Approved For Release 2006/10/20 : CIA-RDP80-00809A000500790052-4

FORM NO. 51-8B
DEC 1951

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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

[redacted] 25X1

COUNTRY Germany (Soviet Zone)

25X1 SUBJECT Soviet Zone Industry; The "New Direction"

25X1

[redacted]

[redacted]

DATE DISTR. 28 Dec 53

NO. OF PAGES 2

NO. OF ENCLS.

SUPP. TO
REPORT NO.

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1. For any evaluation of the Soviet Zone industry after the proclamation of the "new direction" and the connected Moscow decisions to return the SAG industries and a general cessation of reparations, it is necessary to inquire how far these steps will result in the overcoming of the vast shortage of consumer goods and the improvement of the standard of living. It is intended to accompany these concessions with a sharpening of the terror in order to stablize the internal political situation.

2. The 33 SAG industries in Soviet hands, with a nominal value of 2,700 million DM will formally be returned to German ownership as of 1 Jan 54. The appropriate preparations have already been made. The carrying out of the steps will be in the hands of a mixed German-Soviet commission. Down to the present there is little information about the membership and operations of this commission. At the same time the SAG industries remaining in Soviet hands will be partly dismantled. No details are known as yet.

3. The Soviet directors of the returned industries are to remain at their posts after the return to German hands, with only the difference that they will fall under German planners.

4. A special rule is made for the uranium mines of Aue-Oberschlema-Johanngeorgstadt. The companies handling these will be united in a new single company, with mixed German-Soviet heads, not yet named. All production will continue to go to the USSR, but will be accounted for as part of foreign commerce as of 1 Jan 54.

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5. With regard to the question of reparations it is to be noted that the projected reparations cuts are being put through, and the goods delivered are being reckoned as commerce. This is especially true with regard to reparations in the form of shipbuilding. In the current year a number of freight, passenger, refrigerator and coastal ships are still to be delivered during the current year. After the end of reparation, however, all further ship deliveries will be reckoned as commercial exchange, but with the figures of 1944 as a basis, the result of which will be to continue reparations indirectly.

6. Similar steps, transforming direct into indirect reparations, are being taken with regard to production from the Karl Liebknecht heavy machine factory, Georgi Dimitroff machine factory, Ernst Thälmann heavy machine factory, 7 Oktober machine factory, all of Magdeburg, which are supposed together to deliver 200 million rubles worth of goods by the end of 1954. These orders have been dated back to cover their real character as reparations.

7. If there has been any alteration in the production objectives of the five year plan, it is only with regard to the plan for 1953. The planned increase in production on an overall basis of 14 percent during the second half of the year obviously cannot be achieved.

8. In the area of metal foundries, the earlier planned state capital investment has been limited to 600 million DM. This should help to overcome the current shortage of electrical power and permit both industry and consumers to do something about the coal shortage. Iron, rolled plate and metal wares allotted to private use are to increase by 50 percent, electrical goods by 33 percent, leather and shoes by 35 percent.

9. The quotas in electric power, brown coal and briquettes were nowhere near met during the first quarter of 1953. Even in hard coal it was impossible to meet quotas, although the delivery of machinery by the Soviets permitted the almost complete mechanization of the industry. The failure in the briquette industry was due to a shortage of brown coal, to the poor quality of that delivered, and to the lack of light metal spare parts for the presses.

10. In metal products, with the exception of raw iron and light metal products, the quota will be everywhere reached and in some cases exceeded in 1953.

11. The insufficiency in heavy machine production is mainly due to the fact that the capital investment in metallurgical and electrical production was not made according to plan. The quota will by no means be met in general machinery construction, electrical and optical goods. This is the more important because these industries worked particularly for reparations, export and interzonal trade.

12. In the area of shipbuilding, truck building and agricultural machinery the quota will not be fulfilled. This is generally due to the fact that the shipyards and factories involved devoted so great a part of their production to armament.

13. The development of the armament industry in general is hard to evaluate in view of the "new direction." It is hardly to be expected that such production will be halted, only somewhat limited. One concrete detail is that the reconstruction of the Junkers factory in Dessau will be dropped.

784.6	4M/C
784.9	N(JM)
798	N(JM)
798	4M/C(N)
783.31	4M/C
11/740.12	4M/C
752.2	4M/C
729.226	4M/C

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