

James F. Byrnes, Speaking Frankly

Caption: In his memoirs, James F. Byrnes, former US Secretary of State, recalls the difficult negotiations with the Soviet Union on the subject of German reparations during the Potsdam Conference from 17 July 1945 to 2 August 1945.

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[...]

We had arrived in Potsdam to face what amounted to a *fait accompli*, so far as the Polish-German frontier was concerned. Prior to Yalta, the three powers had agreed to divide Germany into four zones of occupation, and they had made a positive declaration in Section VI of the Yalta Protocol that the final delimitation of the western frontier of Poland should await the peace conference. Although the protocol would seem to permit no misunderstanding, we learned before leaving the United States for Germany that, without any consultation either with the United Kingdom or with the United States, the Soviets had transferred all the German territory east of the Neisse River to Poland for administration.

Both President Truman and Prime Minister Churchill promptly asked for an explanation of this unilateral action in establishing, for all practical purposes, another zone. Such a course, the President maintained, not only was contrary to agreement but would make the settlement of problems such as reparations far more difficult.

The Soviet defense was that the Germans had fled before the Russian armies, and, since it was necessary to have some government in the area, they had permitted Poland to take over its administration. Generalissimo Stalin agreed that no one of the powers had the right to create a new zone, but said that the Soviet government had to be assured of stable conditions in the rear of the Red Army. He then admitted that Poland was actually removing from this area substantial amounts of coal, which we contended certainly should be considered part of reparations payments.

The President asked how the reparations issue could ever be settled “if part of the German territory is gone before we reach agreement on what reparations should be.”

Stalin remarked that everything the President said was irrelevant since “no frontiers had been ceded at the Crimea Conference except for the provisions that Poland would receive territory.”

“The western frontier question is open,” Stalin said, “and the Soviet Union is not bound.”

The President repeated: “You are not?”

“No,” Stalin replied.

We were concerned also by the huge displacement of population resulting from this action of the Soviets. Although Stalin claimed “no single German remained in the area to be given to Poland,” an area that had a prewar German population of nearly nine million, our information indicated that there were at least two million Germans left there. Later, representatives of the Polish government admitted the presence of approximately a million and a half Germans, but contended that many of them would leave voluntarily if the area were assigned to Poland.

President Beirut of Poland argued his country’s claim to eastern Germany at a meeting of the Foreign Ministers on July 24. He pointed out that, if all the area they asked were given them, Poland would still be smaller in total area than before the war because, in accordance with the Crimea decision, 180,000 square kilometers of territory in the east would be transferred to Russia. He asserted, however, that the eastern German area would give Poland a sounder economy and a more homogeneous population.

Mr. Churchill had pointed out that this Soviet-supported plan would take nearly one-fourth of the arable land within Germany’s 1937 frontiers. Not only would the German food supply be cut, he stressed, but more than a million Germans would be forced into the western zones, “bringing their mouths with them.”

[...]

Our desire to treat the reparations issue as one part of the over-all economic planning struck a snag of reality. We had expected that no property other than war booty would be removed from Germany by any of the armies of occupation without a strict accounting so that its value could be charged against whatever reparations program was later agreed upon. But, even before the conference opened, we had received reports that the Soviet army was removing property and equipment that could in no sense be classified as war booty. Some of these reports were such that we were reluctant to believe them. But there was little room for doubt after our arrival in Germany where we not only received eye-witness accounts but ourselves encountered corroborating evidence.

[...]

Assistant Secretary Clayton and Mr. Pauley were shown a point on the line between the American and Russian zones where the Soviets, before the dividing line was finally fixed, had taken machinery from a plant which eventually was left in our zone and moved it into their area not more than two-hundred yards from the line. There it was left in an open field. The International Telephone and Telegraph Company's plant in Berlin, they found, had been stripped of nearly all its machinery. They visited other plants where rayon, ice and optical instruments had been made, and observed similar conditions.

Mr. Pauley had discussed the matter at length with Mr. Maisky, who admitted that the occupying power could not rightfully remove property without accounting to the other powers unless that property could be classified as war booty. Mr. Maisky tried to devise a definition of war booty that would include furniture, bath fixtures, silverware, coal, and other nonmilitary supplies. He found it an impossible task.

Finally, at a meeting of the Foreign Ministers on July 23, I asked Mr. Molotov whether it was true that the Soviet authorities had taken large quantities of equipment and materials, including even household goods, out of their zone.

"Yes, this is the case," Mr. Molotov replied. If it was worrying me, he went on, he would agree to deduct from their reparations plan a suitable figure to cover removals already made and he suggested 300 million dollars as a proper amount. When I objected, he quickly responded with an offer to reduce their reparations claims from ten to nine billion to cover removals already made "and thus dispose of the question."

But at Paris, at New York and at Moscow in the spring of 1947, Molotov was again demanding ten billion dollars.

[...]

The United States, I said, was "deeply concerned" at the development of the reparations issue. We had always favored the adoption of a policy by which the three powers would treat the entire German economic question as a whole, but we did not see how the Soviet Union's position on war booty, removals, and so on, could be reconciled with an over-all reparations plan. We were very much afraid, I stressed, that "the attempt to resolve these conditions in practice would lead to endless quarrels and disagreements between the three countries at a time when unity between them is essential." Therefore, under the circumstances, we believed it wise to consider the possibility of each country's taking reparations from its own zone.

Approximately 40 per cent of the value of "industrial equipment deemed unnecessary for a peace economy" was located in the Soviet zone. We proposed that 10 per cent of such industrial equipment in the western zones be given to the Soviets. If the Soviets desired certain additional equipment or materials from the British or American zones, these could be exchanged for food or coal needed for the German population in the west.

Mr. Molotov promised to give this proposal to Generalissimo Stalin for his consideration.

The day before Mr. Attlee and Mr. Bevin were to arrive, Mr. Molotov returned to the subject with the complaint that we were seeking to reverse a decision made at Yalta by not accepting the twenty-billion

dollar total reparations proposal. I tried many ways to help him understand that acceptance by Roosevelt “as a basis for discussion” was not a commitment.

[...]

We declared our agreement to an equal division of the German fleet and merchant marine among the three powers, for which the Russians had been pressing very vigorously since the beginning of the conference. We urged him to accept our plan for reparations. Mr. Molotov thereupon announced that the Soviet Union was prepared to accept our proposal “in principle” but wished to settle certain “details.” The major “detail” was the amount of equipment that would be turned over to the Soviet Union from the Ruhr and he suggested two billion dollars’ worth as an appropriate amount!

[...]

Molotov dropped, for the time being at least, his proposal for the joint administration of the Ruhr, a major objective of the Soviet Union in western Europe. Agreement quickly followed on such matters as the economic principles to govern the occupation of Germany, including the compact to treat the country as an economic unit; the orderly transfer of German population; and the revision of the Allied Control Council procedure in Rumania, Bulgaria and Hungary to meet, in part, some of the requests made in our paper on implementing the Yalta Declaration on Liberated Europe.

We agreed to urge our representatives to act promptly on the procedure for the trial of major war criminals. It would take some of the joy out of war if the men who started one, instead of a halo around the head, got a rope around the neck.

Note that nowhere in the Potsdam Protocol is there any provision for the payment of reparations from current production. All prior discussions were superseded by the formal reparations agreement at Potsdam. The Soviet Union’s renewal one year later of its demand for ten billions of dollars of reparations from current production and its continued use of German labor is inexcusable.

[...]

We felt we had made genuine progress in the agreements about Germany, although there was ample ground for our fears that it would be a long time before we could get the Soviets to start work on a German settlement. Nevertheless, we believed our agreement on reparations enabled us to avoid denouncing their unilateral action in removing people and property from their zone.

Certainly, no one of us suspected that the first treaties of peace would be concluded only after sixteen more months of almost continuous negotiation. We considered the conference a success. We firmly believed that the agreements reached would provide a basis for the early restoration of stability to Europe.

The agreements did make the conference a success but the violation of those agreements has turned success into failure.

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