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I N C O M I N G T E L E G R A M

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DOS REVIEWED 11-Mar-2013: DECLASSIFIED FOR RELEASE IN FULL

Routing:

THE AMBASSADOR
MR. GALLMAN

EC

MISS WILLIS

MR. REBER

U.S. URGENT

Amb. Murphy

FROM: THE DEPARTMENT
TO: AMEMBASSY LONDON
NO: 1624, May 6, 1948, 4 p.m.

PERSONAL FOR DOUGLAS FROM SALTZMAN.

Administrator unwilling carry out full program on recovery basis for French Zone (urtel 1784, April.28) unless he is satisfied adequate import-export procedures and controls will be established to assure proper utilization ERP assistance. He is not willing, however, to take position now that this necessarily can be accomplished only through French joining JEIA but would be willing consider alternative procedures and determine whether this would give him requisite assurances. Further, he is not willing to hold up all shipments to French Zone, particularly wheat scheduled for May 7, until specific controls and procedures are worked out, pointing out that such controls and procedures can be discussed in connection bilateral agreement with French Zone which must be completed by July 3. In this connection, he does not close door to decision that French joining JEIA may be only practicable way for him to obtain adequate assurances.

View here is that ultimate solution to accomplish objectives of ERP and also German policy requires fusion of all Western Germany. Also that US relations with UK and French should be same when both Zones are receiving comparable aid. Reasons which required US preponderance in export-import field in Bizone, as evidenced in JEIA arrangement, are equally applicable to French Zone. However, Administrator is reluctant to use threat of

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withholding all ERP aid to French Zone now as means of obtaining French agreement to US preponderance in export-import policy of French Zone. Also we have difficulty in seeing how French could participate effectively in JEIA without further steps towards trizonal fusion as, for example, affiliation with BICO. The political difficulties which acceptance of effective US control of economic policies of French Zone raise for French seem so closely tied in to other problems now being discussed in London that attempt to force isolated JEIA issue through ERP sanction might well seriously prejudice agreement on other issues. Accordingly, feel we should support Administrator's position of insisting we have assurance of adequate procedures to insure effective use ERP aid in French Zone but that issue of US preponderance be treated as part of negotiations of wider range of German problems making it clear to French that in view unified treatment of Western Germany is an essential of success of ERP this position would permit forwarding of essential supplies to French Zone on adhoc basis in immediate future, with full recovery program contingent on developments in next months. Subject to all of above it is hoped that during course of negotiations you will be able to get French join JEIA on basis comparable to British.

MARSHALL.

RECD: 2:50p/7
CONTROL 37/7
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