CHAPTER 1
INITIAL POLICIES AND PLANNING

I. Moscow Declaration of 1943 and the Subsequent Steps for the Reconstruction of Austria

By October 1943 the forces of the Western Allies had already entered the Italian Peninsula, and had won the support of the Italian government to take up arms against Nazi Germany. (1) The battles of Orel, Kursk and Kharkov had routed the German army on the eastern front. The Red Army having thus secured the safety of Moscow was fast proceeding westwards and had reached the banks of the river Dnieper to launch an offensive at Kiev. The troops of the Western Allies had successfully landed at Naples causing a break between Italy and Germany. (2) Consequently, the fall of the German Reich appeared more or less certain. The impetus of these military events along with certain political developments was making it imperative for the decision makers to meet in order to determine their future course of military coordination and the policy to be adopted towards the countries which would soon be liberated from the German hold. The foreign ministers of the United States, the Soviet

(1) Text of the Declaration by the Italian government dated 13 October 1943, Department of State Bulletin (Washington), 16 October 1943, p. 253. (Hereafter referred to as DOSB)

Union and the United Kingdom, therefore, held a conference at Moscow between 19 and 30 October 1943.

The Austrian question received considerable attention and the first joint proclamation was issued defining the Allied policy towards this small state in the centre of Europe. This Tripartite Declaration on Austria issued at Moscow on 30 October 1943 proclaimed that Austria, "the first free country to fall victim to Hitlerite aggression, shall be liberated from German domination." The Anschluss of "15 March 1938" (sic) (3) was declared "null and void". The governments of the United States of America, Great Britain and the Soviet Union expressed their desire "to see reestablished a free and independent Austria, and thereby to open the way for the Austrian people themselves, as well as those neighbouring states which will be faced with similar problems to find that political security which is the only basis for lasting peace." At the same time Austria was reminded, "tht she has a responsibility which she cannot evade for participation in the war on the side of Hitlerite Germany, and in the final settlement account will inevitably

be taken of her own contribution to her liberation." (4)

The inclusion of this paragraph clearly indicates the unique attitude of the Allies towards Austria. She was recognized as the first victim of Hitler's aggression, but she was not exempted from her responsibility for participating in the war on the side of nazi Germany. The Moscow Declaration clearly recognized the strategic and political importance of Austria in Europe. And still she, along with Germany, was tarnished with war guilt. Thus, Austria was placed in the unique position of being liberated and not as an ex-enemy state, but not completely free of guilt. Stephan Verosta has correctly pointed out that in the Moscow Declaration no recognition has been given to the fact that Austria, as a subject of international law, had no effective government of its own since its occupation in the year 1938 and hence could not be taken to be at war with any other state when the war broke out at a later stage. (5)

(4) Full text of the Declaration in DOSH, 6 November 1943, p. 310. In a declaration issued from Algiers on 16 November 1943, the French Committee of National Liberation pledged its support to these principles, France Presence du Conseil, 'Deux ans et demie presence francaise en Autriche, Notes, Documentaires et Etudes, no. 870, 23 March 1943, p. 5.


contd....
At one of their Plenary Sessions at Moscow, Sir Anthony Eden, Cordell Hull and Molotov had agreed that the declaration on Austria should be issued encouraging the Austrians "to work their passage home" and promising independence. When the Drafting Committee, consisting of Sir William Strang representing the United Kingdom, James C. Dunn representing the United States and Andrei Vyshinsky representing the Soviet Union, was discussing the original draft Declaration on Austria as submitted by Eden, Vyshinsky insisted on including a clause stating that "Austria bears full political and material responsibility for the war." The representatives of the United States and Great Britain opposed the insertion of this clause on the ground that Austria hardly existed as a sovereign state after the Anschluss of 1938, and that the "material responsibility would eventually lead to the demands of reparations, which in view of her economy would hinder the reestablishment of a free and independent Austria." Vyshinsky still insisted on the inclusion of the statement. Ultimately it was agreed that it would be enough just to remind Austria that she has a responsibility which she cannot evade.

Karl Gruber holds that the reaction of the international community to the Anschluss was very mild and it was only after the outbreak of the war that the Big Powers started taking interest in the Austrian question, *Zwischen Befreiung und Freiheit, Der Sonderfall Oesterreich* (Wien, 1953), p. 58.
for participation in the war on the side of Hitlerite Germany." (6) This was done in good faith in the interest of Allied unity, and was intended to serve as a stimulant for Austrian resistance to the German armies. Throughout the State Treaty negotiations, however, this clause proved to be the basis for conflicting interpretations by the Western Allies on the one hand and the Soviet Union on the other. Adolf Schaerf, the then Vice Chancellor of Austria, maintained that this very clause provided the basis for future Soviet demands on Austria. (7)

Moreover, till the end of the war Austria's contribution to her own liberation was bound to be strictly limited, as most of her men were either in concentration camps or on war duty, and no centralised Austrian organization was in existence. The resistance movement inside and outside the

(6) Philip E. Mosley, "The Treaty with Austria", *International Organization* (Boston), vol. IV, p. 227. The author was the member of the United States delegation to the Moscow Conference.

The provisional government of Austria denied the responsibility of Austria as a nation for participating in the war on the side of Germany. Karl Henner, *Denkschrift der provisorischen Staatsregierung der Republik Oesterreich uber die Organisation der Zusammenarbeit der militärischen und zivilen Behörden* (Vienna, 1945), pp. 5-6.

country could be brought to light only after the war. (8)
The element of ambiguity incorporated in the Moscow
Declaration infected the post-war treatment of Austria,
and the modification of Vyshinsky's original clause proved
to be of little substantial value. Gruber characterised
the Declaration as representing half-heartenedness in the
Allied policy. And again as John Meir pointed out "the
partial identification with nazi Germany, once introduced,
was not to be removed ... and suffered accordingly from
all the confusions and delays which attended it ... with
the additional handicap of being viewed by comparison

(8) Cary Travers Grayson, Jr., *Austria's International
Position 1938-1953: The Reestablishment of an
He holds the view that there existed individual groups
inside Austria which caused considerable damage to German
war activities. Also outside Austria, there were organi-
zations like the "Centralvereinigung Oesterreichische
Emigranten" (Central Union of the Austrian Emigrants) in
Paris; "Austria Office", "The Free Austrian Movement"
and "Oesterreichische Vertretungskoerperschaft"
(Austrian Representative Committee) in London; "The
Austrian Action" and the "Austrian Labour Committee" in
the United States. In the absence of a centralized
Austrian Movement within the country and of a government
in exile anywhere else the Austrian resistance movement
could not be easily recognized. The other valuable
accounts of Austrian freedom struggle are H. Becker,
*Oesterreichs Freiheitskampf* (Wien, 1946). Otto Molden,
*Der Ruf des Gewissens: Der Oesterreichs Freiheitskampf
Service, *Red-White-Red Book: Justice for Austria
(Vienna, 1946), part I, pp. 146-202. Friedrich Engel
Janosì, "Remarks on the Austrian Resistance 1938-1945",
*Journal of Central European Affairs* (Colorado), vol.
XIII, pp. 105-22. Karl Gruber, "Austria Infelix",
*Foreign Affairs* (New York), vol. 25, p. 231.
as a smaller and accordingly less urgent problem." (9)

By early 1944 the Allies had already anticipated an occupation of Austria. A "Combined Directive for Military Government in Germany prior to Defeat or Surrender", issued on 28 April 1944 was applicable to Austria also except where different treatment was required for Austria. The Directive specifically pointed out that the political aims of the occupation of Austria would differ fundamentally from those of the occupation of Germany in that their primary purpose would be that of liberation. Consequently, it was also agreed to "give more latitude to political activity in Austria than in Germany". (10) This was a clear indication of the view that Austria was not going to have her final liberation immediately after the war. Having been liberated from the German domination, she was to be occupied by the Allies. This occupation, however, was not to be permanent and the Moscow Declaration was still the proclaimed objective of the Allies. Even at Tehran, the Declaration of the Three Powers specified that they "shall seek the cooperation and active participation of all nations, large and small ... to the elimination of tyranny and


slavery, oppression and intolerance." (11) Further the Tripartite Declaration on Liberated Europe issued at Yalta stressed the intentions of the Big Three to help the liberated peoples destroy the last vestiges of nazism and fascism and to create democratic institutions of their own choice. It also reaffirmed Allied adherence to the principles of the Atlantic Charter as to the "restoration of sovereign rights and self-government to those peoples who have been forcibly deprived of them by the aggressor nations". (12) Thus, the occupation of a liberated country, though a unique phenomenon, was meant to be a guarantee of a complete and overall liberation of Austria from nazi influence in all fields of its political and social organizations. She was to be occupied till the


the signing of a treaty that would assure the future of Austria as an independent nation which in turn depended on the solution of certain other important problems. (13)

II. Zoning of Austria and its Occupation by the Allied Troops

The occupation of Austria being a foregone conclusion, the task of determining the specific zones to be occupied by each power was allotted to the European Advisory Commission (EAC) which was to work at London. The EAC started its work concerning Austria on the basis of the Moscow Declaration of 1943, though however, it could not completely sever the Austrian problem from the German. Since the United States was a party to this Declaration, she was expected to share the responsibilities of occupation and in an initial British proposal to the EAC circulated on 15 January 1944, the United States was allocated a zone of South Germany and the whole of Austria. President Roosevelt and his Joint Chiefs of Staff were not in favour of this plan, as the President was particularly anxious to keep the United States out of the Balkan trouble centre. Consequently,

the Soviet proposal of 18 February 1944 for a tripartite control of Austria was also unacceptable to the United States. The US representative on the EAC, John G. Winant, was instructed by his government to insist on a US zone in northwestern Germany without Austria. By May 1944, however, the United States had agreed to her participation in the control of Austria but without commitment as to the size of the occupation force. She was ready for control only at the national level. Due to this US hesitation no agreement could be reached till the second Quebec conference in September 1944 settled the issue of the German occupation zones. (14) Following this the Soviet Union presented her plan of a tripartite zoning of Austria within

the boundaries of 1937 and also a tripartite sectoring of the city of Vienna. The United States did finally agree to accept this zonal arrangement subject to certain modifications suggested by the Joint Chiefs of Staff based on military considerations. Meanwhile, France also made her bid for control in Austria, first at a national level but, later when the United States accepted a zone, she also demanded one. The French demand, however, was not consented to till the issues of her representation at the Allied Control Council and a French zone in Germany, were resolved during the Yalta Conference. (15)

(15) According to the Soviet plan placed before the EAC on 23 November 1944, the Soviet Union was to occupy the eastern halves of the provinces of Lower Austria and Styria; Great Britain, the western halves of those provinces and Carinthia; and the United States, the provinces of Upper Austria, Salzburg, Tyrol, Vorarlberg and East Tyrol. The tripartite sectoring of Vienna allocated to the Soviet Union the northeast sector with the "Innere Stadt", to Great Britain the northwest, and to the United States the south. The amendments were: (1) East Tyrol transferred to the same zone as Carinthia, where it logically belonged because of the Alpine barrier which cut it off from direct communications with the provinces in the proposed United States zone; (2) essential transportation facilities by road, rail, water and air between Vienna and the United States zone made available; (3) Innere Stadt placed under a joint occupation instead of a Russian, so that administrative facilities of this central district could be shared equally; and (4) the boundaries of the city of Vienna extended so as to include an airfield suitable to meet United States needs. Erickson, n. 14, pp. 109-10. Joint Chiefs of Staff Directive, "Planning for Military Government in Austria", J.C.S. 1169/2, 16 December 1944 and "Acceptance by the United States of zone of occupation in Austria", J.C.S. 1169/3, 25 December 1944. For the French bid and its settlement see J. F. Byrnes, Speaking Frankly (Toronto, 1947), p. 25.
In view of the changed situation a new draft proposal was introduced by Britain on 29 January 1945 providing for a quadripartite division of Austria within the boundaries of 31 December 1937 and a quadripartite sectoring of Vienna with the inner city to be occupied by the four powers under arrangements to be made by an Inter Allied Governing Authority. The United States agreed to the national zones but proposed adequate administrative, transit and air facilities in the city of Vienna. The Soviet Union, however, withheld the acceptance of the "Vienna Gau" (Vienna province under nazi Germany) boundaries and wanted in her zone that part of the province of Burgenland as it existed before the nazi decree of 1 October 1938. A further change requested by the Soviet Union was the southward extension of her zone to the banks of Danube so far as Upper Austria was concerned. This severed all connections between the American zone of Austria and Czechoslovakia. The United States and Great Britain agreed to these zonal changes as they did not appear much significant at that time. In exchange, they were hoping to get a favourable settlement on the issue of the boundaries of the city of Vienna. But the final settlement was blocked by this very issue and the Western Powers had to give way to the Soviet Union as to the definition of the boundaries of the city of Vienna. Ultimate agreement on all issues concerning the zones of occupation was reached two months
after the Allies had occupied Austria. (16)

At the end of the Yalta Conference, Churchill, Roosevelt and Stalin had separated not only as Allies but as friends with considerable understanding of each other's plans and problems. During the five months that passed before the representatives of their governments again met at Potsdam, their mutual understanding and goodwill had given place to mutual suspicion and there was a clear indication that they were not willing to abide by those principles which they had themselves enunciated only a few months back. (17)

(16) According to the British plan of 29 January 1945, USA was assigned lower Austria; the United Kingdom, Styria, Carinthia and East Tyrol; France, North Tyrol and Vorarlberg; and the United States, Salzburg and Upper Austria. The territory of Vienna Gau was partitioned so that the Soviet Union would have a northeast sector; the United States a northwest sector; the United Kingdom, a southwest sector; and France, a southeast sector. Erickson, n. 14, p. 111. Clark, n. 13, pp. 454-5 and p. 460. Mark W. Clark, From the Danube to the Yalu (New York, 1954), pp. 6-7. He holds that the severance of connections between the American zone of Austria and Czechoslovakia was a well calculated step because the Soviet officials were planning to take over that nation. See map 2: Zones of Occupation of Austria, and map 3: Sectors of the city of Vienna, Appendix 2.

In the early months of 1945 the Soviet forces on the eastern front had made unexpected advances. On 31 March 1945, the Red Army penetrating through Hungary, succeeded in crossing the Austrian frontier. The Soviet breakthrough came earlier than anticipated. According to the "Southern Redoubt" plan the Anglo-American troops from the Mediterranean Command were to enter Austria from south, but strong German resistance in Italy delayed their advance. Meanwhile, American troops from north and French troops from west had entered Austria after the entry of the Soviet troops. It was only on 8 May that the British troops entered Klagenfurt from south, to discover that the Yugoslav armed forces entering over the Carawanken ranges were already in occupation of this capital of Carinthia. The Western Allies were confronted with Tito's forces again in Trieste, and it was decided to eject them from this area. Partly due to the US-British operations in the Yugoslav-occupied villages of Carinthia and partly due to Soviet intervention, the Yugoslav forces finally withdrew from the Austrian territory. (18)

The Soviet radio and press had already begun addressing Austrians to contribute effectively to their own liberation by way of helping the Red Army. Simultaneously they were clearly debarred from either reinstating the Habsburgs or joining some federation with any part of Germany. (19) On 8 April as the Soviet forces were nearing the capital city of Vienna, Radio Moscow proclaimed that the Austrian people had welcomed "the Red Army cordially as the liberator of Austria". It further assured the Austrian people about Soviet intentions of protecting them, maintaining their social order and respecting the territorial integrity of their land with a view to restoring democratic ways and institutions in Austria. This declaration was shortly followed by a similar announcement by the Soviet Marshal F. Tolbukin, appealing the Austrian people to

(19) Pravda (Moscow) 7 April 1945. This was a specific indication of Stalin's opposition to Churchill's idea of a "Great Confederation of Danube" including southern Bavaria with its capital at Vienna. Churchill's persistent reference to this plan encountered Stalin's opposition at every stage. Winston S. Churchill, Second World War and an Epilogue on the Years 1946 to 1957 (London, 1959), pp. 733, 746. From the point of view of military occupation, however, the British policy was to administer Austria as an entirely separate country which did not diverge from Soviet occupation policy, UK, House of Commons, Parliamentary Debates, series 5, vol. 411, session 1944-45, col. 236. The disadvantages to Austria of an Anschluss even to a democratic Germany or of a Danube Federation of any sort are discussed by Alfred Werner, "Is Austria Lebensfähig?" Journal of Central European Affairs, vol. 5, p. 117.
extend all possible help to the Red Army operating on the
Austrian territory and thus accelerate their own liberation.
Later, the Soviet Union and the world press in general
recognized Austrian help towards her own liberation. (20)

In the process of liberation the Soviet troops
embarked on a wholesale orgy of rape, looting and destruction.
The people of Austria were horrorstruck by this behaviour of
the Soviet troops which was quite contrary to the declared
objectives of their Marshal. Moreover, the seizure of power
by the Red Army in all fields of administration gave an
impression that the capital city of Vienna was communist.
by the end of April 1945, Burgenland, Lower Austria and
Styria were actually under Soviet control. (21)

(20) Text of Radio Moscow announcement of 8 April in
Osterreichisches Jahrbuch 1945-1946 (Vienna, 1947),
p. 7. Red-White-Red Book, n. 8, p. 201. Arbeits-
gemeinschaft fuer Osteuropaforschung, Die
Sowjetregierung und der oesterreichische Staatsvertrag:
erichte und Dokumente 1945-1953 (Vienna, 1953), p. 3,
the date given in this report is 9 April 1945. Foreign
press reports and comments on Austrian resistance,
red-white-red Book, n. 8, pp. 187-200.

(21) Schaerf, n. 18, pp. 26-30 and p. 38. Oskar Helmer,
50 Jahre erlaubte Geschichte (Wien, 1957), pp. 204-5.
New York Times, 7 and 13 August 1945. Karl Kenner,
however, records the destruction caused by the
retreating nazis, Oesterreich von der ersten zur
zweiten Republik (Vienna, 1953), p. 231. In his
latter book Adolf Schaerf also records the nazi
atrocities in Lower Austria and Vienna as they
retreated. Schaerf, n. 7, p. 31.
III. Establishment of a Provisional Government of Austria and Allied Control Machinery

Remer, the socialist leader and the first Chancellor of the First Austrian Republic moved by an urge to protect the people went in search of a local Soviet command post, from Gloggnitz near the Semmering Pass, where he was living in retirement since 1934. The Soviet General, Zheltov assured him of Soviet interest in Austrian independence. Remer was brought to Vienna on 20 April 1945 and was soon able to contact other Austrian party leaders who had already assembled in Vienna. Within a week they agreed to establish a provisional "National Coalition Government" under the leadership of Karl Renner. This was formed on 27 April 1945, and the same day the government issued a "Proclamation on the Independence of Austria" declaring the Anschluss of 1938 void, and the reestablishment of a "Democratic Republic of Austria" in the spirit of the constitution of 1920. (22)

(22) Renner, n. 21, pp. 231-5; and n. 6, pp. 9-19. Schaerf, n. 7, pp. 34-44. Text of the "Proclamation on the Independence of Austria", Staatsgesetzblatt fuer die Republik Oesterreich, Stueck 1, 1 May 1945, pp. 7-8. In order to avoid any constitutional confusion the provisional government adopted two transitional measures on 1 May 1945. The first was the Constitutional Transitional Law declaring Austrian Constitution of 1920 as amended in 1929 to be in force. At the same time it proclaimed all constitutional laws passed after 5 March 1934 as null and void. Another Law annulled those laws passed after March 1938, which were incompatible with the principles of parliamentary democracy. H. Siegler, Oesterreichs Weg zur Souveraenitaet, Neutralitaet, Prosperiitaet 1945-1959 (Wien, 1959), p. 10.
The immediate Soviet recognition of the Renner Government and its ceremonious installation in the Wiener Rathaus aroused suspicion in the minds of the Western Allies as to whether this was also a Soviet instrument for establishing a communist government in Austria. Even before the Russian armies entered Austria, Prime Minister Churchill was talking of the Soviet designs to gain control of the whole of southeast and central Europe before the war ended. He was of the opinion that the Western Allies ought to occupy as much of Austria as possible. Hence, the United States and the British governments were taken aback by this sudden emergence of a provisional Austrian government without their knowledge and its unilateral recognition by the Soviet Union in spite of their protests. (23) Nonetheless, the United States government took a relatively liberal view of the provisional government of Renner than was taken by the British government, who seemed to consider it too far to the left to recognize it without some changes. The US policy was to

consider the question of recognition of the Renner government "after satisfactory delineation of the zones of occupation" and on the condition to hold election as soon as possible "under the supervision of the occupying powers." (24) This line of action was finally adopted by the British and the American representatives at Potsdam. The French were in the background at this stage, though they cooperated with the Anglo-American Allies.

Western indignation was already aroused by the Soviet action of blocking the repeated attempts of the Western Allies to enter Vienna. Further, Vyshinsky even refused the entry of the Western Mission in Vienna for an on-the-spot survey and discussion of the situation, unless an agreement on the zones of occupation was finalized in the European Advisory Commission. After numerous delays, Stalin finally consented to allow its members into Vienna to acquaint themselves with the situation. Accordingly, a western military mission arrived in Vienna on 3 June but was ordered to leave by Marshal Tolbukhin by 10 or 11 June without allowing it to see anything outside the strict

city limits. (25) The Mission did some significant work despite the difficulties, and final agreements on the control machinery in Austria and the zones of occupation including the sectors of Vienna were signed in the EAC on 4 and 9 July 1945 respectively. The Allied Control Machinery in Austria was to consist of an Allied Council, an Executive Committee and staffs appointed by the four Governments concerned, the whole organization being known as the Allied Commission for Austria. This Allied Commission was to work with a view to achieve the separation of Austria from Germany, to establish a central administrative machine to prepare the way for a freely elected Austrian government and in the interim period to provide for satisfactory maintenance of administration in Austria. The administration of the city of Vienna was placed under an Interallied Governing Authority which was to operate under the general direction of the Allied Council. (26)


IV. The Potsdam Conference: Recognition of the Provisional Government and the Issue of Reparations

The Western Allies still withheld recognition of the Renner Government and asked for the formation of a broader based and fully representative Austrian Government. The Renner Government consisted of the representatives only of the eastern part of Austria which was under Soviet control. Moreover, the fact that important departments of administration like "Internal Affairs" and "Public Instruction and Worship" were given to the members of the communist party in the Renner government, made the Western Allies more cautious. At the Potsdam Conference, the Big Three agreed to examine the question of the recognition of the Austrian government after the entry of the British and the American forces in the city of Vienna. (27)

In compliance with the desire of the Western Allies for a more representative government of Austria, the Austrian provisional government called a conference of the heads of the provincial governments to widen the regime and make it more acceptable to the United States and Great Britain.

Britain. This Conference decided to broaden the Renner government by including more members from western provinces, very much against the wishes of the Soviet authorities and also the Austrian communists. The stage was thus set for the recognition of the provisional government by the Western Allies and the extension of its authority throughout Austria. (28) The Western Allies were being slowly convinced of the fairly representative character of the Renner government and on 20 October formal notification of the recognition by the Allied Council was handed over to Renner. But this recognition was made subject to certain conditions, most important among these being the holding of free elections throughout Austria not later than 31 December 1945. (29)


(29) "Memorandum of the Allied Council to Dr. Henner on the recognition of the Austrian Provisional Government", Gazette of the Allied Commission for Austria, December 1945 - January 1946 (Vienna, 1946), vol. 1, p. 29. (Hereafter referred to as ACA Gazette) At this point the Western Allies were against Austria establishing diplomatic relations with any state, as the provisional government they held was not the final authority. But the Soviet Union in order to prove their friendliness and support to the Renner Government declared their willingness to have diplomatic relations established with Austria. Arbeitsgemeinschaft fuer Osteuropaforschung, n. 20, p. 8.
This was a clear indication of the fact that the Western Allies were still not fully convinced of the truly representative character of the Renner government and took all precautions against a possible communist coup, Austria being the only country in central Europe which they hoped to save from being forced into the communist camp.

The elections held on 26 November 1945 confirmed Western suspicions about the truly representative character of the provisional government of Austria. Perhaps the Soviet Union overestimated the strength of the Communist Party in Austria and allowed the elections to take their own course being sure to capture a considerable number of seats. The three parties, SPOe (Sozialistische Partei Österreichs), OeVP (Österreichische Volks Partei), and KPOe (Kommunistische Partei Österreichs), were permitted to carry on their political activities according to the Allied Council decision, and these contested the elections for the "Nationalrat". Out of the total 165 seats, the OeVP won 85 seats with 49.8 per cent of the total votes, the SPOe, 76 seats with 44.6 per cent, and KPOe 4 seats with 5.42 per cent. (30) This clearly exposed the meagre following of the Communist Party and its limited influence in Austrian political life. The Soviet plan to increase

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(30) ACA Gazette, n. 29, pp. 26-27. Schaeuf, n. 8, p. 84. Österreichische zeitung (Wien), 27 November 1945.
communist influence through the department of Internal Affairs and Public Instruction was completely frustrated. The leader of the People's Party, Figl, who later on formed the coalition cabinet included one communist, Altmann, for a comparatively less important Ministry of Power and Electrification. The Ministry was abolished when Altmann resigned in 1947. This crushing defeat of the Communist Party at the polls caused extreme disappointment and lasting annoyance to the Soviet authorities. (31)

An immediate change in the Soviet attitude was witnessed when the Soviet High Commissioner objected to the inclusion of four ministers in the Figl cabinet, all of whom were allowed by the Soviet authorities to be the members of Renner's provisional government. In the opening session of the parliament the Federal Chancellor Figl emphasized the need of cooperation amongst all the parties and also with the occupying powers in the interest of reestablishing a free and independent Austria. At the same time he also appealed to the occupying powers for economic aid through UNRRA. The Figl government also accepted the constitutional law of the provisional government which meant the acceptance of the constitution of 1920 as amended

in 1929, though the Allied Council at the insistence of the Soviet representative had asked the Austrian government to submit a new draft constitution for its consideration. (32)

The other and more significant problem discussed at the Potsdam Conference was the question of reparation to be exacted from Austria. On this issue the Soviet Union quite diplomatically won the point without the Western Allies realizing the extent of the mistake they were committing by giving this concession. In fact, this issue continued to block the State Treaty negotiations till the end and became a ready instrument in the hands of the Soviet Union for the economic plundering of Austria not only during the occupation but even after the State Treaty had been signed in 1955. The Western Powers were against exacting reparations from Austria as, firstly, she herself needed aid for her economic reconstruction and, secondly, the demand of reparations would be in contradiction with the Moscow Declaration of 1943 of treating Austria as a liberated country. The Soviet Foreign Minister Molotov, on the other hand, was quite determined not to let the Austrians go unpunished for the great devastation they had

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(32) The request for UNRRA Aid was forwarded to the Administration by the Allied Council and approved after an agreement was reached. ALCO (6) 8, 20 October 1945. ALCO (18) 167, 11 March 1946. ALCO (19) 180, 25 March 1946 and EXCO (36) 326, 30 March 1946. The number within the brackets indicates the meeting and one outside indicates the minute.
wrought in the Soviet Union". In response to the firm British and American attitude against this, Stalin seemed to agree to drop reparation demands from Austria. But Austria was caught in another way through the question of German assets. On the last day, Stalin suggested with regard to the German external assets that -

the demarcation between the Soviet and Western zones of occupation could serve as a dividing line for the division of the German Assets - everything to the west going to the Western Allies and everything east of that line to the Russians. The German Assets in Austria would likewise go to the occupation powers on a zonal basis. (33)

The Soviet negotiators were quite careful in their policy in contrast to the Western delegates who seemed to be physically and mentally exhausted and annoyed by "prolonged and petty bickering". In their anxiety to wind up business as soon as possible and leave Potsdam they did not detect the blunder they had committed by way of agreeing to this proposal. At the last meeting of the Potsdam Conference, Molotov proposed that the decision that "reparations should not be exacted from Austria" be included

in the Protocol but not in the communique which was to be
released by the participating governments immediately after
the conference, and it was agreed upon. (34) Thus the
Potsdam Communique referred only to the question of recognition
and extension of the Menner Government, deleting the clause
that Austria was exempted from reparation claims. But the
section on the German Assets included two significant
paragraphs, also published in the Communique, on the basis
of which the Soviet Union justified its unrestricted claim
to all German property in eastern Austria. These clauses
were, firstly, "the Soviet Government renounces all claims
to shares of German enterprises which are located in the
western zones of Germany as well as to German foreign assets
in all countries except those specified in paragraph 9 below";
and secondly, paragraph 9 stated: "the governments of the
United Kingdom and the United States of America renounce
their claims to shares of German enterprises which are located
in the eastern zone of occupation in Bulgaria, Finland,
Hungary, Roumania and eastern Austria." (35) Moreover, no

(34) Ibid., Thirteenth Plenary Meeting, 1 August 1946, pp.
462-3. Monsieur De Callieres' phrase "the clock-
maker's patience" effectively expresses the extremely
essential quality of patience in diplomatic encounters.
Monsieur De Callieres, On the Manner of Negotiating with
the Princes (first published at Paris in 1716), A.F.

(35) Potsdam Conference, n. 23, "Protocol of the Proceedings
of the Berlin Conference" section III, paragraphs 8 and
9, pp. 1456-7.
one at that time cared to give an exact and precise definition to the term "German External Assets" which left the question of its interpretation at the mercy of the government concerned. Thus the blunders resulting from Western impatience and haste at this initial stage led to the entanglement of these powers in Austria for ten long years and exposed Austria to economic exploitation by the Soviet Union.

V. The Bid for Austro-Soviet Company, Second Control Agreement and the Soviet Order No. 17

After the Potsdam conference, the Soviet Union took still another definite step for the control of Austrian economy in which, however, it could not succeed. In order to reconstruct the war damaged Austrian economy on a planned basis the provisional government of Austria, which was still not recognized by the Western Allies, passed a law on 6 September 1945 nationalizing the key industries in Austria. The Soviet refusal to recognize the law was quite surprising. On the other hand, the Soviet Union proposed the formation of an Austro-Soviet Company for the administration of these industries. The main object of this was the exploration, exploitation, processing and sale of products of the oil fields. The terms of the investment were quite harsh for the Austrian government and in spite of this the actual control was to be with the Soviet Union. The sole purpose
seemed to be the monopolistic control of the Soviet Union on
the Zisterdorf oilfields and other industries not only in
her own zone but in the whole of Austria. The Austrian Vice
Chancellor Schaefer described the Agreement as a model of a
"societas leonina" of a company in which one has only rights
and the other only duties. (36) The Soviet Authorities
were exerting pressure on the provisional government to agree
to such an Austro-Soviet oil corporation. They threatened
Menner with withdrawing support to his provisional government
and ordered him to sign it before 10 September. In the
meanwhile the United States Authorities came to know about
it and advised Menner not to agree to it till the matter
was brought to the Allied Council Meeting which was to be
held on 11 September. Accordingly, Menner government turned
down the proposal on the ground that the provisional
government was still not entitled to speak for the whole
of Austria, and that the other members of the Allied Council
should also be consulted in this regard. The Soviet Union,
however, seized the Zisterdorf oil fields, which were in
their zone of occupation, on the ground that these were
German External Assets ceded to her under the Potsdam
Agreement. Earlier the Soviet Union had seized some other
industrial enterprises and had removed machinery from the

industrial plants of Austria and the process continued in the years to come. (37)

The question of the currency reform and the subsequent Soviet demand for the return of the Reichmark loan which she had given to Austria actually seizing the money from Austrian banks, the food situation, the rushing of the UNRRA aid, the problem of displaced persons, of demobilization and the like hampered the smooth working of the Allied Commission in Austria and consequently of the Austrian government. At the same time the bare existence of the Commission on the Austrian territory did ensure a certain degree of cooperation in discussing the various problems that arose from time to time.

During early 1946 the Austrian government made many pleas for the relaxation of the Allied control on Austrian administration. It considered this an anomaly that a freely elected parliament should require the consent of an outside authority for its laws to be effective. Seitz, the socialist member of the Parliament, appealed to the occupying powers to allow the Austrian parliament to enjoy its right to democratic freedom - the right to conclude laws for its own land - as every parliament has. He

emphasized that the democratic lands of Europe can protect their most important and greatest idea of democracy only by allowing it to function in all lands. In the meanwhile the question of the revision of the Control Agreement of July 1945 was already under consideration and on 28 June 1946 a revised Control Agreement was signed in the Allied Council. (38)

This Control Agreement again pledged its support to the Moscow Declaration to reestablish a free and independent Austria and redefined the nature and extent of the authority of the Austrian government. The main structure of the original Control Commission was held intact, but the Commission was now to exercise its powers primarily through the Austrian Ministries. The Allied Council, however, could act directly in matters like demilitarization and disarmament, war criminals and displaced persons, German assets and such other matters that directly concerned the occupying powers. It also removed the remaining zonal barriers for trade and traffic. Of greatest significance was Article 6 (a) which stated that "all legislative measures ... and international agreements ... except with one of the occupying powers, shall, before they take effect ... be submitted to the Allied

Council." Constitutional laws required the written permission of the Allied Council before being put into effect. In case of other legislative measures and international agreements "it may be assumed that the Allied Council has given its approval if within thirty-one days of the time of the receipt by the Allied Commission it has not informed the Austrian government that it objects to a legislative measure or international agreement." (39)

This created a basis for the reconstruction of the entire state. The authority of the Austrian parliament was in fact increased as it was now authorized to conclude bilateral agreements with any one of the four occupying powers subject only to the notification to the other three. It also gained considerable measure of freedom in legislative matters other than constitutional. Hence, the new Control Agreement was a decisive step towards Austrian independence and a significant concession by the Soviet Union. The Soviet Union could hardly have been unaware of the full implications at the time of its approval, but must have miscalculated the result. (40)

(39) ACA Gazette, ibid., Article 6 (a).
(40) Clute, n. 5, p. 35.
In fact, as the Allied Council minutes show that Article 6(a) was agreed upon in an act of bargaining during the negotiations on the clause. The Soviet Union wanted the inclusion of the clause on bilateral agreements, as it was visualizing a bilateral agreement on the administration of industrial enterprises in Austria, to which the French and the Americans were in opposition. The Western Powers on their part wanted the inclusion of the clause granting Austrian laws effectiveness, if they were not unanimously disapproved by the Allied Council within thirty-one days of their notification to the Allied Council, to which the Soviet Union strongly objected. In a fit of mutual concession both the clauses were agreed upon with slight modifications. Bilateral agreements with any one of the occupying powers were to be notified to the other three and only constitutional laws required unanimous approval of the four powers. Both these clauses turned against the Soviet interests as later events proved and the Austrian government acquired considerable amount of freedom in managing the affairs of the state. On many occasions its actions were challenged by the Soviet authorities but such Soviet attempts to nullify the laws of the Austrian government were invariably hampered by the Western Allies, as ordinary legislation required an approval of just one occupying power. Moreover, the definition of the term
constitutional law was left so vague that this trap also slipped out of Soviet hands. (41) In their over-enthusiasm to gain economic control of the Austrian industries the Soviet negotiators made sweeping political concessions which later, howsoever they tried, they could not reverse.

The Soviet failure to conclude the bilateral agreement with Austria to control her industries, led the Soviet Commander-in-Chief General Kurasov to publish the order No. 17 dated 27 June 1946. Citing the basis of the Potsdam Agreement, this order declared the transfer of all German assets in the Soviet zone of Austria to the Soviet Union. The German assets were interpreted to mean all property owned by the German Reich, German firms, companies and organizations on the Austrian territory, irrespective of the fact whether this property was obtained by Germany by force or with the willing cooperation of the Austrians. By contrast, four days later, on 10 July 1946, the United States conveyed its willingness to transfer all German assets in its zone to the Austrian government and also declared that it would not recognize any property transfers under the Potsdam Agreement which were carried out violating the London Declaration of 5 January 1943. In spite

(41) EXCO (42) 422, 21 May 1946. EXCO (43) 439, 31 May 1946. ALCO (19) 184, 26 March 1946. ALCO (23) 230, 24 May 1946. ALCO (24) 241, 14 June 1946.
of it the Soviet Union organized the USIA in order to administer the German assets, as she defined these in her zone. (42)

The Austrian government had already passed a law on 28 June declaring all transfers of Austrian property to Germans as null and void. On 26 July it passed a nationalization law declaring state control of the great banks and all the key industries in the whole of Austria. The Soviet attempt at the Allied Council to declare the law constitutional, so that it may require unanimous approval of all, proved futile. Kurasov's earlier attempt at the Allied Council to declare the nationalization bill illegal had also failed, and the bill passed its thirtyone days frist to become a law. (43) Finally, the Soviet authority

(42) Office of the US High Commissioner, Military Government in Austria (Vienna, 1946), no. 6, pp. 14-20. The Allies had declared at London in 1943 that property obtained by Germany through force or under duress would not be recognized, DOSB, 21 July 1946, p. 123. The British and the French attempts in the Allied Council to prove that a large portion of Austrian wealth had passed illegally to German ownership were of no avail, Clark, n. 13, p. 466. USIA referred to "Upravlenye Sovjetskovo Imuschestva V Avstrii" meaning thereby the Administration of German property in Austria.

itself declared the nationalization law illegal, as it
contradicted section IV of article 5 of the new Control
Agreement which authorized the Allied Council to act directly
in "the disposal of German property in accordance with the
existing agreements between the Allies." Kurasov refused
to consider himself bound by the law and hence to recognize
its validity in the Soviet zone. (44) Further Soviet
attempts to limit the extent of Austrian authority and
weaken the Control Agreement in its favour also met with
similar failures. The tables were turned against the
Soviet Union even on the clause of bilateral agreements, for
the inclusion of which she had agreed to the clause of so
much legislative independence to the Austrian Parliament.
The Soviet Union had insisted on this clause in an attempt
to get legal control of the Austrian economy through
bilateral agreements, but this attempt proved fruitless.
Ironically this very clause was put forth both by the
Austrian government and the United States to justify
Austrian action to join the Marshall Aid Plan. (45)

(45) EXCO (13) 58, 1 November 1945. ALCO (14) 118, 21
January 1946, Annery A. For a detailed account of
the discussion especially on Article 6(a) and the
subsequent events see William B. Bader, Austria Between
East and West 1945-1955 (California, 1966), pp. 65-76.
William Lloyd Stearman, The Soviet Union and the Occupa-
tion of Austria : An Analysis of Soviet Policy in
The declaration of Order No. 17 and the subsequent events clearly signalled the end of Allied cooperation in Austria. Difference of opinion had characterized the Allied policy right from the start but now they came to the forefront of their dealings. Initially, cooperation characterized their proceedings when faced with the immense common tasks of restoring order in a Europe devastated by war. As, however, they came nearer their goal of restoring a working order, correspondingly, their own differences increased. Marshal Koniev's reply to General Clark that he would have "ten new ones" if the ten demands he had put before the Council were met, signified the nature of mutual Allied attitudes. (46) Curiously enough, the interallied "Komandatura" incharge of the Joint Command of the inner city of Vienna was progressing satisfactorily. There the occupying powers seemed to get on better together than elsewhere. This was unexpected after the delays and difficulties experienced in establishing the joint occupation. Nonetheless, it was a hopeful indication for the revival of cooperation among the Allies on a wider scale.

Thus, the Second Control Agreement reestablished the Austrian State with a considerable degree of political

(46) Clark, n. 13, p. 493.
independence. Even though she did not have economic control over her industries in the Soviet zone, the Marshall Aid did help her a great deal to start the reconstruction of her industries in the western zones. She was, however, not yet a completely sovereign state, as an outside authority - Allied Commission - was still exercising the final control, and foreign troops were still occupying her territory on zonal basis. It was believed that if this nation could be restored to economic life; if it could be relieved of the unsupportable pressure of four power rule, it actually had some chance of life of its own. Moreover, the significant fact revealed initially about the four power occupation in Austria was, while "in Germany they are digging in and watching the movements of one another to see who is preparing to stay longest here they are waiting to see who is ready to move out first." (47) Thus, the willingness to withdraw was there, but the terms of the withdrawal of that outside authority and of the foreign troops were to be agreed upon and this required a treaty. The attempts in this direction were being simultaneously undertaken at various meetings of the council of foreign ministers, of their deputies and other bodies organized for this purpose.