GERMAN REPARATION AND RESTITUTION
AFTER WORLD WAR II

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Glossary

Yalta, Crimea Conference, early 1945.

Potsdam, Tripartite Conference at Berlin, July 17 to August 2, 1945.

Preparatory Conference, Tripartite Preparatory Conference on Reparations, October 29 to November 14, 1945.

Paris Conference, Paris Conference on Reparations, November 15 to December 21, 1945.

IARA or the Agency, Inter-Allied Reparations Agency, Brussels.

FEA, Foreign Economic Administration.

Control Council, Control Council for Germany.
Preamble

As many of you know, I was with the Department of State from soon after Pearl Harbour to the spring of 1946 when University officials tactfully suggested that my leave of absence might be terminated. Their patience in permitting a leave of almost four and one-half years was greatly appreciated. After about one-third of a century, I am still interested in the problems on which we worked during the war years and especially the problems of reparation and restitution in view of economic conditions in the allied nations at the end of the war. In early 1945 we had investigated the needs of our allies to which reparations might contribute. President Roosevelt on January 20th had asked Judge Samuel Rosenman to undertake a mission to Western European countries to determine civilian supplies needed in liberated areas. The mission, of which I was a member, had two members from the State Department, two from the War Department, one from Treasury, and two from the Foreign Economic Administration (FEA), as well as a few staff people. We conducted an intensive preliminary survey in Washington until February 9th and then left for London. On the night of our arrival, Judge Rosenman received a cable from President Roosevelt, who was in Algiers on his way home from the Yalta Conference, which requested that he join the presidential party immediately. He went back to the USA with the President on the Quincy and did not return to the mission until March 4th. So we stayed in London much longer than we had expected and used the time reasonably well in talks with British officials on economic conditions in the UK. From March 4th on until early in April we had many discussions with officials in six countries and a memorable briefing at Shaef Headquarters in the Palace at Versailles. As personal
Session

Seventy-Ninth Congress, First Session.

Protest Against House of Representatives' Resolution

by President of the United States

Mr. Rosenman, a representative from the Northwest Europe Report

May 2nd and the German surrender on May 4th, 1945.

Court twice in April and May, before the liberation of the Netherlands on

under consideration. They also mentioned that the artist of food to the Low

our reparation policy at least by way of confiscation of policies already

have been mentioned because they may have had some influence on

This investigation of conditions in the back areas and the demarcation.

man after permission had been given by President Truman on August 11, 1945.

the house of representatives, 79th Congress, of which so bloom was chair.

the Rosenman report was published by the committee on foreign affairs of

President Truman on April 26th, just two weeks after Roosevelt's death.

possible, attributed by the United States. The report was submitted to

economies of our allies and the needs which should be recognized and, it

sufficient to say that this report presented a very grim picture of the

I will not review the recommendations of the Rosenman Report. It is

In London at that time.

of the embassy, some military people, and some who just happened to be

a very solemn occasion attended by ambassadors. Without, other members

were and two of those other members of the mission. It was really a "wake"

April 26th, a meeting was held that night to which Judge Rosenman took

we were in London at the time of President Roosevelt's death on

were most willing for obvious reasons, to talk with us.

station went to all important people and we did meet many important people who

representatives of the President, Judge Rosenman had "court" and we had
Planning for Reparation and Restitution

Determination of US Policy

Discussion on reparation started in the Department of State and later in an interdepartmental group long before the war was over. At one of the first meetings the experience after WW I was reviewed. Then our policy was to obtain maximum compensation in fixed monetary payments over a period of years, actually through more exports than imports by Germany, what we call a favorable balance of trade. Germany then was in no position to make payments other than through trade surpluses. You may remember the dismal record of these reparation and war debt payments during the inter-war period. Allied demands on Germany were unrealistic. Lord Keynes in his book, Economic Consequences of the Peace, said that the reparations demanded by the allies after WW I were at least three times what Germany could possibly pay through export surpluses. In fact, the reparation burden was in part transferred to the United States in the form of economic aid and repudiated loans. So the policy determined after WW II stressed reparation in kind, i.e., in industrial equipment, merchant marine, supplies of various sorts, and German foreign assets throughout the world. The principal objectives were to hasten the recovery of the allied nations and to reduce Germany's war potential. We wanted a single pool of reparation in which all the allies would share equitably in relation to their contributions to the war effort and we wanted it quickly to aid in rehabilitation. But we did not favor a punitive approach, one which would unduly hamper the recovery of Germany, as did the USSR. We were somewhat ambivalent in our policy position but the USSR was not. It wanted huge reparations and had no concern for the rehabilitation of Germany. We wanted reparations but also the economic recovery of Germany and both,
This protocol was not officially released until March 16, 1947.

In the first place by repartition. In the second place and which originated in the victory of the United Nations, which suffered the greatest losses and which organized victory over the enemy shall benefit the country which bore the main burden of war, which suffered the losses which it inflicted on the allied nations during the war and for which Germany shall make compensation in kind for the heads of state agreed in a secret protocol annexed to the report.

Production will be at Yalta.

Always insisted that Roosevelt had agreed on repartition from current Roosevelt himself during later negotiations for USSR officials have assumed that over a ten-year period. This ten-year acceptance by annual deliveries over a ten-year period, thus ten-year acceptance by course, it assumed repartition from current production and Stalin suggested that it was only a basis for discussion. Churchill said that the case for other half for all others, Roosevelt accepted this figure with the caveat that it was only a basis for discussion, Stalin accepted payments of 10 billion, one-half for the USSR and the other half for all others.

In fact, there was never an agreement on substantive matters. Stalin proposed repartition payments of 10 billion, the USSR would be expected to pay in an agreement on repartition policy. First indication that the USSR would be interested in repartition policy came quite at variance with those of the UK and the USA, this was the case the discussion at Yalta, the one between Roosevelt, Churchill, and Stalin in early February of 1945 about two months before Roosevelt's death. In conference at Yalta, the one between Roosevelt, Churchill, and Stalin in the first international discussion of repartition was at the Crimea conference.

Negotiations prior to the repartition conference.

As I will note later, this ambiguity caused discussion at home and with our allies.
On April 27th Edwin F. Pauley of California was appointed by President Truman to be his personal representative on the Allied Commission on Reparation which was established at Yalta and Isador Lubin, Commissioner of Labor Statistics, as his associate. Pauley was to be head of the American delegation to the Commission meetings. From the time of their appointment to mid-July, Pauley and his staff spent much of their time in Moscow. His report indicates that little if any progress was made in reconciling the diverse positions of the USSR and the common position of the Western Powers. Pauley's final report on the negotiations in Moscow was not released until August 30, 1945, i.e., after the Potsdam Conference was over. It was a record of almost complete frustration in the attempt to reach a common position, but it did set the stage for Potsdam.

The Potsdam Conference

The Tripartite Conference of Berlin, usually referred to as Potsdam, was by all odds the most important of all allied post-war conferences. It convened on July 17th, 1945 and closed on August 2nd. Truman, Stalin, Churchill (and Atlee) were there; also Byrnes, Molotov, and Eden (and Bevin); the chiefs of staff and many advisers. The conference was interrupted for two days during the British elections which were won by the Labor Party. Churchill was deposed and the new Prime Minister, Clement Atlee, together with the new Secretary of State for Foreign Affairs, Ernest Bevin, came to the conference on July 28th. But it is doubtful if this change in leadership had any influence on the decisions of the conference. As a precautionary measure, Churchill had taken Atlee to the conference as a member of the British delegation.

It was at Potsdam that the USSR and the US, UK, and France as a group met head on at high level in an attempt to get some measure of agreement
The conference report said that “reparation claims of the USSR shall be met by removal from the zone of Germany occupied by the USSR and from the zone of the United States, the United Kingdom and other countries entitled to appropriate German external assets,” also that “the reparation claims of the economy that was much slower there also.

These suffered much more than those in other zones of reparations and rehabilitation of the people from doing whatever it wished in its own zone. As a result, the people of the economic life of Germany was concerned. It never stopped the USSR meant,” that zonal barriers would be disregarded in so far as contact shall be treated as a single economic unit. “This provision, it made sure the fact that the period of occupation Germany become an agricultural state, therefore, unable to wage war in the treaty approved by Roosevelt at one time, that Germany should be forced to make no economic sense. It was the attempt of the Morgenthau Plan for the development of agriculture and peaceful domestic industries. This reality

In organizing the German economy, primary emphasis shall be given to the port. So far as practicable, there shall be uniformity of treatment of the German population throughout Germany.” This is made sure by the conference report. Thus is apparent in some of the provisions of the conference re-parties. Thus the agreements reached did not represent a meeting of the minds through compromises and concessions by both their positions were irreconcilable. Thus, the agreements reached did not on reparations despite differences in attitudes and objectives. Basically,
reparations shall be met from the western zones and from appropriate German external assets.\footnote{Ibid, p. 6.} So the desire of the western allies for a single reparations pool was disregarded. The distribution of reparation agreed upon was as follows:

**USSR and Poland**: All removals from the USSR zone, actually anything they wished to take; German external assets in the USSR, Poland, Hungary, Rumania, Austria, and Finland; 25\% of the industrial equipment removals from the other three zones, 10\% free and 15\% in an exchange for an equivalent value of food and raw materials; one-third of the German merchant marine; but no claim on the "gold pot."

**Other Allies**: German external assets in all other allied countries, also those in the hands of the neutral countries; 75\% of the industrial equipment to be removed from the US, UK and French zones; 66-2/3\% of the merchant marine; the USSR reciprocal deliveries of food and raw materials; the gold; and miscellaneous supplies from the western zones.

Further, the report specifically stated in Section IV, 5 and 6 that the amount of equipment to be removed from the western zones on account of reparations must be determined within six months after August 2nd when the conference closed; and that the removals had to be completed in two years after the six-month period allowed for designation. This became a very important decision as later events indicated.

**Paris Conference on Reparations**

The Potsdam Conference set the stage for getting reparations under way. So on August 27, 1945 the US, UK, and France jointly invited their allies, other than the USSR, to submit data on their reparation claims
portion of representatives which each thought that the other should receive.

For instance, the United Kingdom and France were far apart on the pro-

position, and the United States, the United Kingdom and France were not thinking in the terms about the distribution of representatives.

It was discovered that the three powers reached on a number of issues. It was discovered that the three powers

for the official conference were prepared and tentative agreements were

began on October 27th between the three delegations. Preliminary agendas

possible before the conference was officially convened. So discussions as

and the United Kingdom, sought preliminary agreement on as many points as

than two or three weeks, the interesting powers, the United States, France,

since it was intuitively expected that the conference would not last more

The American delegation left Washington for Paris on October 26th.

Thus had a good background for the new assignment.

1929, he had written a book on the Recovery of Germany after WW II and

able person but particularly well informed on the European economies. In

order of these appointments was right. Not only was Mr. Angell a very

of Foreign Economic Development (OF) in the Department of State, the

office of Planning and Development Policy (DP) and chief of the Division

the Commission and at the conference. I was then acting director of the

Commission on Industry, Commerce, and Agriculture, I was appointed as his deputy both on

administrative of OF under Leo Crowley and Professor of Economics at

and chief delegate to the conference. At that time he was assistant

American representative on the Allied Commission on Reparations—Germany

on November 20th in Paris. On October 27th, Mr. Angell was appointed as

all champions to send delegates to a representations conference to be conducted

against Germany together with supporting data. On October 15th they invited
So what came to be known as the Tripartite Preparatory Reparation Conference was most helpful. Not fully, but in part, it prevented disruptive confrontations among these three major powers before the other fifteen delegations in the plenary sessions.

The Task of the Conference. At Potsdam the first division of reparations, that between the USSR and all other claimants as a group, had been made and the sources identified. Then the principal task, simply stated, was to divide the reparations equitably among the eighteen members of this group and to make restitution when that was appropriate. The task was not to determine the amount of reparation in any category. Reparations could not be fixed in exact quantitative terms in advance but ultimately were in large part the result of decisions by the Control Council for Germany presumably in accord with the policies approved by the Allied Commission on Reparations. However, final approval for the determination of assets for removal from the zones rested with each zone commander. As we shall see shortly, General Clay, commander of the US zone did not hesitate to use his authority, perhaps unwisely. So the conference had to divide unknown quantities in most categories among the allies, and thus had to do so on a percentage basis.

The second major task was to plan an organization to take control of the reparation assets as they were released by the zone commanders, to determine to which of the claimants they should go, and to expedite delivery. So plans were drawn up for an Interallied Reparation Agency (IARA) to be established in Brussels. In regard to some reparation categories, notably German external assets, the zone commanders had no control so the Agency was free to act independently in acquiring such assets and for arranging for their distribution. The conference had many other tasks as the records
Reparations.

Subjectors deferred greatly in the method of computation and statistical

counts which seemed reasonable, then adjustments were made at the
specification all parties, and that it yielded results similar to the several
reasons for acceptance were significant, that it included the war factors

Occupation costs and (3) military man years during hostilities. The

In (1) direct war damage, (2) direct war costs during hostilities plus
was an unweighted arithmetic average of each country’s percentage share
but finally the combination proposed by the US was adopted. The formula
the Inflating Parson expressed many different combinations of factors
the Inflating Parson expressed the Secretary to do the necessary statistical work.

groups of the US, UK, and France were appointed as an informal statistical

people so after the conference opened, the heads of the statistical
military man years came to 70,000,000. To analyze these data was a major

war and occupation costs during hostilities totaled $2.4 billion, and
for direct damage reported were $53.7 billion in 1938 values. Claims for
material higher estimates of unit costs than did the British, claims
common sense. The French claims for war damage, for instance, received

They really had little statistical comparability and the terms were not
looting by armed forces, man years spent in the armed forces, and much more.
These data covered war damage, war expenditures, costs of German occupation,

presumably, distortion of reparation was to be based on the data

Determination of shares in reparation

was called, these will be discussed briefly later.

show such a distortion of the merchant marine and the “gold pot" as it
Early in negotiations the decision was made to have two categories of reparation, A and B. The A category was to include all reparation other than the removal and distribution of industrial plants and facilities from Germany and merchant marine ships. These were placed in the B category. In a sense a choice was given. The United States and Canada had little interest in B reparations, much interest in A. In contrast, our Western European allies were much interested in the possibility of securing German industrial equipment. Merchant marine ships were also placed in a special category but for accounting purposes were placed in B.

First, the shares of the US, UK and France had to be determined. This problem had been under consideration before the conference convened. The UK argued for a 30%, 30%, 15% split leaving 25% for all other claimants. The problem was a political one as well as economic, and France was the problem. The French took the position that her reparation acquisitions should be relatively high as a recognition of the severity of her war damage and the reestablishment of her status as a first rank power. The UK took the position that France should be debited on reparation account because of her extensive use of prisoner of war labor for reconstruction. France was a defeated power and her contribution to victory over Germany was relatively minimal. Also, the results of her statistical computations were suspect because war damage was seriously overstated. In negotiations, the percentage for France in Category A ranged from 15% to 21%, the lower figure favored by the UK. The US delegation suggested that the French share should be 16%, and this compromise was accepted. In reference to Category B France was given 22.8%. Apparently there was a trade-off here whereby France was given a higher share in B to get acquiescence to a low share in A.
Although category B representation included both categories of industrial and metallurgical nations, an agreement on distribution of reparation was not reached. The schedule of shares, often called entitlements, is shown in Table I. After a full discussion, agreement was reached and approval was given. It was understood that some small changes were made, but on the 20th, after a special session on December 23, from the 17th to the 20th, negotiations for the first suggested schedule of shares in reparation were submitted.

In category B, it was stated that losses of production capacity by enemy action had been serious and that the agreement of industrial machinery and equipment was an indication of the fact that out losses of production capacity by the US were a reflection of the general action by the US. The share from the US reduction, roughly in accord with the suggested distribution of shares, was reduced to 75% of the total of 77½% in B was protected. Therefore, the share in category B was reduced from 27.8% to 17.8% and 4% in the role to meet their desires and it worked like a charm. The “big three” powers, thus was to be expected but, fortuitously, we had an unexpected surprise by the smaller categories that larger shares than contemplated by the agreement were reached, that US and UK shares should be 28% in category A and 27.8% in B.
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<thead>
<tr>
<th></th>
<th>Category A</th>
<th>Category B</th>
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<tbody>
<tr>
<td>Albania</td>
<td>.05</td>
<td>.35</td>
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<tr>
<td>United States of America</td>
<td>28.00</td>
<td>11.80</td>
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<tr>
<td>Australia</td>
<td>.70</td>
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<td>Belgium</td>
<td>2.70</td>
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<td>Canada</td>
<td>3.50</td>
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<td>Denmark</td>
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<td>Egypt</td>
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<td>France</td>
<td>16.00</td>
<td>22.80</td>
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<tr>
<td>United Kingdom</td>
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<tr>
<td>Greece</td>
<td>2.70</td>
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<tr>
<td>India</td>
<td>2.00</td>
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<tr>
<td>Luxembourg</td>
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<tr>
<td>Norway</td>
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<td>.60</td>
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<tr>
<td>Netherlands</td>
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</tr>
<tr>
<td>Czechoslovakia</td>
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<tr>
<td>Union of South Africa</td>
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<td>.10</td>
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<tr>
<td>Yugoslavia</td>
<td>6.60</td>
<td>9.60</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100.00</strong></td>
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1 Reparation from Germany, Final Act and Annex of the Paris Conference on Reparation, Department of State Bulletin, Vol. XIV, No. 341, pp. 114-124; also see John B. Howard, The Distribution of Reparation from Germany, Department of State, Publication No. 2584, European Series 12, 1946.
I am still asking myself the question of why this conference was so successful, the opportunity for disagreement, discussion and procrastination
even more remarkable. "It has been called the most successful of all post
war conferences, but let me remind you that the USSR did not participate."

It was unknown, such a reparation settlement is unprecedented in history.

General Marshall, then Secretary of State, sent a letter to Senator

could have been expected. Two years later, on February 4th, 1948,

on January 15th, agreement and such prompt reparation was more than

the agreement was put in force in January 1948 and released to the press

reparation was rejected and the allied nations dealt ratify and thereby

soon thereafter. The debates did not have predominant powers so

participating nations by the closing date, December 31st, and by all

The final act of the conference was approved by all but one of the

The final act of the conference on Reparation
negotiations far beyond the 36 days actually used were manifold. At times conflicts of interest did threaten the conference with disunity. At times there was very rough negotiation and, as the usual peacemaker, even the American delegation became irritated and distraught. At one meeting at which our irritation became apparent General Pope, the Canadian delegate who was sitting nearby, passed a note to me entitled, "Seven rules of diplomacy," and then he had written "patience" seven times. That helped. Only once in my memory did the moderator of the conference, Jacques Rueff, take off his hat as moderator and presiding officer, put on his hat as the French delegate, and speak his mind in no uncertain terms. Fortunately, no one took issue with him. Conflicts were always overcome through compromise and a remarkable spirit of cooperation and goodwill somehow was achieved.

But, to be more specific, I would list six factors which contributed significantly to the success of the conference, as follows:

(1) The USSR was not a participant in the conference.

(2) The conference had excellent leadership in the delegates of the Inviting Powers; Jacques Rueff of France who also served as Chairman of the Conference, Sir David Waley of the UK, and James W. Angell of the US. Rueff was excellent as presiding officer at conference meetings, and, as the French delegate, somehow persuaded his government to make necessary concessions; Sir David exemplified all the best traditions of the British Foreign Office. Mr. Angell was an excellent choice for this assignment and very effective in negotiation. Both he and Jacques Rueff were good economists and this was primarily an economic conference although there were many political overtones.

(3) Only three nations called the conference, the US, the UK, and France; also they held most of the reparation assets or were in position to get them for they were the occupying powers and they could and, perhaps did, impose their combined will on the other participating allies.
people from the Department of State and FA were trying to use his appearance, he felt that the representatives and not even very convincing. Apparently, I had a conference with General Clay but he was uncooperative. And it was obvious that he had not been very effective. We talked, food, and other détente issues, and then returned to the US zone. Mr. Kissinger had quarreled with the Americans cars, and played with the person, he was always somewhat eerie. They did arrange a party in the town. The USSR people were not cooperative and we never did interview this matter. I wanted to exchange the USSR representative on the American commission. It was in reference to exchange of industrial equipment for food and raw materials with the USSR. I wanted them to go back to the US zone. I commandes with General Clay, and implementation of the Potsdam Agreement, we wanted to discuss procedures for maintaining representation assets from the US. Mr. Kissinger and I had a few other meetings with the détente leadership. The US zone, at the suggestion of the Department of State, people returned to the US. At the conference ended, our détente broke up and all but a few

Consultation in Berlin

Interests vs. Representation, détente procedures, and thus gave them the opportunity to protect their own interests. They were reasonable about Germany’s capacity to pay as General Marshall noted.

Yet they were reasonable about Germany’s capacity to pay as General Marshall noted.

They all wanted German assets quickly for rehabilitation of their economies. Neither of the participating nations wanted protected negotiations, rather enhanced its leadership role.

From 72.8% to 11.9% without hesitation and without pressure from other countries, monetary and other, and reduced the right share of category B representation.

The fact that the US returned substantial all claims to the gold, both
authority. Later we learned that an influential person in the Department had prompted this attitude. So we accomplished very little in Berlin, if anything. We did see the devastation of Berlin which was almost unbelievable.

**Implementation of the Paris Agreement**

By the beginning of 1946 the stage had been set for reparation and restitution. Now we turn to what actually happened during the next five years, that is, to what extent the agreement was enforced. It is a long story and only the highlights will be mentioned.

**Establishment of the Inter-Allied Reparation Agency (IARA)**

The IARA was established in Brussels on February 28, 1946, with Jacques Rueff of France as president and Nigel Sutton, a very able British national, as Secretary General. There were eighteen delegations to the IARA which, together with their staffs, the Secretariat, officers, etc., formed a group of about 200 persons. It had responsibilities much broader than the mere technical implementation of the Paris Agreement. It was also the point of contact between the member governments and the Control Council for Germany in the overall allocation process.

**German Merchant Marine Distribution**

A Tripartite Merchant Marine Commission had been established at Potsdam. It determined that losses of the allies had been 23,608,000 gross tons and that 1,189,600 gross tons of sea-going ships would be available for reparation. The USSR was to get one-third; the members of the IARA, two-thirds. It had at its disposal 254 ships with gross tonage of about 750,000. But some of these ships were not seaworthy and, in fact, 686,344 gross tons were distributed to IARA members in proportion to their losses. The UK losses were 46.04% of the total; the US, 17.82%; Norway, 10.14%; other
Losses and, after thorough analysis of the legitimacy of the claims, the US government decided to allocate compensation for restitution. In February 1947, a substantial amount of gold was allocated for restitution. So there was a substantial amount of gold available for restitution. It was also charged with finding and representing gold within the independent order of the IWA, with the UK, and French delegates holding meetings.

A FRACTIONAL COMMISSION FOR THE PARTICIPATORY PURPOSE WAS ESTABLISHED.

The theory, without encountering any issue, at the earliest possible date, "gold and treasure will be restored to the rightful owners on the gold port"
cabled the American representative that the US had reached a decision that a policy to promote peace and understand the Secretary of State in August 1918's other allies but assistant secretary of state, Will Clayton, termed such a policy impractical and indefensible. The Secretary of State, in turn, suggested that the gold be held as a lien against US claims against

By the US, but it did not choose to do so. Reparations Commissions

Standing firm, this gold could have been considered as war booty and claimed

was not clear, but most of it belonged to France. From a purely legal

of the gold was not clearly identifiable as to source and thus ownership.

and other treasure had an estimated value in excess of $250,000,000.

forces from a salt mine on a trip from some unrecorded source. This gold

Practically all of the monetary gold was captured by the US armed

Restitution of Monetary Gold

but better judgment prevailed and they were left for German use.

1946, Indian water transport ships were interned in the reparation pool

3% of losses. The allocation was approved by the IWA assembly on May 25th.

innumerable, the remainder, 26%. Reparation of ships represented not more than
restitution was made to the rightful owners from whom it had been looted by the Germans.\(^1\)

**Distribution of Non-Monetary Gold**

Article 8(A) of the Paris Agreement stated that "A share of reparation consisting of all non-monetary gold taken by the allied armed forces in Germany and, in addition, a sum not exceeding $25,000,000 shall be allocated for the rehabilitation and resettlement of non-repatriable victims of German action."\(^2\) These funds were to be made available by IARA. Their use was determined by another international group established for that particular purpose. This group reported its plans for disbursement on July 14, 1946.

**Reparation through Seizure of German External Assets**

Germany's external assets in the territories of allied governments were seized by them under authority given through national legislation, and the Paris Agreement gave international sanction to such seizures. Each government had the responsibility for informing the IARA of the value of these assets. The Agreement stated that these values should be charged over a five-year accounting period to the reparation accounts of the member governments in which the assets were located. The total value of these assets in 1938 dollars was approximately $300,000,000.

Liquidation of the German assets in the neutral nations presented much more difficult problems. Most of these assets were in Switzerland, Sweden, Spain and Portugal but in many other nations also. Their value in 1938 dollars was about $125,000,000. The Paris Agreement provided

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\(^1\) Tripartite Commission for the Restitution of Gold, Questionnaire on Gold, February 1947.

\(^2\) Ibid., p. 13.
unit and that a balanced economy would be achieved as provided in the

but these expectations were not fulfilled because they were

that the Government would soon be placed at the disposal of

that it was expected that after the

the number of plans available was in the

This category of reparations posed the most difficult problems for the

amounts initially expected.

were made by all of the important neutral nations but not in the

sufficient to say that, ultimately, pay-

A discussion of these negotiations and their results goes far beyond

might be needed in settlements of these claims against Germany.

that it would infringe property rights and that these assets

with Allied government demands. The principal arguments presented were

argued in conferences, they brought forward many arguments against complete

partly in accordance with the decisions of the Potsdam and

assess that the neutrals strongly resisted Allied demands that the proceeds of German

difficult but almost inescapable, for they lasted all during the 1960's.

that the US, UK, and France as a group should conduct negotiations for

-20-
Potsdam Agreement. But the unwillingness of the USSR even to attempt economic unity and the stalemate over reparation from current production almost brought the removals program to a standstill. Two months after negotiations began, in May 1946, General Clay announced that no further action on designations for removal or deliveries from the US Zone would be made until economic unity had been achieved. The British and the French Zone Commanders, without making official declarations, adopted the same position. Obviously, it was a power play to bring the USSR in line but it did not do so. What it actually did was to hold up the removals program for most of 1946 and on into 1947. Equipment from 72 plants was released to the IARA before the Clay pronouncement and in November machine tools from 51 plants were placed at the IARA's disposal. Yet the removals program was dealt a body blow by the Zone Commanders from which it never fully recovered.

Shortly after the Marshall Plan for aid to Western Europe was announced on June 5, 1947 the British and American Zone Commanders announced a revised plan for removals of industrial equipment whereby capacity equal to that of 1936 would be left in Germany. This reduced the number of plants which could be dismantled for reparation from 1,800 to 858. Then our Congress got into the act. In a House Resolution (No. 365) of the Eightieth Congress the secretaries of State and Defense were requested to transmit to the House of Representatives at the earliest practical moment certain information, specified in eleven questions . . . regarding the removal of industrial plants from Germany by way of reparation. A detailed answer was given by the Under Secretary of War, Robert Lovett, dated January 4th, 1948. ¹ Senator Vandenberg, the Chairman of the Senate

From the Western zones of occupation, 10% free and 15% to be paid for by
the program agreement provided that the USSR would get 25% of all recoverable
tons of industrial equipment, 15% of this destined for the USSR, in storage.
Made to end dismantling late in 1949 the Western Allies had about 300,000
000

An

interest in to note that when the decision was

in

effect.

estimate, so the intervention of the Congress and the ECA had a substantial

equipment had already been released to the IRA, only 37% of the total that was reduced to 67 plans and part plans including those whose

and especially France, which had much to gain by removal, agreed. So the

plans on the list for dismantling be deleted and, surprisingly, the UK

humbly to study the problem and this committee recommended that 167

or near to approved an advisory committee under the chairmanship of George

will most effectively serve the European Recovery Program. The Administrator

the three Western zones of Germany be retained in Germany to such retention

that such capital equipment as is scheduled for removal as reparations from

the Secretary of State to obtain the agreement of those countries concerned

coordinate act of 1948 (article 19) said the Administrator with request

but this statement did not seem the title agreement remain, the economic

maxim was to contribute to return of Germany to the European Recovery Program.

expert, nor has the removed level been found an obstacle to planning the

based on it have no present effect on Germany's ability to produce and to

and I quote, "the removed level of industry and the dismantling program

and in a joint letter to Rep. Frank 14, the Secretary reassured the Senator

Foreign Relations Committee, quoted Secretary of State Marshall directly,

-22-
reciprocal deliveries of food and raw materials. A small amount of equipment had been delivered but receipts of food and raw materials from the USSR had been only about 10% of an equivalent value. After the Berlin Blockade began in April 1948 no further deliveries were made. By that time it was fully apparent that the USSR would not comply with the provision of the Potsdam Agreement that Germany should be treated as a single economic unit. So the Western Occupying Powers turned this equipment, which had been accumulating for two years or more, over to the IARA for allocation to its members.\(^1\) The total amount of industrial equipment removals was about 1,200,000 tons.

Now let me recapitulate briefly. Reparation through the removal of industrial capacity was the keystone of the reparations program. Its principal objectives were to reduce Germany's war potential and to aid in the economic recovery of the allies. Just why did it fail to reach its potential? The hiatus caused by General Clay's decision to halt removals in an attempt to force USSR compliance with the Potsdam Agreement was the first roadblock. Then dismantling and removals could have been made without too much resistance. But two years later pressures against the program were exerted from many quarters. Removals were attacked in Congress and in the House of Commons. Interested parties in Germany carried on a systematic propaganda campaign against further removals. German officials became non-cooperative and were able to postpone or halt the dismantling of many important plants. And once postponed no later action was usually taken. German owners, managers, and workers were reluctant to obey Zone Commanders' orders. They slowed down the removals programs and time was on their side. Strikes were both frequent and effective on dismantling projects. Actually the Zone Commanders had lost full control of the situation.

agreed upon at the Paris Conference were not achieved. Some members had
been argued that the IRA had fallen in the sense that the percentage entitlements
remains were reduced to only about 41% of the expected amount. It can
be argued that the IRA were increased by the continual delays and the fact that the actual
IRA was established after the Paris Conference, The member nation of the
Council. It proceeded to the Council of Foreign Ministers with
and the zone commanders to make industrial payment cashable for repay-
and the Juna commanders to make industrial payment cashable for repay-
and the Zone commanders to make industrial payment cashable for repay-
the IRA had reached the cash point. In the period 1946-21 seventy-one
few short years bring up by events with which you are all familiar.
Germany but the USSR. This was a remarkable change in attitude in a
representation and that our principal argument in the future was not to be
several years, 1945-6, approximately we came to the conclusion that to
in policy and action between those of the USSR and the Western Allities. In
program was the interrelation of the USSR, the reconstruction of the
But I suspect that the principal reason for a weakening of the remora-
wartendt Plan, and other efforts to aid economic recovery in Western
program. Leaders in the Congress came to believe that the program, the
USSR, and with British acquiescence let not approved, shifted the emphasis
It seems to me that the US and Germany, inadvertently, agreed by the
substantial overdrafts while others were far short.\textsuperscript{1} However, this was not the fault of the IARA, for everything was done within its power to expedite deliveries. It was expected that allotments of machinery and equipment would permit adjustments so that each nation would get reparation approximately in accord with the Paris Agreement but the reduction in removals made this impossible.

In the last meeting of the IARA Assembly it considered a proposal that countries with overdrawn accounts should reimburse the Agency to the extent of their overdrafts and that payments should be made to those countries with underdrawn entitlements. After long debate these proposals were not accepted. To my knowledge nothing has ever been done to achieve a balance between entitlements and actual receipts on reparation accounts. Perhaps an imbalance was inevitable when political considerations upset reparation plans for the acquisition and distribution of reparation assets.

The dismantling and removals program was officially terminated in late 1949. In the June 1951 Report of the Assembly of the Inter-Allied Reparation Agency to Its Member Governments it was stated that "Apart from the securities and currencies issued in the territories of member governments and found in Germany, the assets which the IARA still expects to be received are shown in Schedule I, and consist entirely of the remaining proceeds of the liquidation of German assets in certain neutral and ex-enemy countries. The sources of these assets and their estimated amounts are based on such information, official and unofficial, as IARA has been able to obtain."\textsuperscript{2}

\textsuperscript{1}See Table II that follows on page 26.

\textsuperscript{2}Part Five, X. Assets Which Are Still Expected to Be Received by IARA, p. 30.
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**TABLE II**

Entitlements and receipts of repatriation.
So the work of the IARA was largely completed within a five-year span, 1946-51. The last Assembly meeting on November 19, 1959, in conformity with Part II of the Paris Agreement, terminated the existence of the Agency; a liquidator was appointed who made his final report in September of 1961.

**Final Comments**

It is difficult adequately to appraise the reparation and restitution program as planned at Yalta, Moscow, Potsdam, in Paris at the Reparation Conference, and as administered by the Inter-Allied Reparation Agency in Brussels for the allied governments other than the USSR. Surely the allies were benefitted greatly by the prompt acquisition and distribution of the German merchant marine ships in early 1946; by the restitution of the monetary gold; by the distribution of captured supplies and other materials susceptible to civilian use; by the appropriation for the aid of non-repatriable victims of German action; by the acquisition of German investments, both in the hands of the neutrals and in the allied nations; and even by the much less than expected acquisition and distribution of machinery and equipment through the dismantling and removals program.

Our policies on reparation and restitution formulated during the last years of the war and in large part agreed to by our Western allies still seem sound and defensible. The concept of a single reparation pool was thwarted by the USSR but embraced by our other allies. Also reparation demands were based upon Germany's capacity to pay and thus were realistic in marked contrast to those imposed upon Germany after World War I. It is significant that reparation was largely completed in a few years even though negotiations with the neutral nations lasted through the 1950-59 decade.

Ann Arbor, Michigan
September 10, 1979

D. Maynard Phelps