1101

Following is text of alike-enciphered which in accordance
with our instructions sent you in separate telegram, you
are requested to present, together with your British and
French colleagues, to Stalin and Molotov:

NOTE. The Governments of France, the United Kingdom
and the United States having received and studied reports
from their Military Governors of the discussions in Berlin
find it necessary to draw the attention of the Soviet
Government to the fact that the position adopted by the
Soviet Military Governor during the meetings in Berlin
on a number of points deviates from the principles agreed
at Moscow between the four Governments and contained in
the agreed directive to the four Military Governors. As
the Soviet Government is aware, the terms of this directive
were finally agreed after long and careful consideration,
and after clarifications as to interpretation had been
received from the Soviet Government.

At specific issues on which in the opinion of
the Governments of France, the United Kingdom and the United
States, the Soviet Military Governor has departed from
the understandings reached in Moscow relate to: (1) restrictions on communications, transport and commerce between Berlin and the western zones; (2) the authority and functions of the financial commission, and in particular its relation to the German bank of emission; and (3) the control of the trade of Berlin.

3. As to the first, the Soviet Military Governor has presented a proposal which falls outside the agreed principle that the restrictions which have recently been imposed on communications, transport and commerce be lifted. He has proposed that restrictions upon air traffic, not hitherto existing, should now be imposed; and in particular that air traffic to Berlin should be strictly limited to that necessary to meet the needs of the military forces of occupation.

4. As the Soviet Government is aware, the directive makes no mention of air transport and this question was not discussed at Moscow. The directive reads: 'Inner zone - restrictions on communications, transport and commerce between Berlin and the western zones and to and from the Soviet zone of Germany which have recently been imposed shall be lifted.' There have been and are no such restrictions on
$1101$ to Moscow, Sept. 18th, 1948

Air traffic. The purpose of the directive is to lift restrictions and not to impose new ones. The proposal of the Soviet Commander-in-Chief, therefore, falls outside the scope of the present discussions and is unacceptable.

5. Secondly, on the question of the authority and functions of the financial commission there should be not the slightest grounds for any misunderstanding. At the meeting on August 23 attended by Premier Stalin and Mr. Molotov and the representatives of the Governments of France, the United Kingdom and the United States, the intention of the directive in regard to the powers of the financial commission including its power to control the operations in Berlin of the German banks of emission was clearly and specifically confirmed by Premier Stalin. The Soviet Military Governor has refused to accept both the meaning of the directive and the clear understanding of the Four Powers reached at Moscow.

6. Thirdly, there is the question of the control of the trade of Berlin. The position of the Soviet Military Governor during the discussions in Berlin in regard to matters relating to the control of trade between Berlin and the western zones of Germany amounts to a claim for exclusive Soviet authority over such matters. Such a
claim is a contradiction of the spirit and meaning of the
directive to the four Military Governors to which the
four Governments gave their approval and is therefore
unacceptable.

7. In bringing these major points of difference to
the notice of the Soviet Government, the Governments of
United States, the United Kingdom and France do not wish to
imply that these are the only points of difference which
have arisen during the conversations in Berlin.

8. The Governments of France, the United Kingdom
and the United States have understood clearly the principles
agreed to in Moscow and the assurances given by Premier
Stalin. Their Military Governors in Berlin have acted in
accordance with these principles and assurances.

In Moscow, the position taken by the Soviet Military
Governor, on the contrary, has constituted a departure from
that which was agreed in Moscow and strikes at the very foundation
upon which those discussions were undertaken. The divergences
which have accordingly arisen on these questions are so
serious that the Governments of France, the United Kingdom
and the United States feel compelled to inquire whether the
Soviet Government is prepared to affirm the understandings
outlined herein and to issue the necessary instructions to
the Soviet Military Governor, confirming the agreed intention
of the directive in regard to

(a) the lifting of all restrictions on communications,
transport and commerce imposed after March 30, 1945, without
imposition of any new air or other restrictions; and

(b) the control by the financial commission of the financial
arrangements contemplated in the agreed directive, includ-
ing control of the operations of the Bank of Emission with
respect to Berlin as specifically confirmed by Premier Stalin;
and

(c) a satisfactory basis for trade between Berlin and
third countries and the western zones of Germany in accordance
with an agreement to be reached between the four Military Gov-
ernors which does not involve the unilateral control of such
trade by the Soviet Trade Administration and which recognizes
the rights of the occupying powers to import in fulfillment of
their responsibilities, and to control the proceeds from, food
and fuel for the use of the Berlin population and industry.

They believe that only if the steps proposed in the side-
memoranda are taken would it be possible for the Military
Governors to continue their discussions. (over)
TOP SECRET

# 1101 to Moscow, Sept. 15, 1948

Code Rooms: Send to Moscow. Repeat to London as 3609, Paris as 2977, Berlin as 1613.

Above is agreed text of side-memoire but we feel meaning might be clearer if concluding portion of para. read as follows:

"which recognizes the right of each Occupying Power to import in fulfillment of their respective responsibilities and to control the proceeds from food and fuel imported for the use of the Berlin population and industry and quote..."

If you British and French colleagues agree we would like to have this change made.

[Signature]

MARSHALL

TOP SECRET