the three western zones of

Germany and Berlin shall be immediately removed, and freedom of communications shall be maintained.

"Meetings shall be held among representatives of the four governments to consider any questions which may be outstanding as regards Berlin and any other outstanding problems affecting Germany as a whole.

"Soviet zone mark will be accepted as the sole currency for Berlin and the Western mark will be withdrawn as soon as quadripartite arrangements have been agreed upon by the four military governors for the issue and control of currency in Berlin. These arrangements shall ensure: No discrimination or action against holders of either eastern or western zone currency; equal treatment as to currency and provision of fully accessible banking and credit facilities for all sectors of Berlin; adequate funds for budgetary purposes and occupation costs; and a satisfactory basis for trade between Berlin and the western zones. Implementation of these arrangements shall be carried out by the Berlin Kommandatura."

Mr. Molotov's Counter-draft. Mr. Molotov rejected the foregoing draft and, at the second meeting, on August 9, made his own counter-proposal in the following substitute text:

"1. All restrictions which have been imposed after the announcement of currency reform in the western zones on the transport of persons and goods in either direction between the three western zones of Germany and Berlin shall be removed on August 15 and freedom of communications shall be maintained in accordance with the present agreement.

"2. All restrictions which have been imposed after the announcement of currency reform in the western zones on the traffic of goods to and from the Soviet Zone and the three western zones of Germany shall be removed on August 15 and freedom of communications shall be maintained.

"3. Meetings among representatives of the four governments in the form of the Council of Foreign Ministers or a separate conference of representatives of the four powers shall be held in the near future to discuss:

"(A) Any questions which may be outstanding as regards Berlin and

"(B) Any other outstanding problems affecting Germany as a whole.

In the negotiations which took place between representatives of the four powers consideration was given to the wish of the Soviet Government to defer the implementation of the decisions of the London conference on the creation of a west German Government until the results of the above mentioned meeting of representatives of the four governments have been ascertained. In this connection the representatives of the three western powers stated that the governments of these powers do not propose for the time being to deal with the question of the formation of a government for western Germany.

"4. The German mark of the Soviet Zone shall be accepted as from August 15 as a sole currency for Berlin and the western mark 'B' shall be simultaneously withdrawn from circulation in Berlin.

"The regulation of currency circulation in Berlin shall be undertaken by the German bank of emission of the Soviet zone of occupation through the credit establishments operating at present in Berlin and shall be equally extended to the whole of Berlin without discrimination against any part of Berlin; organizations, enterprises, firms and private persons in Berlin shall be allowed to maintain unhampered trade and economic connections with third countries and the western zones of Germany through the German export-import agency of the Soviet zone.

"Occupation costs resulting from the presence of forces in Berlin shall be met from the budgets of the respective zones of occupation of Germany, Berlin being exempted from defraying occupation costs."

Fundamental Differences. The fundamental differences between these two drafts are evident. The Western draft proceeds from the position that the Western occupation forces in Berlin are there as a matter of established right and seeks to liquidate the present crisis on an orderly basis which would permit the use of the Soviet zone currency throughout Berlin provided that the terms of such use could be agreed upon among the Four Powers and that this agreed use would be under quadripartite control. The Molotov counter-draft proceeds from the position that the Western allies have lost their right to be in Berlin but would be permitted to remain there by "the present agreement" which in turn would enable the Soviet authorities to exercise full economic control over Berlin and to block further development of plans for the formation of a Western German government, while remaining able at any time to resume obstruction of our access to Berlin if they considered we were not complying with "the present agreement."

The Molotov draft provided for lifting of communication restrictions imposed "after the announcement of currency reform in the western zones" (i. e. June 19). This would have meant the continuation of a large number of hampering measures which had been put into effect between March 30 and June 19 and would have constituted tacit acceptance of the Soviet contention that its inauguration of a blockade had been "defensive" in character, a contention which the Western governments categorically rejected. Molotov's version also reintroduced the question of implementation of the London decisions regarding Western Germany, despite the fact that it had been understood at the Stalin meeting that this issue would not constitute a condition to agreement on a settlement of the Berlin crisis. Furthermore, the Molotov draft would have delegated control over Berlin's currency and credit to a bank subject to exclusive Soviet control, and similarly would have entrusted the conduct of Berlin's external trade entirely to a Soviet dominated agency.

The Western representatives immediately voiced their objections to this draft. They said they would of course transmit it to their respective governments but that they were sure that it would be found unacceptable for reasons which they pointed out forthwith. Considerable time was also devoted to an examination of its details in order that the Western representatives might also give their governments the benefit of an analysis of Molotov's thinking concerning it to facilitate the search for some acceptable basis for agreement.

As anticipated by Ambassador Smith, the United States Government found the Molotov formula quite unacceptable. The objections to certain of its features are specified in the following excerpts from instructions sent to Ambassador Smith:

"We find, as you correctly informed Molotov, the Soviet counter-draft unacceptable in its present form. It is apparent from this draft and from the statements of Stalin and Molotov on the subject that the Soviet Govt is seeking to establish its thesis that quadripartite control of Germany and consequently of Berlin as well has lapsed and therefore whatever agreement may be reached in the Moscow discussions will constitute the only (repeat only) Four Power Agreement concerning Berlin. This position is of course completely unacceptable to this Government. We have maintained and will continue to maintain that mere Soviet assertion cannot vitiate the quadripartite agreements, including those defining the rights and duties of the Western Powers in Berlin. We feel it extremely important that this point be covered in order to avoid any misunderstanding in the

future as otherwise the Soviet authorities will probably maintain that the Three Western Powers in effect accepted the Soviet thesis that the previous Four-Power agreements concerning Germany and Berlin are no longer valid and that failing any Four Power agreements at the Council of Foreign Ministers or elsewhere we have no rights in Berlin other than those accorded by the agreements set forth in the proposed announcement. . . .

“As previously stressed, we cannot recognize Berlin as part of the Soviet Zone and it follows from this that we cannot accept the conduct of Berlin's external trade through the medium of the Soviet Zone's trade monopoly. Because of their supplies of food and raw materials to Berlin, the Western nations have a substantial interest in the city, and in seeking agreement on the regulation of trade matters they are asking for no more than an assurance concerning the proper and efficacious use of their contributions. The economic well-being of Berlin depends on the maximum freedom of its trade with the other parts of Germany. In the interest of simplification and in order to obviate a currency war, the Western nations are willing to accept a Soviet zone mark as the sole circulating medium but four-power supervision of its use in Berlin is essential to establish a satisfactory economic relationship between Berlin and the rest of Germany.”

The British and French Governments were also unable to accept the Soviet position reflected in Molotov's counter-draft. The three representatives informed him of the positions of their governments in the next meeting which was held on August 12. At this meeting, the following agreed statement was made by Ambassador Smith on behalf of the Three Powers:

“We have now received and compared instructions from our respective governments and find as anticipated at the conclusion of the August 9 conference, that the Soviet proposals in their present form are unacceptable. Mr. Molotov will recall that at the last conference we each directed particular attention to paragraphs 3 and 4 of the Soviet draft and stated they raised issues which our governments regarded as of fundamental importance. I will refer to these issues again during our detailed discussion of the Soviet draft and reemphasize the position of our governments with respect thereto.

“1. The Soviet Government has inserted into the original western draft the words ‘after announcement of currency reform in the

western zones'. The other three governments cannot agree to insertion of these words. Their inclusion would mean that certain restrictions on communications between Berlin and the western zones which began long before currency reform took place in western Germany would not be wholly removed. However, as said before, the Governments of France, the United Kingdom and the United States are willing to settle as between the Allied Commanders in Berlin the necessary regulations to prevent illicit black market operations in currency, etc., between the western and eastern zones of Germany or between the western zone of Germany and the western sectors of Berlin, which we understood from Mr. Molotov to be a major concern of the Soviet Government.

"The Soviet draft also inserts at the end of paragraph 1 the words 'in accordance with the present agreements', which are not included in paragraph 2. Our governments are unable to accept these words which imply a new agreement is now being made derogatory to or possibly even invalidating established rights of the French, British and American Governments in regard to Berlin. These rights were clearly set forth in the oral statement made to Generalissimo Stalin and Mr. Molotov on August 2 and have been reiterated emphatically at our subsequent conferences. Our governments are not prepared to make any new agreement now which might be held in any way to weaken these rights.

"2. It is clearly the intention of all four governments that paragraphs 1 and 2 should be uniform in so far as possible. Accordingly our governments consider that the words 'after the announcement of currency reform in the western zones should also be deleted from paragraph 2 although we are unaware of any restrictions placed on interzonal trade before currency reform was introduced in the western zones.

"3. Our governments are not in any circumstances prepared to agree to the additional subparagraph inserted by the Soviet Government. As they understand the position, it is that Generalissimo Stalin made an oral statement regarding the insistent desire of the Soviet Government for deferment of the physical establishment of a west German Government. In reply I made an oral statement on behalf of the United States Government with which the representatives of the French and British Governments associated themselves, and this statement went as far as possible to meet the Generalissimo's oral statement. The Generalissimo expressly declared that this statement was not a condition for issuance of the joint statement now under discus-

sion in Moscow. The statements made on the one hand by the Generalissimo and on the other hand by the British, French and American representatives were made privately but have been recorded. Our governments cannot agree to any statement on this matter being inserted in a published communique representing preliminary agreement by our four governments nor are they prepared to accept any suggestion that negotiations have taken place on this subject. As we stated very clearly in the original conference with Stalin and yourself at the outset of our conversations, our governments are only prepared to undertake negotiations in an atmosphere free of all pressure and cannot accept any position which carries implication of negotiating under duress.

"4. While the principle implied in the first sub-paragraph is acceptable, the paragraph as written in the Soviet draft is unacceptable for reasons given to Mr. Molotov on August 9. Our governments consider that the re-draft proposed by the Soviet Government involves a fundamental question of principle. They can only interpret the wording of this paragraph in the Soviet draft as implying a Soviet intention to incorporate Berlin fully into the Soviet zone. The position of our respective governments on this question and its essential connection with Four-Power discussions on Germany as a whole have been stated on several different occasions during our earlier conversations and need not be repeated now. Consequently, while prepared to accept substitution of the Soviet zone mark for the western mark as the sole currency for Berlin, such acceptance is possible only if some Four-Power regulation of the flow and use of the Soviet currency in Berlin proper is provided which safeguards the rights and interests of our three governments in Berlin and the legitimate interest of the Berlin population, while taking fully into account, as explained in our previous meeting the legitimate interests of the Soviet occupation authorities and their responsibilities for safeguarding the economic situation in the Soviet zone which we fully recognize. In the opinion of our governments the Soviet draft of Paragraph 4 completely fails to take into account these basic considerations, which are concerned not only with fundamental issues of principle but also with essential and practical issues of daily economic life in Berlin. I repeat that while ready to consider and assist in a practical solution of the currency problem in Berlin on a basis of sole use of Soviet currency, our governments can only do so if the Soviet Government is prepared to recognize our basic rights in Berlin. This is really the crux of the matter, but I will mention further details.

"Aside from these fundamental questions of principle, clarification is required of the phrase in sub-paragraph 2 concerning 'discrimination against any part of Berlin'. We think our intentions are the same. In the draft we submitted on August 6 this phrase read 'no action or discrimination against the holders of eastern or western zone currency'. If, as we assume, the Soviet draft covers discrimination not only against any part of Berlin but against all persons, firms, etc., resident in any part of Berlin, this corresponds to our own intention and in that case our governments suggest that the phrase in the August 6 draft would be clearer.

"Then we come to trading agencies. This brings us back to our fundamental point. We cannot recognize Berlin as part of Soviet zone, and it follows from this that we cannot accept conduct of Berlin's external trade through the medium of Soviet zone trade monopolies. Our governments have a substantial interest in city and in seeking agreement on regulation of trade matters, we are asking for no more than assurances concerning proper and effective use of our very extensive contributions to the economy of Berlin. The economic well-being of Berlin depends on maximum freedom of its trade with other parts of Germany. This confirms again, from our viewpoint, the necessity of technical discussions in Berlin and the impossibility of such discussions among us here. In the interest of simplification and to obviate a currency war our governments are willing to accept the Soviet mark as sole circulating medium but I must say again that Four-Power supervision of its use in Berlin is essential to establish satisfactory economic relationship between Berlin and the rest of Germany. It is possible that Molotov misunderstood the wording in our draft: 'For the issue and control of currency in Berlin.' We do not insist on control over the total issuance of Soviet Zone currency. What we are seeking is agreement for quadripartite regulation of the flow and use of Soviet Zone currency within Berlin and in trade. Our governments are convinced it is necessary to provide for non-discrimination as to availability of currency throughout Berlin through equitable budgetary and credit procedures and the orderly conduct of trade between Berlin on one hand and the Western and Eastern Zones and third countries on the other. This can only be done by some quadripartite authority in Berlin.

"While our governments consider the question of occupation costs a pertinent one, they do not believe the Soviet proposal in sub-paragraph four of paragraph four is best adapted for this purpose. The

Soviet draft implies that the British, French and American Governments have no right to claim occupation costs in or from Berlin. Our governments cannot accept this position and they maintain their rights to call on the Berlin magistrat to meet such charges, and are not prepared to place themselves in a position in which they could only obtain what is their fully established right from sources under the control of another power. Our governments have for a long time past been contributing largely to the supply of Berlin with food and coal with no appreciable reimbursement and they see no reason why Berlin, which is part of Germany, should not bear its due share of the occupation costs, particularly since the heavy costs of the Soviet occupation forces in Germany are, according to the Soviet proposal, to be borne by the Soviet zone surrounding Berlin. This question might be dealt with as proposed in our draft of August 6 or postponed for discussion at the time when the Four-Powers meet to discuss the question of Berlin and Germany in all its aspects. I must, however, emphasize that the view of our governments on this question is one of principle affecting their juridical rights in Berlin."

Mr. Molotov's reaction to this statement was summarized by Ambassador Smith as follows:

"Molotov's reply was very cursory in regard to the first two paragraphs. He suggested words 'in conformity with what is set forth below' as substitution for last phrase of paragraph 1,² and remarked that satisfactory alternative wording could probably be found which would more specifically define restrictions which were to be removed, in lieu of the wording to which we objected in paragraphs 1 and 2.² He then reverted to paragraph 4.² Today, however, he did not as on previous occasions reject our position in Berlin nor did he insist that quadripartite control had lapsed nor maintain any demand for the Soviet wording of this paragraph. His conversation seemed to me to be generally exploratory, in order to determine whether or not we had reached our definite and final bargaining position. . . . We continued to press strongly the point that our entire discussions really hinged on one basic factor—our right to be in Berlin and to continue quadripartite regulation and control of the flow and use of the new currency when introduced. Molotov never directly challenged any of our statements in this connection. He also readily admitted that certain practical questions would have to be settled in Berlin. The point to which he reverted most frequently and on which he seemed

²These paragraphs may be found in Mr. Molotov's Counter-draft, p. 19.

to concentrate today was the specific mention of a date on which the currency change would be made and the restrictions lifted. Discussion of this subject became involved and protracted and finally, to bring matters to a head, we suggested the possibility that a tentative date be accepted toward which planning would begin immediately in Berlin by the four military commanders, pointing out that until the machinery for the control and use of the Soviet mark was established any date was meaningless. This subject also Molotov did not directly challenge or reject, although he criticized it as vague. It was our opinion that at the last he wilfully misunderstood it.

"Molotov then discussed occupation costs briefly, taking the attitude that he could not see any reason in our objection to the Soviet formula or to exempting Berlin from cost of occupation since all Four Powers were treated alike. An interesting feature of this phase of the discussion was that again he failed to challenge our juridical right, stating that Soviet proposals in this matter did not affect juridical rights of either side to be in Berlin, and that the problem was purely a practical one. We took note of this. . . . Our final statement was that the solution of the question of occupation costs was dependent on solution of the basic question which remained to be dealt with in the first part of that paragraph. This brought us back to the question of currency, and after lengthy discussion Molotov suggested as an alternate solution that the Soviet Government might be willing to agree to the issue of the same quantity of Soviet zone marks for the Western sectors of Berlin as have been issued or introduced in Berlin by Western Powers, arguing that this would dispose of the technical question. We rejected this on the ground that it did not cover our basic requirement which was quadripartite control of currency in Berlin, and did not provide enough currency for our present and future operations.

"After this Molotov again came back to the question of a fixed date for the introduction of Soviet currency in Berlin and the lifting of traffic restrictions, and proposed that we draw up a list of questions relating to the flow of currency to be discussed by the representatives of the Soviet Union and Western Powers in Berlin. We replied that we would be perfectly willing to accept a tentative date and in fact proposed such discussion, but that the Commanders in Berlin must be provided with terms of reference which covered the basic points on which we insisted, and the technical points which we felt must be settled with regard to new currency. There was still outstanding the major question of Four Power control in Berlin and until this was

decided, nothing could be done. We said it would be worse to fix a date and fail to meet it than to leave things as they are now.

"We then asked Molotov if he could meet us on the question of Four Power regulation of currency. He evaded direct reply to this by reverting to the second part of Paragraph 3 (London Agreements) although not aggressively. We repeated our Governments' past objection to the Soviet wording on the lines of Paragraph 3 in the following telegram. He then suggested substituting for the second part of Paragraph 3 our oral statement of August 6. We reiterated that our instructions were specific and our Governments could not agree to any statements of this nature being inserted in a communique representing preliminary agreement. However, I said I was willing to ask my Government if the oral exchange between Generalissimo Stalin and ourselves might be confirmed confidentially by written notes, providing agreement was reached on all other points.

"Roberts then suggested that insertion of this material would unbalance the document, pointing out that Articles I and II were to our mutual advantage, and insofar as the Soviet Government might think Part I benefited us more than Part II benefited them, this was more than balanced by Paragraph 4. Paragraph 3 would, we hoped, be to our mutual advantage. Molotov agreed, and at this point for a few minutes I thought that he was going to accept and conclude the conference. However, he recovered himself and rediscussed some of the parts of Paragraph 4, during which occasion was taken to point out that he would have to meet us on the basic point of principle under 4 if we were even to consider his proposal under 3, emphasizing again that unless our basic requirement for Four Power control and regulation of currency in Berlin were accepted, the rest of the document would automatically fall.

"Molotov terminated the conversation shortly afterward by saying that he would report our statements to his Government, who would consider them carefully. We said we would report his comments and proposals and would inform him when we were ready for further discussions."

Though failing to produce definitive progress toward final agreement, the atmosphere of the August 12 meeting was sufficiently encouraging to induce the Western powers to examine exhaustively among themselves the issues in controversy, and to reduce their demands to absolute essentials in the hope that Soviet objections would be overcome. These efforts resulted in the following draft text which

was presented to Molotov at the fourth and last drafting meeting, that of August 17:

"One. On August 25 all restrictions which have been imposed since March 1 on transport of persons and goods in either direction between the three western zones of Germany and Berlin shall be removed and freedom of communications shall be maintained.

"Two. On August 25 all restrictions which have been imposed since March 1 on traffic of goods to and from Soviet zones of Germany shall be removed and freedom of communications shall be maintained.

"Three. The four military governors are charged with the duty of making all arrangements necessary to ensure that the provisions of paragraphs one and two above are brought into effect on August 25.

"Four. In addition to meetings of military governors meetings among representatives of four governments in form of CFM or other conferences of representatives of four powers shall be held in the near future to discuss (A) any questions which may be outstanding as regards Berlin and (B) any other outstanding problems affecting Germany as a whole.

"Five. As from August 25 the German mark of the Soviet zone shall be accepted as the sole currency for Berlin and the western mark 'B' shall be simultaneously withdrawn from circulation in Berlin provided however that before that date the four military governors shall have worked out arrangements for continued issue and use in Berlin under quadripartite authority, of German mark of Soviet zone.

"These arrangements shall ensure no discrimination or action against holders of German marks of either the Soviet zones or western zones; equal treatment as to currency and provision of full and accessible banking and credit facilities throughout all sectors of Berlin; unhampered trade and economic connections with third countries and with all zones of Germany subject only to such provisions as may be agreed from time to time among four military governors; and provision of sufficient currency for budgetary purposes and occupation costs. These arrangements shall be implemented by the four military governors."

This latest redraft was received by Mr. Molotov in much the same way as the first draft. The Western representatives discussed it with him for nearly four hours. His reaction to it appeared to be mainly exploratory, to try to sound out the Western representatives.

After a lengthy discussion of specific points in it, much along the lines of the earlier discussions, Smith and his colleagues were unable

to convince Molotov that their draft met his requirements. Breaking off the discussion of particular points, Molotov suddenly suggested that he could provide a simple formula to deal with paragraphs 1, 2, and 5, and that the other paragraphs could be left for later discussion as being relatively unimportant. He then wrote down and read out the following proposed directive to the Military Governors in Berlin:

"The Governments of France, Great Britain, US and USSR have agreed that the following steps should be taken simultaneously:

"(A). Restrictions recently imposed on both sides on communications between Berlin and the western zones 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 examine, together with your colleagues, within the shortest time possible and if possible before August 25, the detailed arrangements necessary for the implementation of this agreement and to inform your government of the exact date on which provisions under 'A' and 'B' above can be brought into effect."

As the discussion had already gone on for more than two hours and Molotov showed no disposition to give serious consideration to accepting the draft proposed by Smith and his colleagues, they stated that they would be willing to submit his new proposal to their governments but that it would serve no useful purpose to do so unless the directive he suggested were completed by adding an additional paragraph covering all the points in the second part of their draft paragraph 5 which their governments consider the absolute minimum that could be accepted in the way of a directive to the four Military Governors. Molotov argued against this, taking the line, contrary to his previous position, that the Military Governors in Berlin might very well be able to work out practical solutions of the technical problems without specific instructions. Smith pointed out that this would simply transfer the unsolved problems from Moscow to Berlin, with even less hope of a solution in the absence of agreement in Moscow on the two or three basic issues which still remain unsettled. He then agreed to go through the Western draft together with the Soviet draft to see whether it would be possible to bring them into conformity and set down principles under which the four Military Governors could work.

Further discussion of details again and again brought the Western representatives face to face with a point of principle on which they had to repeat their position, reminding Mr. Molotov that while their governments were willing to accept Soviet currency as the sole currency in Berlin, they would not be willing to accept terms for the use of that currency which would endanger the financial and economic life of the city. Smith repeated that it was quite useless to send any directive to the Military Governors unless there was agreement in Moscow on the basic issues. It would be equally useless to propose a vague and undefined directive to the three governments which would still be obliged to obtain answers to the basic questions they had already raised. He repeated that there was no point in simply transferring to Berlin problems which it had not been possible to solve in Moscow through direct contact with Mr. Molotov.

The meeting was finally adjourned with Smith and his colleagues recording their disappointment at the lack of progress. Smith suggested that they study and report the results of the meeting to their governments in case they should have any final instructions or additional guidance. He said he would then ask for a final conference.

The Second Meeting With Stalin on August 23

After considering the fruitless series of drafting meetings with Molotov, the Three Governments then decided to request another meeting with Stalin. This was held on August 23.

In preparation for it the Three Governments had agreed upon a new draft to put before Stalin, embodying the points discussed in the first meeting with him, and taking into account the points raised meanwhile by Molotov insofar as these could be harmonized with the rights and duties of the Western occupation forces in Berlin. This draft took the form of a directive to the Military Governors in Berlin to work out the concrete means for implementing the principles with respect to currency and transport restrictions, together with a communiqué to be issued by the Moscow conferees on behalf of the Four Governments, finalizing the arrangements worked out by the Military Governors.

Stalin began the meeting by producing a Soviet draft for this purpose which he said he had prepared after studying the reports of the drafting meetings with Molotov. Smith then produced the draft just mentioned, suggesting that Stalin read it while the Western representatives were reading the Soviet draft. Following a general discussion of the two drafts, Stalin withdrew from the meeting and Molotov and the Western representatives continued in drafting session to try to harmonize the two drafts.

During the discussion with Stalin, he and the Western representatives noted that the two drafts were in many respects close to each other. Stalin thought, however, that the directive to the Commanders should contain more concrete wording with regard to safeguarding the Soviet zone currency from depreciation. Smith pointed out that this point was covered in the Western draft. Stalin replied that it should be made more explicit. He also discussed the provision for the exchange of currency, and for the issue of currency thereafter by the German bank of issue of the Soviet zone and for the establishment for these purposes of a financial commission composed of the four Commanders to control their practical implementation. He considered these points essential. He then added that it would also be desirable to have some indication in the draft of a postponement of the establishment of a Western German Government on the basis of the London decisions. On this point the Western representatives rested on the position which had already been made clear.

Smith then again reiterated the necessity for managing currency matters in Berlin on a basis which would provide absolute equality of control and would respect the juridical position of the Western Governments in Berlin. Stalin replied that, if German unity were restored by confirming the decisions of previous Four Power conferences, Berlin would remain the capital of Germany and then there would be no objection to the forces and authority of the three Western powers remaining in Berlin and sharing the control of the German Government in Berlin with the Soviet Union. If this did not happen, then Berlin would lose its standing as the capital of Germany. Smith expressed the hope that such a situation would not arise and took occasion again to explain fully our view of the juridical position of the Western powers in Berlin. It was decided that drafting details should be worked out with Molotov with a view to finding a final wording for a directive to the Military Governors in Berlin, requesting them to report back their recommendations within about a week after the directive was issued to them.

Before Stalin withdrew, Ambassador Smith specifically took occasion to bring out clearly certain questions on which he wanted to get an unequivocal clarification of the Soviet position. With respect to transport restrictions, it is worth quoting the following excerpt from the transcript of the meeting of August 23 in Moscow:

"The U.S. Ambassador then asked if he could first query one or two points, for example, the Soviet wording with regard to the transport restrictions. Molotov remarked, after a certain amount of discussion, that the Soviet Government meant the restrictions imposed since the 18th of June. *We indicated that this was unsatisfactory. Stalin then suggested that it might be better to say 'the restrictions lately imposed', and confirmed that if there were any imposed before that date they would also be lifted.*"³

It was with this understanding, personally confirmed by Premier Stalin, that a Directive was ultimately sent to the Military Governors in Berlin to work out the technical arrangements necessary to give effect to the above agreement.

The principle of quadripartite supervision over the currency within the city of Berlin was an important issue in the discussion at Moscow. On this point Premier Stalin, during the discussion, gave the following confirmation of the interpretation to be placed on the language of the Directive dealing with the powers of the Financial Committee:

Stalin stated that "the German Bank of Emission controlled the flow of currency throughout the whole of the Soviet zone, and it was impossible to exclude Berlin from the Soviet zone. *However, if the question was asked whether it did so without being controlled itself, the answer was 'no'. Such control would be provided by the Financial Commission and by the four commanders in Berlin who would work out the arrangements connected with the exchange of the currency and with the control of the provision of currency, and would supervise what the bank was doing.*"⁴

"Stalin said that the Soviet draft had kept the word 'control' with reference to the Four-Power Finance Committee and the Soviet Government did not object to it. But from the point of view of financial science and political economy, it was impossible to exclude the German Bank of Emission from Berlin. To avoid abuse in its operations, the word 'control' had been included. The U. S. Ambassador then suggested that the mention of regulation by the German Bank of Emis-

³ Italics not in original document.

⁴ Italics not in original document.

sion should be made after the Financial Commission. *Stalin replied that the subjects had been mentioned in the logical order and that the authority conducting the operations had been mentioned first and afterwards the body controlling this authority had been mentioned.*"⁴

It was on this clear understanding of these points that Smith and his colleagues continued the discussion and drafting.

Stalin expressed persistent interest in having something said about the London decisions. He suggested insertion of the following or some similar wording:

"The question of the London decision was also discussed including the formation of a Western German Government. The discussion took place in an atmosphere of mutual understanding."

Smith said he would inform his government of Stalin's desire but did not anticipate that his government could accede to any such wording unless it were also made explicit that no agreement was reached on this subject since it was not considered a condition attaching to the lifting of transport restrictions.

The ensuing drafting meeting with Molotov elaborated a joint draft which was then submitted to the governments for consideration.

The United States Government, in expressing its views to Ambassador Smith, took occasion among other things to corroborate Smith's own view that a provision such as Stalin desired with respect to Western Germany would be open to misinterpretation and, therefore, could not be accepted. Any such provision should make clear that we do not refuse to discuss this point at some subsequent time but are not prepared to make any commitments whatsoever for postponement of the London decisions in connection with the present negotiations. Smith was instructed to make this clear to the Soviet authorities and to agree at most to a statement that:

"During the conversations the Soviet Government expressed its wish that the implementation of the decisions of the London conference should not result in the establishment of a government for Western Germany before the representatives of the four powers had been able to meet to discuss the whole German problem. The representatives of the United States, the United Kingdom and France affirmed the desire of their governments for a four-power agreement whereby a government for the whole of Germany would be established.

⁴ Italics not in original document.

They explained that the London decisions did not preclude such an agreement and, while they were not able to agree to any postponement of the implementation of the London decisions, they would make a sincere endeavor to ascertain whether there is a real prospect of agreement among the four powers. Further discussion of this point was accordingly deferred."

In framing its further instructions to Ambassador Smith, this Government proceeded from the following basic requirements, upon which it had insisted from the beginning:

1. Insistence on our co-equal rights to be in Berlin;
2. No abandonment of our position with respect to Western Germany;
3. Unequivocal lifting of the blockade on communications, transport, and commerce for goods and persons; and
4. Adequate quadripartite control of the issue and continued use in Berlin of the Soviet mark.

After the three Governments had consulted each other and instructed their respective representatives in Moscow, the latter met with Molotov and Vishinsky on August 27 and worked out the following drafts for the communiqué and directive under discussion:

"Communiqué

"The Governments of France, the United Kingdom, the United States and the USSR have agreed that the following measures under (A) and (B) shall be put into effect simultaneously, and have approved detailed arrangements for their implementation jointly worked out by the four military governors.

"(A) The restrictions which have recently been imposed on communications, transport and commerce between Berlin and the Western zones and between the various zones of Germany shall be lifted, and freedom of communications, transport and commerce shall be maintained.

"(B) The German mark of the Soviet zone shall be accepted, on the basis agreed between the four military governors, as the sole currency for Berlin and the Western mark 'B' shall be simultaneously withdrawn from circulation in Berlin.

"The four governments have also agreed that in addition to the 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 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."

"Directive

"The Governments of France, the United Kingdom, the United States, and the USSR 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 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 7 of the results of your discussions, including the exact date on which the measures under (A) and (B) above 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 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;

"(C) A satisfactory basis for trade between Berlin and third countries and the Western zones of Germany. Modification 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 continued circulation of a single currency in Berlin."

During this discussion, as during previous ones Molotov endeavored again, without success, to insert some provision into the communiqué that would tie the hands of the Western Governments with respect to the London decisions. The most noteworthy feature of this particular conversation was that he reversed completely his former position that details about the currency should be settled and agreed in Moscow before any reference to the Military Governors in Berlin. After a final review by the several Governments it was arranged with Molotov on August 30 that the directive to the military governors be dispatched to them by midnight calling for a report from them by September 7.

Although the directive was finally agreed and sent, it was not possible to reach final agreement on the ultimate draft communiqué, because Molotov still insisted on a final paragraph concerning the London decisions.

Smith told him that, regardless of the finally agreed text, when the communiqué was made public we would be obliged to publish a statement that the agreement represented by it was entered into without prejudice to the co-equal rights, duties, and obligations of the Western occupying powers in Berlin. Molotov's reply to this was that the position of the Soviet Government was well known and that it would undoubtedly make a similar public reservation.

The attitude of the Soviet representatives at this August 27 conference was less pleasant than hitherto. The Western representatives referred to the disturbed situation in Berlin and pointed out the desir-

ability of maintaining a peaceful atmosphere during the deliberations of the Military Governors. Molotov declined to pursue the matter further, stating that the Soviet Military Governor already had his instructions. It was impossible to issue any interim communiqué to inform the public that technical questions were being referred to Berlin because Molotov refused to agree to any text for it except in his own terms. He tried to extend the period for discussion in Berlin to September 10, being reluctant to agree to limit the discussions to one week ending September 7.

The directive finally dispatched to the Military Governors was one on which it might be possible to work out a solution of the technical details if the Soviet authorities did in fact wish to settle the Berlin crisis. Whether this was so remained to be seen during the course of the discussions in Berlin.

The Technical Discussions in Berlin

On August 31 the four commanders and their staffs met for the first time to work out, under instructions from their governments, the implementation of the directive. They continued these meetings daily throughout the week allotted for the Berlin discussions.

It soon became apparent that Marshal Sokolovsky was not ready to honor the understandings reached in Moscow. During the course of the meetings it was evident that he was seeking to increase, rather than to decrease, the restrictions on transport, and also to eliminate any measure of quadripartite control over the German bank of issue for the Soviet Zone with respect to Berlin, and to assert for the Soviet Military Authority sole jurisdiction over the trade between Berlin and the Western zones of Germany as well as third countries.

With respect to the transport restrictions, Sokolovsky began by declaring that he would agree to removal of only those restrictions imposed after June 18, the date of the currency reform. This position was taken in spite of Stalin's categorical statement on August 23 that under the final wording of the directive any restrictions imposed before that date would also be removed. Sokolovsky even endeavored to discuss the imposition of new restrictions on the existing air traffic. When the Western commanders sought to discuss freedom of passage

for military trains, the condition of the railroad tracks, and the need of more paths, Sokolovsky began by declining to discuss rail traffic unless the Western commanders would agree to discuss the imposition of new restrictions on the existing air traffic. General Clay and his colleagues refused to do this, pointing out that the directive referred only to the removal of existing restrictions, not to the imposition of new ones. In justifying his adherence to the date of June 18, Sokolovsky argued that since traffic restrictions were being removed in exchange for the currency provisions of the directive, the latter must refer only to traffic restrictions imposed after the western currency reform of June 18; he went on to say that traffic restrictions imposed before that date were connected with the London conference. He later receded from his initial position on this point, but continued to try to put new limitations on the existing air traffic.

With respect to the provisions of the directive concerning the currency itself, Sokolovsky took the position (despite the clear understanding confirmed by Stalin in Moscow), that the proposed Four Power financial commission should have no authority whatever to control the operations of the German Bank of Issue with respect to Berlin. Yet without such authority over the institution issuing, and promulgating regulations concerning, the currency of Berlin it is obvious that the financial commission would have been quite incapable of discharging the function assigned to it in the directive, i. e. controlling the practical implementation of the financial arrangements involved in the introduction and continued circulation of a single currency in Berlin. Sokolovsky's repudiation of the understanding reached on this point with Stalin in Moscow was sufficient in itself to frustrate any agreement upon genuine quadripartite administration of the currency of Berlin, quite aside from other differences which arose concerning the detailed financial arrangements for Berlin.

With respect to trade arrangements between Berlin and the Western zones of Germany and third countries, Sokolovsky asserted for the Soviet authorities the exclusive right to control such trade. This claim obviously contradicted the clear meaning of the agreed directive to the four military governors, and in no way constituted a reasonable approach to the problem of working out a mutually "satisfactory basis" for the trade of Berlin.

Marshal Sokolovsky in Berlin thus took a position contrary to the explicit assurances given by Stalin in Moscow, with respect to transport restrictions, currency and trade. Moreover, he manifested in-

creasingly an attitude of indifference about the progress or failure of the negotiations.

The week of technical discussion in Berlin thus proved even more futile and frustrating than the month of negotiations in Moscow.

The military governors were unable to submit an agreed report; Marshal Sokolovsky remarked that there was nothing to report.

A New Aide-Mémoire

The Three Governments therefore instructed their representatives in Moscow to deliver the following *aide-mémoire* to Stalin and Molotov:

"1. The Governments of France, the United Kingdom and the United States having received and studied reports from their Military Governors of the discussions in Berlin find it necessary to draw the attention of the Soviet Government to the fact that the position adopted by the Soviet Military Governor during the meetings in Berlin on a number of points deviate from the principles agreed at Moscow between the four Governments and contained in the agreed directive to the four Military Governors. As the Soviet Government is aware, the terms of this directive were finally agreed after long and careful consideration, and after clarifications as to interpretation had been received from the Soviet Government.

"2. The specific issues on which in the opinion of the Governments of France, the United Kingdom and the United States, the Soviet Military Governor has departed from the understandings reached at Moscow relate to: (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; and (3) the control of the trade of Berlin.

"3. As to the first, the Soviet Military Governor has presented a proposal which falls outside the agreed principle that the restrictions which have recently been imposed on communications, transport and commerce be lifted. He has proposed that restrictions upon air-traffic, not heretofore existing, should now be imposed, and in particular that air traffic to Berlin should be strictly limited to that necessary to meet the needs of the military forces of occupation.

"4. As the Soviet Government is aware, the directive makes no mention of air transport and this question was not discussed at Moscow. The directive reads: 'Restrictions on communications, transport and commerce between Berlin and the western zones and to and from the Soviet zone of Germany which have recently been imposed shall be lifted.' There have been and are no such restrictions on air traffic. The purpose of the directive is to lift restrictions and not to impose new ones. The proposal of the Soviet Commander-in-Chief, therefore, falls outside the scope of the present discussions and is unacceptable.

"5. Secondly, on the question of the authority and functions of the financial commission there should be not the slightest grounds for any misunderstanding. At the meeting on August 23 attended by Premier Stalin and Mr. Molotov and the representatives of the Governments of France, the United Kingdom and the United States, the intention of the directive in regard to the powers of the financial commission including its power to control the operations in Berlin of the German bank of emission was clearly and specifically confirmed by Premier Stalin. The Soviet Military Governor has refused to accept both the meaning of the directive and the clear understanding of the Four Powers reached at Moscow.

"6. Thirdly, there is the question of the control of the trade of Berlin. The position of the Soviet Military Governor during the discussions in Berlin in regard to matters relating to the control of trade between Berlin and the western zones of Germany amounts to a claim for exclusive Soviet authority over such matters. Such a claim is a contradiction of the spirit and meaning of the directive to the four Military Governors to which the four Governments gave their approval and is therefore unacceptable.

"7. In bringing these major points of difference to the notice of the Soviet Government, the Governments of United States, the United Kingdom and France do not wish to imply that these are the only points of difference which have arisen during the conversations in Berlin.

"8. The Governments of France, the United Kingdom and the United States have understood clearly the principles agreed to in Moscow and the assurances given by Premier Stalin. Their Military Governors in Berlin have acted in accordance with these principles and assurances. The position taken by the Soviet Military Governor, on the contrary, has constituted a departure from what was agreed in Moscow and strikes at the very foundation upon which these discussions were undertaken. The divergencies which have accordingly

arisen on these questions are so serious that the Governments of France, the United Kingdom and the United States feel compelled to inquire whether the Soviet Government is prepared to affirm the understandings outlined herein and to issue the necessary instructions to the Soviet Military Governor, confirming the agreed intention of the directive in regard to

“(1) the lifting of all restrictions on communications, transport and commerce imposed after March 30, 1948, without imposition of any new air or other restrictions; and

“(2) the control by the financial commission of the financial arrangements contemplated in the agreed directive, including control of the operations of the Bank of emission with respect to Berlin as specifically confirmed by Premier Stalin; and

“(3) a satisfactory basis for trade between Berlin and third countries and the western zones of Germany in accordance with an agreement to be reached between the four Military Governors which does not involve the unilateral control of such trade by the Soviet Trade Administration and which recognizes the rights of the occupying powers to import in fulfillment of their responsibilities, and to control the proceeds from, food and fuel for the use of the Berlin population and industry.

“9. They believe that only if the steps proposed in the aide memoire are taken would it be possible for the Military Governors to continue their discussions.”

Stalin being out of town and unavailable, this *aide-mémoire* was delivered to Mr. Molotov by the three Western envoys on September 14.

Molotov expressed the view that progress could be facilitated if, instead of an immediate exchange of communications at the government level, the Military Governors were first to prepare an agreed report of their discussions; and he proposed that they be given two days to do this. The Western envoys pointed out that the Military Governor had already found it impossible to agree on such a joint report. Molotov then reluctantly agreed to submit the *aide-mémoire* to his Government for study and reply.

On September 18, Mr. Molotov invited the Western envoys to the Kremlin and handed them the Soviet Government's reply, which was likewise in the form of an *aide-mémoire*. The text was as follows:

“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 US, 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 Government during those discussions.

"The Soviet Government believes that consideration of the difference 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 between 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 3 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 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 US, the UK and the 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 has 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.⁵

"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: [There followed the text of this portion of the directive, as given above on p. 40.]

⁵ The facts with respect to the Control Council's Nov. 30, 1945, decision are as follows:

During the discussions prior to the establishment of air corridors in 1945 the Soviet Military Authorities in Berlin had in fact suggested that the traffic in the corridors should be limited to the needs of the military forces. The Allied Control Authority (Allied Control Council) did not accept this Soviet proposal and the traffic in the corridors has since then been subject only to agreed safety regulations. No restrictions whatever were in existence on the use by aircraft of the occupying powers of air communications in the corridors between Berlin and the Western zones of Germany on or before Mar. 30, 1948.

This fact was specifically pointed out to Mr. Molotov by the British envoy, Mr. Roberts, immediately upon the receipt and reading of the *aide-mémoire* handed to the Western representatives by Mr. Molotov on Sept. 18, 1948.

"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 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 lead 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 Government of France, the UK 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 between the Governments of France, the UK, the US and the USSR."

The Western envoys, after reading this document, stated that they would submit it to their governments for consideration but warned that it would scarcely be acceptable.

After studying the reply just quoted, the three governments delivered to the Soviet Embassies in Washington, London and Paris on September 22, 1948, identical third person notes in the following text:

"(1) The Government of the United States, together with the Governments of France and the United Kingdom, has now reviewed the discussions which have taken place on the Berlin situation and which have culminated in the Soviet reply of September 18 to the aide-memoire of the three Governments of September 14, 1948.

"(2) The three Governments find that the Soviet unwillingness to accept previous agreements, to which reference is made in their aide-memoire of September 14, is still preventing a settlement. The reply of the Soviet Government in its aide-memoire of September 18 is unsatisfactory.

"(3) The final position of the three Governments on the specific points at issue is as follows:

"(A) They cannot accept the imposition of any restrictions on air traffic between Berlin and the Western zones.

"(B) They insist that the Finance Commission must control the activities of the German Bank of Emission of the Soviet Zone in so far as they relate to the financial arrangements for the introduction and continued use of the Soviet zone mark as the sole currency in the city of Berlin.

"(C) They insist that trade between Berlin and the Western zones and other countries must be under quadripartite control, including the issuance of licenses.

"(4) After more than six weeks of discussion, the Governments of the United States, France and the United Kingdom feel that the Soviet

Government is now fully acquainted with the position of the three Governments, and that further discussions on the present basis would be useless.

“(5) It is clear that the difficulties that have arisen in the attempts to arrive at practical arrangements which would restore normal conditions in Berlin derive not from technical matters but from a fundamental difference of views between the Governments of the United States, France and the United Kingdom, and the Soviet Government as to the rights and obligations of the occupying powers in Berlin, their right to have access by air, rail, water and road to Berlin and to participate in the administration of the affairs of the city of Berlin. The blockade imposed by the Soviet authorities together with other of their acts in Berlin are in violation of the rights of the three Western occupying powers.

“(6) Accordingly the Government of the United States, in agreement with the Governments of France and the United Kingdom, asks the Soviet Government whether, in order to create conditions which would permit a continuance of discussions, it is now prepared to remove the blockade measures, thus restoring the right of the three Western occupying powers to free communications by rail, water, and road, and to specify the date on which this will be done.

“(7) The Foreign Ministers of the three Governments will be meeting shortly in Paris, and they will be glad to have the reply of the Soviet Government as soon as possible.”

Soviet Note of September 25

On September 25 the Soviet Ambassador in Washington delivered to the Acting Secretary of State the following reply of the Soviet Government to the third person note of September 22, 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 the 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 removal of the restrictions on communications, transport and trade 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 complicates the reaching of agreement concerning the settlement of the situation which has arisen in Berlin as a result of carrying out of a separate currency reform and the introduction of a separate 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 being carried out by the Governments of the USA, Great Britain and France.

"2. In its note the Government of the USA refers to three disputed questions 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 states that the continuation of the negotiations on the above-mentioned questions on the present basis would be useless and considers that in order to create the conditions which would permit a continuation of the negotiations, there would have to be a removal of the temporary transport restrictions between Berlin and the western zones which were introduced by the Soviet Command for the purpose of protecting the interests of the German population as well as the economy of the Soviet zone of occupation and of Berlin itself.

"Such a statement of the Government of the USA is in direct conflict with the agreement reached on August 30 in Moscow between the four governments (the directive to the Military Governors), in which it was stated:

"The Governments of France, the United Kingdom, the United States, and the USSR 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 movement of cargoes 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 introduction of the German mark of the Soviet zone as the sole currency in Berlin. The Soviet Government insists on this, since the situation created by the separate measures of the western powers means that the three governments are not limiting themselves to their sovereign 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 into Berlin, which is in the center of the Soviet zone, their separate currency and thus disrupting the economy of the eastern zone of Germany and in the last analysis forcing the USSR to withdraw therefrom.

"The Soviet Government considers it necessary that the agreement reached in Moscow be carried out, and considers that further negotiations can be successful only in the event that the other three governments likewise observe that agreement. If the Government of the USA repudiates 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 between the USSR, the USA, Great Britain and France for 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 disputed points was set forth in the note of September 22, the Soviet Government considers it necessary to do likewise:

"A) As regards air communication between Berlin and the western zones, the establishment by the Soviet Command of a control over the transport of commercial cargoes and passengers is just as necessary in this case as in the case of railway, water and highway transport. The air routes cannot remain uncontrolled, since an understanding has been reached between the four governments to the effect that the agreement must envisage the establishment of a corresponding 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 30th the functions of control by the four power financial commission of the execution of financial measures connected with the introduction and 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 maximum reduction of occupation costs in Berlin and the establishment of a balanced budget in Berlin (not considered up to this time in the Berlin conversations), which were provided for in that agreement.

"C) The Soviet Government has already expressed its agreement that trade between Berlin, third countries and the western zones of Germany should be placed under the control of the four-power financial commission. The Soviet Government now declares its readiness to agree to the establishment of four-power control likewise over the issuance of import and export licenses, provided 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 Great Britain, the United States of America and France are seeking such agreement."

COMMUNIQUÉ

Issued in Paris on September 26 by the Foreign Ministers of France, the United Kingdom, and the United States

Mr. Schuman, Mr. Bevin and Mr. Marshall met shortly after noon at the Quai d'Orsay to consider the Soviet note of September 25, 1948, relating to the situation in Berlin, caused by the imposition and continuance of the Soviet blockade of rail, road and water communications between Berlin and the Western Zones of occupation in Germany.

In view of the fact that the Soviet Government in violation of the understanding between the Four Powers has chosen to make public unilaterally its version of these negotiations, the three Ministers, authorized the following statement:

"The Governments of France, the United States and the United Kingdom are in agreement that the Soviet note of September 25 is unsatisfactory. The Soviet Government fails to provide the assurance requested in the notes from the three governments of September 22, 1948, that the illegal blockade measures be removed. In addition it demands that commercial and passenger traffic between the Western Zones and Berlin, by air as well as by rail, water and road be controlled by the Soviet Command in Germany. This demand of the Soviet Government is restated with emphasis in the official communique issued in Moscow. Moreover, in regard to currency, the Soviet note is evasive and does not answer the clear position stated by the three governments.

"Accordingly, the three governments are transmitting a note to the Soviet Government fully setting out their position and informing it that in view of the insistence of the Soviet Government upon maintaining the blockade and upon the institution of restrictions on air communications they are compelled in compliance with their obliga-

tions under the Charter of the United Nations, to refer the matter to the Security Council."

On the same day, September 26, the following note was delivered by the Acting Secretary of State in Washington to the Soviet Ambassador:

His Excellency ALEXANDER S. PANYUSHKIN,
Ambassador of the Union of Soviet Socialist Republics

The Acting Secretary of State presents his compliments to His Excellency, the Ambassador of the Union of Soviet Socialist Republics, and has the honor to transmit the following communication:

1. The Governments of the United States, France and the United Kingdom, conscious of their obligations under the Charter of the United Nations to settle disputes by peaceful means, took the initiative on July 30, 1948 in approaching the Soviet Government for informal discussions in Moscow in order to explore every possibility of adjusting a dangerous situation which had arisen by reason of measures taken by the Soviet Government directly challenging the rights of the other occupying powers in Berlin. These measures, persistently pursued, amounted to a blockade of land and water transport and communication between the Western zones of Germany and Berlin which not only endangered the maintenance of the forces of occupation of the United States, France and the United Kingdom in that city but also jeopardized the discharge by those Governments of their duties as occupying powers through the threat of starvation, disease and economic ruin for the population of Berlin.

2. The Governments of the United States, France and the United Kingdom have explicitly maintained the position that they could accept no arrangement which would deny or impair the rights in Berlin acquired by them through the defeat and unconditional surrender of Germany and by Four-Power agreements. They were, however, willing to work out in good faith any practical arrangements, consistent with their rights and duties, for restoring to normal the situation in Berlin, including the problems presented by the existence of two currencies in that city.

3. After long and patient discussion, agreement was arrived at in Moscow on a directive to the four Military Governors under which the restrictive measures placed by the Soviet Military Government upon transport and communications between the Western zones and Berlin would be lifted simultaneously with the introduction of the German mark of the Soviet zone as the sole currency for Berlin under Four-Power control of its issue and continued use in Berlin.

4. In connection with the lifting of restrictions and the maintenance of freedom of communication and the transport of persons and goods between Berlin and the Western zones, the agreed directive provided that restrictions recently imposed should be lifted. Generalissimo Stalin during the discussions personally confirmed that this meant the removal also of any restrictions imposed prior to June 18, 1948.

In connection with the currency situation in Berlin, the Soviet authorities insisted that the German mark of the Soviet zone be accepted as the sole currency for Berlin. The three Western occupying powers declared that they were ready to withdraw from circulation in Berlin the Western mark "B" issued in that city and to accept the German mark of the Soviet zone subject to Four-Power control over its issuance, circulation and continued use in Berlin (i. e. in Berlin only and not in the Soviet zone). After long discussions Generalissimo Stalin, on August 23, 1948, personally agreed to this Four-Power control and himself proposed the establishment of a Four-Power Financial Commission which would control the practical implementation of the financial arrangements involved in the introduction and continued circulation of a single currency in Berlin and which, Generalissimo Stalin specifically stated, would have the power to control the German Bank of Emission of the Soviet zone insofar as its operations with respect to Berlin were concerned.

5. It was with these understandings, personally confirmed by Generalissimo Stalin, that the agreed directive was sent to the four Military Governors in Berlin to work out the technical arrangements necessary to put it into effect.

6. Despite these clear understandings, the Soviet Military Governor soon made it plain in the discussions held by the four Military Governors that he was not prepared to abide by the agreed directive.

Although the directive called for the unqualified lifting of the restrictions on transport and communications between the Western zones and Berlin, the Soviet Military Governor failed to comply. What is more he demanded that restrictions should be imposed on air traffic. He endeavored to support his demand by a false interpretation of a decision of the Control Council of November 30, 1945. Actually during the discussions leading up to the decision of the Control Council of November, 1945, to establish air corridors the Soviet military authorities in Berlin had suggested that the traffic in the corridors should be limited to the needs of the military forces. Neither the Control Council, however, nor any other Four-Power body accepted this proposal and the traffic in the corridors has since

been subject only to those safety regulations which were agreed on a Four-Power basis. Other than these agreed safety regulations, no restrictions whatsoever have been or are in existence on the use by aircraft of the occupying powers of air communications in the corridors between Berlin and the Western zones of Germany.

In regard to Four-Power control of the German mark of the Soviet zone in Berlin, the Soviet Military Governor refused to admit, despite the agreement in Moscow, that the Financial Commission should exercise control over the operations with respect to Berlin of the German Bank of Emission of the Soviet zone.

Furthermore, with respect to the question of the control of the trade of Berlin, the position of the Soviet Military Governor amounted to a claim for exclusive Soviet authority over the trade of Berlin with the Western zones of occupation and with foreign countries. This claim was a contradiction of the clear meaning of the agreed directive to the four Military Governors.

7. Even while discussions were in progress, the Soviet authorities in Berlin tolerated attempts on the part of minority groups sympathetic to their political aims forcibly to overthrow the legal government of the city of Berlin, constituted by democratic elections held under Four-Power supervision. On August 30 the representatives of the three Western occupying powers in Moscow had drawn Mr. Molotov's attention to the disturbed situation in Berlin. They suggested that instructions be sent to the four Military Governors that they should do all in their power to preserve a favorable atmosphere in Berlin, but Mr. Molotov claimed that such instructions to the Soviet Military Governor were unnecessary. Nevertheless, after that date these attempts to overthrow the city government increased in violence.

8. On September 14, 1948 the representatives of the Governments of the United States, France and the United Kingdom, acting on specific instructions, called the attention of the Soviet Government to the Soviet Military Governor's disregard of the agreements reached during the Moscow discussions and requested that he be instructed to give effect to them.

9. The Soviet Government's reply of September 18, however, upheld the Soviet Military Governor's position. The Soviet Government further confirmed its intention to disregard its commitment to lift the restrictions imposed on transport and communications by seeking to impose restrictions which had not before been in effect.

With respect to trade, the Soviet requirement that the licensing of trade with Berlin be placed in the hands of the Soviet military au-

thorities made plain the Soviet Government's intention to obtain exclusive control over the trade of Berlin.

As regards the powers of the Four-Power Financial Commission, the Soviet reply asserted that the Western occupying powers desired to establish control over all operations of the German Bank of Emission. In fact the United States, the United Kingdom and French Military Governors sought only to secure the Soviet Military Governor's acceptance of the agreed principle that the Four-Power Financial Commission should control the operations of the Bank with respect to the financial arrangements relating to the currency changeover and to the continued provision and use of the German mark of the Soviet zone in the city of Berlin, (i. e. in Berlin only and not in the Soviet zone). In the light of Mr. Molotov's statements during the discussion of the Soviet reply, it became clear that no assurance was given that the Soviet Military Governor would be prepared to proceed on the previously agreed basis. Thus in this matter, as in others, the intention of the Soviet Government was manifestly to impose conditions nullifying the authority of the Western occupying powers and to acquire complete control over the city of Berlin.

10. For the Governments of the United States, France and the United Kingdom to continue discussions when fundamental agreements previously reached had been disregarded by the Soviet Government would have been futile. It would have been equally fruitless to continue such discussions in the face of the unmistakable intention of the Soviet Government to undermine, and indeed to destroy, the rights of the three Governments as occupying powers in Berlin as a price for lifting the blockade, illegally imposed in the first instance and still unlawfully maintained. The three Governments therefore despatched identical notes on September 22nd to the Soviet Government. In those notes after restating their position on the specific points at issue they asked the Soviet Government whether it was prepared to remove the blockade measures which it had imposed and thereby to establish conditions which would permit a continuation of discussions.

11. The reply of the Soviet Government in its notes to the three Governments of September 25, 1948 is unsatisfactory.

As regards the introduction and continued circulation and use in Berlin of the German mark of the Soviet zone, the Soviet Government misrepresents the position of the three Western occupying powers. The latter have made it clear from the outset that they do not desire to exercise any control over the financial arrangements in the Soviet zone of occupation, but are insisting on those conditions only

which would provide adequate Four-Power control over the financial arrangements for the introduction and continued circulation and use of the German mark of the Soviet zone as the sole currency in Berlin.

As regards control of the trade of Berlin the Soviet Government contrary to its previous attitude now states its willingness to agree to the establishment of Four-Power control over the issuance of licenses for the import and export of goods provided that agreement is reached on all other questions. It is clear, after more than six weeks of discussions, for the Soviet Government's persistent refusal to remove the blockade measures and its continued insistence on other conditions which would enable it to destroy the authority and rights of the United States, France and the United Kingdom as occupying powers in Berlin that this conditional concession is illusory.

As regards air traffic between Berlin and the Western zones of occupation, the Soviet Government, while neither affirming nor withdrawing the demand for the particular restrictions put forward by the Soviet Military Governor during the discussions in Berlin and confirmed in its reply of September 18, introduces another requirement to the effect that transport by air of commercial freight and passengers must be placed under the control of the Soviet command.

The Soviet Government's note of September 25 therefore not only ignores the request of the three Governments that the blockade measures should be removed in order that conditions may be established which would permit the continuation of discussions; it also seeks to impose restrictions on transport and communications between Berlin and the Western zones which would place the maintenance of the forces of occupation of the three Western occupying powers and the whole life of the Berlin population within the arbitrary power of the Soviet command, thus enabling the Soviet military authorities to reimpose the blockade at any moment in the future if they so desired.

12. Accordingly, it is apparent that the Soviet Government had no intention of carrying out the undertakings to which it had subscribed during the Moscow discussions in August. - In the face of the expressed readiness of the Governments of the United States, France and the United Kingdom to negotiate with the Soviet Government all outstanding questions regarding Berlin and Germany as a whole in an atmosphere free from duress, the Soviet Government has, in fact, persisted in using duress. It has resorted to acts of force rather than to the processes of peaceful settlement. It has imposed and maintained illegal restrictions amounting to a blockade of Berlin. It has failed to work out in good faith Four-Power arrangements for the control of the currency of that city. - Even while the Western occupying powers

were seeking agreement on measures to implement the understandings reached in Moscow the Soviet military authorities condoned and encouraged attempts to overthrow the legally constituted municipal government of Berlin. These actions are plainly attempts to nullify unilaterally the rights of the Western occupying powers in Berlin, which are co-equal with those of the Soviet Union and like them are derived from the defeat and unconditional surrender of Germany and from Four-Power agreements to which the Soviet Government is a party. Moreover, the use of coercive pressure against the Western occupying powers is a clear violation of the principles of the Charter of the United Nations.

13. The issue between the Soviet Government and the Western occupying powers is therefore not that of technical difficulties in communications nor that of reaching agreement upon the conditions for the regulation of the currency for Berlin. The issue is that the Soviet Government has clearly shown by its actions that it is attempting by illegal and coercive measures in disregard of its obligations to secure political objectives to which it is not entitled and which it could not achieve by peaceful means. It has resorted to blockade measures; it has threatened the Berlin population with starvation, disease and economic ruin; it has tolerated disorders and attempted to overthrow the duly elected municipal government of Berlin. The attitude and conduct of the Soviet Government reveal sharply its purpose to continue its illegal and coercive blockade and its unlawful actions designed to reduce the status of the United States, France and the United Kingdom as occupying powers in Berlin to one of complete subordination to Soviet rule, and thus to obtain absolute authority over the economic, political and social life of the people of Berlin, and to incorporate the city in the Soviet zone.

14. The Soviet Government has thereby taken upon itself sole responsibility for creating a situation, in which further recourse to the means of settlement prescribed in Article 33 of the Charter of the United Nations is not, in existing circumstances, possible, and which constitutes a threat to international peace and security. In order that international peace and security may not be further endangered the Governments of the United States, France and the United Kingdom, therefore, while reserving to themselves full rights to take such measures as may be necessary to maintain in these circumstances their position in Berlin, find themselves obliged to refer the action of the Soviet Government to the Security Council of the United Nations.

DEPARTMENT OF STATE

WASHINGTON

September 26, 1948