

## Statement by Edwin W. Pauley, head of the American Delegation to the Allied Commission on Reparations (25 August 1945)

**Caption:** On 25 August 1945, following his journey to Moscow, Edwin W. Pauley, head of the American delegation to the Allied Commission on Reparations, gives details of the main measures relating to payments of war reparations by Germany.

**Source:** The Department of State Bulletin. Dir. of publ. Department of State. 02.12.1945, No 323; vol. XIII; publication 2381. Washington: US Government Printing Office. "German reparations", auteur:Pauley, Edwin W. , p. 308-309.

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## German Reparations

### Statement by Edwin W. Pauley, head of the American Delegation to the Allied Commission on Reparations (25 August 1945)

[Released to the press by the White House August 30]

*Edwin W. Pauley, Personal Representative of President Truman and head of the American Delegation to the Allied Commission on Reparations which met in Moscow, issued the following statement on his return to the United States:*

In the agreement on German reparations, terms of which were approved at the "Big Three" conference and announced in the Berlin communique of August 2, we believe a sound base has been laid for the accomplishment of three major American aims. These are:

1. In the interest of world security, to take out of Germany through the reparations program that part of her industry which would enable her again to make war. This we have regarded throughout the negotiations as of prime importance to the American people.
2. To agree, first among the three great powers and then with their other allies, on a fair division of removable industrial equipment and other German assets, so as to compensate as far as possible for the losses suffered by all nations on the basis of damage sustained and contribution to victory over the aggressor.
3. To assess a just and proper burden of reparation which the German nation can pay without depriving the German people of the means of subsistence at an agreed level; in other words, to spare our own or any other country the necessity of becoming a permanent contributor to the support of the German people.

Among the objectives of the United States, these three were uppermost before the conference at Moscow began. In the program agreed upon with the United Kingdom and the Soviet Union, they are now adopted as basic policies.

While we return with a feeling of keen satisfaction in the fact that the shaping of the whole program of reparations is in accord with the will of the American people, we recognize a problem of such magnitude is never wholly solved, nor can a program of such far-reaching economic consequences ever be guaranteed in all its details at the time of its formulation.

We believe we have avoided the errors that rendered the settlement after World War I a failure. We are not going to rebuild a strong Germany in order to pay reparations. We are giving out no blank checks without knowing what is in the bank. We are dealing in things which we have at hand or which we know we shall have. Where we have steel mills, we are dealing in existing steel capacity, not in hypothetical or unearned dollar values.

I wish to emphasize that the reparations plan is thoroughly workable and as agreed at the Tripartite Conference it embraces all the basic policies required for active administration. For this administration the responsibility rests solely with the occupying authorities. I have complete confidence that the military authorities know and will perform that responsibility.

Final settlement should be speeded by the feature of the plan which places the program for removal of industrial equipment on a zonal basis, instead of lumping the removals from all of Germany and then attempting to divide them equitably.

The system that we have adopted takes into account the same solid realities that were recognized in dividing Germany into zones of armed occupation, rather than setting up some scheme of over-all occupation, with a pooling of the several armed forces.

Under the plan as adopted the actual payment of reparations will be handled by "the Government of Germany", that is by the occupying powers.

Each power will be responsible for its own zone, on reparations removals, as it is on everything else, and the Zone Commanders will work together through the Control Council to maintain uniform reparation removal policies for Germany as a whole, as provided in the Berlin Agreement.

Thus, under the reparation plan as adopted at Berlin, the Control Council determines what and how much is unnecessary for a peace economy in Germany and can therefore be taken out as reparations in accordance with "common policies in regard to reparation and removal of war potential," to quote the language of Article III, paragraph 14 (f) of the Berlin Agreement.

The method of paying reparations, that is the method of Administration, rests equally on the zones because the occupation government is set up by zones and it is this occupation which must manage the German economy and manage to pay the required reparation levies.

The primary problem left for negotiation in the reparation program is the determination of the percentage shares of claimant nations other than the Soviet Union and Poland. The machinery for doing this job has been agreed upon and is now in motion. Claimant nations other than the Soviet Union and Poland have been invited to file their claims for reparations. At an early date to be fixed, probably in October, it is hoped that a meeting of representatives of the several claimant nations will be convened at some convenient place in Western Europe, the purpose of which will be to arrive at the percentage shares of all the allied nations other than the USSR and Poland, the shares of which have been determined already. In the meantime, there is no reason why deliveries of German industrial equipment and goods and commodities urgently needed by our European allies for rehabilitation and relief purposes cannot be made by the Zone Commanders.

To the Soviet Union, which in turn undertakes to settle the claim of Poland, an apportionment has already been made, both through the agreement under which each of the occupying powers takes out industrial equipment properly determined to be removable from its own zone of occupation, and by the allotment to the Soviet Union of ten per cent of such removables from the western zones and an additional fifteen per cent to be compensated by the return to the occupying powers of the western zones of equivalent values in coal, food and other commodities.

This leaves seventy-five per cent of the removable industrial equipment in the western zones – the industrial heart of Germany – available for reparations to the United States, United Kingdom, and their other allies.

With respect to the amount of, and time limit on, annual recurring reparations – reparations extracted in the form of current production from year to year – no decision can be made until the character and amount of removals of industrial capital equipment have been determined by the Allied Control Council and the future economy of Germany is more clearly defined.

There is also under consideration the creation of a permanent reparations agency, the primary function of which would be the allocation, among the claimant nations, of reparations determined to be available by the Allied Control Council. It is contemplated that on this body each of the claimant nations would have a representative.