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1. USIA no longer plans to take over the Pottendorfer Spinnerei und Felizdorfer Weberei, as had been previously reported. Dr. Mayer Gunthof, public administrator of the plant, has now established a good relationship with the Soviets. However, the Weberei Trattenbach G.m.b.H. in Trattenbach, Lower Austria, will soon be requisitioned by the Soviets; this is expected to be a serious loss to the Austrian textile industry.

2. Under instructions from Moscow, the Soviet Military Bank took over the liquid funds of all USIA-controlled factories, in order to exchange them for new money at the time of the currency shift. After the currency had been exchanged, the USIA-controlled factories were repaid, but only on the basis of one new schilling to three old ones. However, confident that the Military Bank managed to have all sums exchanged on the basis of one to one. As a result of the conversion, USIA-controlled factories face a shortage of Austrian money, which is further augmented by the fact that the Military Bank, at the same time, requested payment on all outstanding credits extended to USIA-controlled firms. The Military Bank is stated to have large schilling sums available through the manipulations just described.
Comment: which also reported the possibility of such a maneuver by the Military Bank. However, since the above was obtained from the same source, it must not be regarded as confirmation.)

3. It is Soviet policy to operate all USIA-controlled firms without reporting capital assets officially. If these firms eventually come under the provisions of Austrian law, taxes based on declared capital assets will then be correspondingly low. Schilling accounts which are kept in the Soviet Military Bank cannot be taxed by Austria, since the bank is an official organ of an occupation power. In the event that the occupation forces are withdrawn, the Soviets will dissolve their Vienna branch of the Russian Military Bank, and all schilling funds in the bank can then be utilized for Soviet economic ends in Austria without any interference from the Austrian Government.

4. If an agreement is reached on pending negotiations between the Soviets and the Austrian Government for extensive trading with the West, money transactions would be conducted through the Laenderbank. For this purpose, the Soviet Military Bank has already opened an account with the Laenderbank, which is the only Austrian credit institute with which the Russians have an account.

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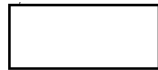
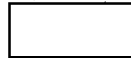
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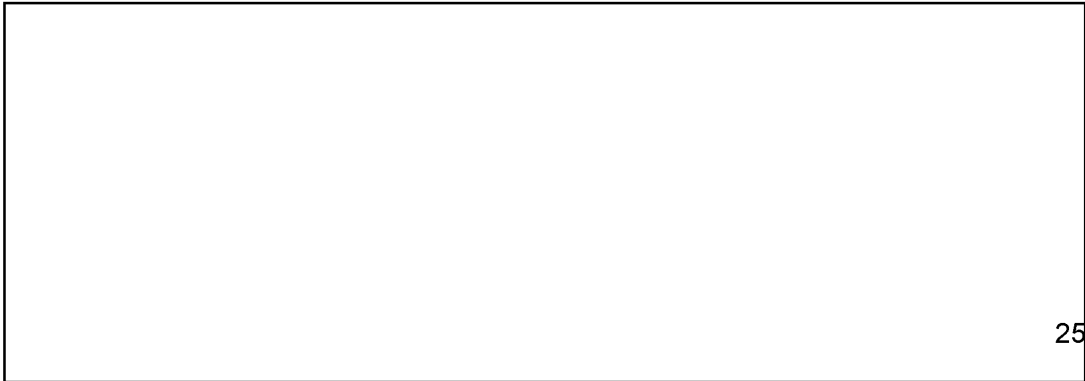
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5. The USIA-controlled firm of Koenig und bauer, Moedling, Lower Austria, has just exported two machine tools to Switzerland, in compliance with Austrian regulations, and has deposited currency receipts of 50,000 Swiss francs with the Austrian National Bank.

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8. Goerz supplies were partly furnished by the Soviets out of captured war material. A large supply of magnets, legal property of Norma, was requisitioned by the Russians in the Gebrueder Boehler plant, Waidhofen an der Ybbs, Lower Austria, and transferred to Goerz. The Soviets have also contributed manganese, obtained in Hungary, to Goerz.

9. In connection with paragraph 6, Engineer Josef Bartunek, now employed as an engineer by Elin A.G. fuer Elektrische Industrie, but formerly with Norma, was approached by the Soviets in February 1947 with a proposal to found a rival firm to compete with Norma. Bartunek refused, but gained the impression that Communists of the Norma firm were furthering this proposal, notably Oberbetriebsrat Hein.

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