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441.62B31/1-1850

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From

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DEPARTMENT OF STATE

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INCOMING TELEGRAM  
OF  
OF EUROPEAN AFFAIRS *TO GER*  
MESSAGE NUMBER

*NRA-File-2-6-50* PLAIN

Action: EUR *100 FEB 3 PM 3 03*

Info:

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Control 1404

Rec'd February 3, 1950  
6:59 a.m.

GER Message Center  
Suspense Date *3/13*

FROM: Moscow  
TO: Secretary of State  
NO: 370, February 3

SENT DEPARTMENT 370. DEPARTMENT PASS BERLIN 8.

Soviet Press February 3 announces arrival trade delegation GDR previous day. Minister Foreign Trade Handke heads delegation. Met by Soviet officials including B. P. Martynov, trade representative USSR in GDR.

KIRK

MAM:KC

NOTE: Passed to Berlin 7:20 a.m. 2/3/50 VWP

BUREAU OF  
GERMAN AFFAIRS  
GER

OFFICE OF GERMAN  
AND  
AUSTRIAN AFFAIRS  
GAI

FEB 7 1950

DEPARTMENT OF STATE

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INCOMING TELEGRAM

Department of State

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TELEGRAPH BRANCH

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Control: 8875  
Rec'd: March 18, 1951  
10:33 a.m.

FROM: Moscow

TO: Secretary of State

NO: 1677, March 18, Noon

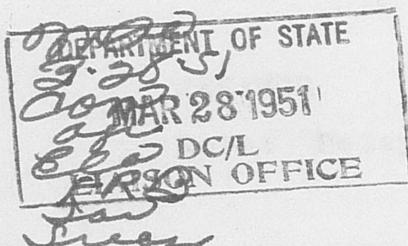
DEPARTMENT PASS FRANKFORT. SENT DEPARTMENT 1677, REPEATED  
INFO FRANKFORT 231.

Soviet press reports signing Sov-GDR trade agreement Mar 16  
providing for trade turnover and payments for 1951, notes  
1951 trade between USSR and GDR increased over 1950. Del  
led by GDR Trade Min Handke departed Mar 17.

X X X  
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KIRK

MJF:CM

Note: Relayed to Frankfort 3/18/51, 10:41 a.m., HEF.



OFFICE  
OF EUROPEAN AFFAIRS  
MESSAGE CENTER  
MAR 30 1951  
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DEPARTMENT OF STATE

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MAR 23 1951

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INCOMING TELEGRAM

Department of State

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FROM: MOSCOW

Control: 56  
Rec'd: October 1, 1951  
5:27 a.m.

TO: Secretary of State

NO: 547, October 1, 11 a.m.

DEPT PASS FRANKFORT, BERLIN; SENT DEPT 547, RPTD INFO FRANKFORT  
33, BERLIN 35.

PRAVDA Oct 1 announces Sept 27 signing long term agreement on reciprocal goods deliveries between Sov Union and GDR. "Striving for further development reciprocal trade, contracting parties reached agreement on significant enlargement trade turnover for period 52 to 55".

Agreement on scientific technical coop signed simultaneously.

GDR Del headed by Vice Prime Minister G. Rau rpt G Rau left Moscow Sept 28.

KIRK

JAK:WGR

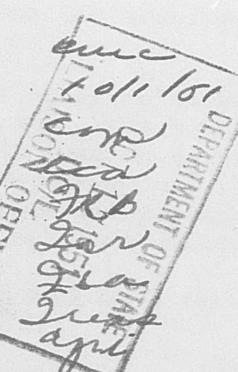
Note: Relayed to Frankfort, Berlin 10/1/51 - 6 a.m. WI.

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OF EUROPEAN AFFAIRS  
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ATTS (es) Oct 1<sup>st</sup>, 1951  
10/1/51

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OCT - 3 1951

461.62B31/10-151

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461.62b31/10-1751

FOREIGN SERVICE DESPATCH

FROM : HICOG, EASTERN ELEMENT, BERLIN

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : None

SUBJECT: The Four-Year Trade Pact Between the USSR and the Soviet Zone of Germany

294  
DESP. NO.

October 17, 1951

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*10/24/51*

Summary

Deputy Minister President, Heinrich Rau gave a lengthy press interview on the long-term trade agreement concluded between the USSR and the GDR. While a number of questions still remained unanswered by Rau, the information revealed gives some insight into the technique and purpose of these long-term trade agreements. The most important aspects, from the point of view of the East German economy, are Soviet commitments on grain, coke, iron ore and pig iron deliveries. In turn, it appears that the Soviet Zone had to raise its goals in the metallurgy and machinery industries and it will be an important supplier of machinery, of products of the electro-engineering and precision instrument industries, and of liquid fuels. The long-term agreements appear to be the system of extending the Soviet-type planning system beyond national boundaries. The press interview, as such, was obviously directed for Western consumption combining lures and threats to West German businessmen and West Germans in general.

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In a press conference held on October 15, 1951 in Berlin, Heinrich Rau, Deputy Minister President of the GDR and Chairman of the State Planning Commission, made public some of the details of the trade agreement which was signed by the USSR and the Soviet Zone of Germany on September 27. (Ourtel sent Fkft 590, rptd Dept 503, Bonn 233, September 29, 1951 and ourdes 243, October 2, 1951.)

Gerhart Eisler, East Germany's propaganda chief, in his introduction, said that his only regret was that there had been no West German representative on the trade delegation which concluded this agreement. He said that he had no doubt that the Soviet Union would be just as willing to conclude a similar long-term trade agreement with all of Germany as it had been to conclude one with the GDR. Eisler further claimed that, "the new trade agreement with the Soviet Union makes the GDR absolutely boycott-proof".

No figures were given as to the total amount of goods to be exchanged during the years 1952-1955 covered by this agreement. The Bonn government was taken to task by Rau for having already backed down on certain important categories in the recently signed Interzonal Trade Agreement. He specifically mentioned that West Germany could not deliver the pig iron desired by East Germany. He also proposed that, if the West Germans wanted to do so, that the Grotewohl proposals of October 6 were not merely propaganda, Herr Erhard could appoint a West German delegation to conclude a far-reaching

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File 33

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(Classification)

trade agreement with East Germany. Such an agreement, he pointed out, could include trade with Russia, China and other satellite states.

Details of the USSR-GDR Trade Agreement (UNCLASSIFIED)

Rau revealed that this trade agreement covers only the more important products to be exchanged between the two countries. Annual trade agreements are to be concluded covering less important items. The annual agreement for the year 1952 is to be completed in December 1951, at the latest. Among the goods to be delivered by the USSR to the GDR under the four-year agreement are pig iron, rolling mill products, non-ferrous metals, ferrous alloys, coke, manganese ore, chrome ore, iron ore, technical oils and oil products, asbestos, apatite ores and concentrates, large forgings, large dredges, other machines, basic chemicals, wheat, meat, fats, wool, flax, tobacco, tea, and cotton.

In return, East Germany is to deliver to the USSR industrial equipment, machines of all kinds, optical and fine mechanical products, chemicals, porcelain, glass, potash, motors, measurement and testing equipment, television receivers, equipment for the food processing industry totalling 135 million DM, and ships.

Rau pointed out that such long-term trade agreements are only possible between countries whose economies are developed according to a long-term economic plan. He gave several examples to prove the friendly cooperation between these two countries, according to which either one of them is willing to change its production plans to help the other. For example, he pointed out that the Five-Year Plan foresaw the production of large boring and turning mills over 1600 millimeters in size. For the year 1952 the plan had called for the production of 28 of these machines of which three were to be exported. However, he continued, the requirements of the Soviet Union and of other satellite countries have forced the GDR to increase production plans for 1952 to 85 of such machines. In reciprocation, the Soviet Union, which had not planned to export to the GDR any ferrous alloys, has now agreed to do so because of the requirements of the GDR for the large quantities of alloyed steels which are to be produced. The Soviet Union has also agreed to export 250,000 tons of coke annually to the GDR. This amount, according to Rau, will not satisfy all the coke requirements but will help considerably. With similar help from Poland and Czechoslovakia, he said that this most serious problem would be solved.

Soviet Russia also agreed to supply the total amount of wheat requested by the GDR. In all, three and a half million tons of grain are to be imported from Russia during the four year period. Rau said that such shipments will guarantee the supply of bread to the East German population even in case of a bad harvest in the GDR. Included among the grain shipments are feeds for livestock. The imports of meat, fat, wool, flax, tobacco and tea will supposedly cover an important part of GDR consumption. He pointed out the generosity of the USSR in selling tobacco and wool to the GDR, even though the USSR is itself an importer of these items. The Soviet Union will deliver the total imports of cotton planned by the Five-Year Plan.

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The manganese and chrome ore deliveries are said to equal those requested by the GDR. Enough iron ore is to be delivered to the Huettenkombinat-Ost to permit them to increase the production of pig iron planned for the year 1955 from 500,000 tons to 900,000 tons.<sup>1/</sup> Russian pig iron shipments are said to cover the principal part of the GDR importation requirements and rolled products are to cover one-half of importation requirements. The quantities of non-ferrous metals to be imported under the agreement are also said to cover a large portion of GDR requirements and importation of alloyed metals is to be covered completely by the Soviet Union.

This is said to be the first time that the Soviet Union has agreed to export machines to the GDR. These are said to be machines which are not manufactured in the GDR and which were formerly imported from West Germany.

Rau claimed that similarly to the first and second quarters the GDR production plan for the third quarter of 1951 was also overfulfilled despite the complete lapse of interzonal trade.

The exportation from the GDR to the USSR of food processing equipment recalls that early this year Rau complained about the unnecessary production of food precessing equipment in the GDR. In discussing this exportation, Rau mentioned that the delegation which went to Russia visited a meat processing factory in Moscow which covers the consumption requirements of the eight million inhabitants of Moscow with 1,000 tons of meat and sausage daily.

He admitted that it had been necessary to limit exports of products such as synthetic gaselines produced by the Leuna and Bechlen Works since the capacity in the GDR will not be sufficient to fulfil requirements during the next few years. He also admitted that it had not been possible for the GDR to supply many of the machines requested by the USSR. Rau says that the USSR and other satellite countries are making such demands for ships that the shipyards must be more rapidly expanded than was planned in the Five-Year Plan. He also briefly discussed the technical cooperation agreement which was signed at the same time.

In an editorial comment on Heinrich Rau's press conference in the Taegliche Rundschau (October 16, 1951) it is claimed that the trade agreement is based on world market prices but these prices will be set up as average yearly prices so as to prevent speculative variations. It was also claimed that the USSR has, during this year, exported raw materials to the GDR at the old prices because the prices of finished goods exported by the GDR have not risen as fast as the world prices of raw materials. "This means a present to the GDR of 100 million DM" says the Taegliche Rundschau. The comment is also made that, in the GDR foreign trade plan, there are reserves for possible price

<sup>1/</sup> This increase is mentioned here for the first time. As late as October 7, 1951, the figure of 500,000 tons was being cited.

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increases so that the trade balance can be maintained. It was also announced that similar long-term trade agreements are to be signed this year with all satellites except China. An agreement for the year 1952 only will be signed with China this year. (UNCLASSIFIED)

Comment: (CONFIDENTIAL)

The unusually lengthy statement on the USSR-GDR long-term trade agreement by the Chairman of the State Planning Commission, Heinrich Rau, gives, as is to be expected, an incomplete picture of this agreement. Nevertheless, it reveals a certain amount of information which gives some insight into the workings of these long-term agreements and permits a few conclusions. The most important aspects of the information given by Rau seem to be as follows:

1. The long-term trade agreements can be considered as frame agreements which establish annual quotas for certain important commodities to be exchanged. Detailed specifications are presumably negotiated annually and form part of the annual trade agreement. As such, the long-term trade agreements are an amplification of the Soviet planning system or rather a method of extension of unified planning over the entire orbit. It has all the characteristics of Soviet planning methods, particularly the concentration on key items and priorities.
2. Rau's statement does not reveal the inside story of the negotiations and emphasis is placed on the concessions and commitments obtained from the Soviet Union. It is nevertheless certain that some of these concessions and commitments are of considerable importance to the GDR economy. This again should not be interpreted as reflecting altruistic Russian motives but rather a more realistic and long-term realization of the economic potential of the GDR.
3. The statement of Rau that the volume of the trade agreement was limited exclusively by the ability of the GDR to deliver, is of interest. Though not stated specifically, it is undoubtedly true that on a number of important items nearly the entire export potential of the GDR has been earmarked for exports to the Soviet Union. Since the trade agreement with Russia constitutes the first long-term agreement (except for the insignificant agreement with Albania) and the long-term agreements with the other satellites are to follow only after the firm commitments to the USSR were made, this indicates the preferential position of the Soviets in orbit economic integration.
4. Several significant indications were given by Rau that the negotiations on the long-term trade agreement with Soviet Russia resulted in the upward revision of the GDR Five-Year Plan goals in the metallurgical and machine industries. It now appears that the role of the GDR in the integrated orbit economy is primarily planned to be a supplier of machinery, of products of the electro-engineering, precision instrument, and optics industries, and of chemicals, notably synthetic fuels.

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(Classification)

On the basis of this information, a preliminary view on the workings of the orbit economic integration system can be ventured. The long-term agreements appear to extend beyond national boundaries the advantages as well as the grievous shortcomings of the Soviet-type planned economy. The advantages consist basically in a greater degree of security for the minimum needs of the economy (e.g. supply of grains, coke, etc.). This, however, also implies one of the great shortcomings of the system, namely its self-imposed limitation to aim generally only at the primary, most primitive, and minimum needs of the economy. Furthermore, it can be expected that super-imposed on this basic tendency will be all the inadequacies and failures of the system of quotas and fulfillment records, with its wasteful bureaucracy, its strange combination of bottlenecks and undisposable surpluses, only probably in a more aggravated form, due to their extension in space and over national boundaries.

The specific purpose of the press conference by Rau should be viewed in the context of the East-West struggle in Germany. It combined lures and threats to West German businessmen and West Germans in general and thus represents a somewhat clumsy, but not necessarily unsuccessful, effort to make Eastern orientation or "neutrality" more attractive to some West Germans.

*George A. Morgan*  
GEORGE A. MORGAN  
Director

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