CHAPTER 2
I. Initial Problems

The war time declarations, pronounced Austria to be a victim of aggression, and not an ex-enemy state, as she had been involved in the war only as a part of Hitler's empire. The problem of the Austrian Treaty, therefore, related to the restoration of the Austrian state which was annexed by Hitler by the Anschluss of 1938. Legally speaking this did not require a peace treaty to be signed between the occupation powers and Austria, as was deemed to be the case with the other satellite states. Austria as a state being non-existent during the entire period of war in Europe, a state of war never existed between the Allies and Austria. The problem, thus was one of formulating a state treaty for the reestablishment of a democratic and independent Austria. Apparently this task was thought to be one of constituting a popular government on the basis of free elections in the country and then agreeing to the terms of withdrawal of the occupation forces from the Austrian territory. (1) Once the Big Powers actually embarked on

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the task of working out a solution to this problem, which had as its objective the reestablishment of the Austrian state as a sovereign entity, it turned out that they had uncovered a most intricate problem in which were intimately interwoven threads of nearly all other problems besetting the European continent at that time.

Immediately after the liberation the extremely ruinous economic situation in Austria occupied the minds of the four powers. UNRAA aid was rushed to help maintain the minimum living standard of the population. (2) At the same time the internal political situation was considerably stabilized when a central government constituted on the basis of free elections started functioning towards the end of 1945. It was therefore hoped that the reconstruction

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In view of the peculiar Austrian situation the Austrian Vice Chancellor, Adolf Scherf had requested the four powers to sign, not a peace treaty but a state treaty with Austria. Wiener Zeitung (Official Newspaper of Government of Austria, Vienna), 6 April 1946.

of an independent state would be relatively smooth procedure. However, the Soviet desire to incorporate Austria into her economic and political orbit and the Western efforts to block this attempt in order to have their stronghold in the area created a stalemate which lasted for years to come and Austria declared to be a liberated country, came to be occupied by its liberators for a longer period of time than that of the Nazis. Kenneth Lindsay, a member of British Parliament, clearly described the situation when he said that many places in Europe -

epitomise the struggle between East and West .... But Austria (and particularly Vienna) with its body in the East and its heart in the West, the victim of quadripartite liberation, is perhaps the best place to assess the conflict. In fact, of course, there are some interesting and minor disagreements between British, American and French, but the main clash is between East and West. (3)

As the annexation of Austria was the first step which later on proved to be a convenient springboard for the grand nazi strategy of world conquest, a thorough

(3) Kenneth Lindsay, "Austria and Britain", Spectator (London), 11 October 1946, pp. 358-9. J. Freeman, "Struggle for Austria", New Statesman and Nation 20 July 1946, pp. 42-43. The peculiar Austrian situation during these days is well depicted in Kenner's simile of four elephants in a rowboat each steering it in a different direction. For a study of the nature of general international conflict in the post second war decade see G.L. Arnold, The Pattern of World Conflict (New York, 1955).
denazification and demilitarization of Austria were the agreed preconditions for her independence. In a vigorous attempt at denazification, the Austrian Government either suspended or pensioned off a considerable number of persons from government establishments. A similar attempt was being made in the field of private enterprise. (4) Meanwhile, the United States Secretary of State, Byrnes, tried to raise the question of the Austrian treaty at the first session of the Council of Foreign Ministers at Paris which was convened to discuss the peace treaties with the former enemy states in Europe viz., Bulgaria, Finland, Hungary, Italy and Roumania. Earlier, in February 1946, the United States had informed the Council of her intentions to discuss a treaty for

(4) Gazette of the Allied Commission for Austria (Vienna) December 1945- January 1946, no. 1, "Prohibition of Military Activity in Austria" and Gazette no. 2, January 1946, "The Denazification of Austrian State Machinery", Theodore E. Kyriak (compiler), The Allied Commission for Austria: Official Minutes of the E38 Meetings of Allied Council and its Executive Committee (Microfilm, Maryland, 1958), (hereafter these minutes are referred to as ALCO for Allied Council and EXCO for the Executive Committee; EXCO (11) 44, 26 October 1945, Annex I, EXCO (18) 91, 27 November 1945. The number within brackets denotes the meeting and the one outside denotes the minute. For a detailed exposition of the need for denazification in Austria see Alfred Werner, "Austria Has a Mission", Journal of Central European Affairs (Colorado), vol. 7, pp. 406-13.
Austria. When the issue was actually raised Molotov declared that his delegation had not had the opportunity to go through the paper submitted by the United States. He also made it clear that since the Austrian treaty called for special consideration it could not be taken up till the other treaties in hand had been completed. Byrnes' further meeting with the Soviet delegation over dinner bore no fruit at the conference table and the Austrian question could not be put on the agenda of the first session. Another attempt by Byrnes to include the Austrian question on the agenda of the next session also proved futile. Bevin, the British Secretary of State for Foreign Affairs, also made a vain attempt in this direction because he was convinced that an early solution of the Austrian question would pave the way to successful solutions of the other European problems. (5) Molotov seemed determined not to commit himself and just declared that the question was still not ripe enough and that no delegation had till then submitted any draft proposal as a basis for discussion. He also specified that

the inclusion of the Austrian question on the agenda of the next session would lead to unnecessary complications as the conference was still to complete the peace treaties with the other European states. (6) The French role at this initial stage was quite subdued.

Before the suspension of the first session of the Paris Conference the United States had circulated a draft treaty on Austria in the form of a memorandum describing the main bases on which the Austrian state could be restored. Its distinctive points were the reestablishment of Austrian state within the boundaries of 31 December 1937, with the exception of South Tyrol, and a four power guarantee of its independence under the authority of the Security Council. It further visualized an end of Four Power occupation and reestablishment of a democratic Austria with economic viability and limited military power. (7)

The Austrian leaders also were very active in pressing for an early conclusion of a State Treaty. They were not prepared for political independence without economic security. The federal President, Renner, therefore,

(6) Tass (Moscow), 16 May 1946.

emphatically stressed that all Austrian property should be placed at the disposal of the Austrian people and their government. (8) Before the second session of the Paris Conference began, Gruber, the Austrian Foreign Minister, visited London. During his talks with the British statesmen he specifically asked for -

1. the signing of a treaty between the four occupying powers and Austria clearly establishing her position (asserting that this would not be a peace treaty, because Austria had never declared war but was a victim of German aggression);

2. the immediate ending of the division of Austria into four zones, and the progressive withdrawal of the occupation troops;

3. frontier rectification in Austria's favour in South Tyrol;

4. opening of the Danube from source to mouth for the shipping of all the Danubian states;

5. full use and access to the port of Trieste;

6. withdrawal of all claims on Austrian industries for German reparations payments;

7. admission of Austria to the United Nations.

Referring to the confused position in which Austria was left by the four powers, Gruber said that "Austria's chief handicap is that she is classed neither as a friend nor as an enemy. The uncertainty of our

(8) \textit{Wiener Zeitung}, 7 May 1946. The members of the coalition government in parliament enthusiastically supported Renner's viewpoint, see Ibid, 16 and 21 May 1946.
position is so discouraging that sometimes we feel we would almost rather be classed as 'enemy' and know where we are ...." (9)

This ambiguous position did, in fact, detract from the smooth functioning of the treaty negotiations, and nowhere was it more in evidence than in regard to the question of the German assets. At the same time it became evident that the Austrian political elite were clear about their policy objectives from the start, in the light of which they tried to influence the course of negotiations through whatever channels were open to them, themselves not being equal and direct negotiating partners at this stage. (10)

When the foreign ministers of the Big Four again met at Paris for the second session of the Conference, Molotov was still unwilling to start discussion on the Austrian State Treaty, though he did not oppose it directly.

(9) Times (London), 4 June 1946.

At the behest of the French Foreign Minister, Bidault, the Council agreed on an examination of the Austrian question as the last item of the agenda. Meanwhile, the British delegation had also submitted its draft treaty. The question, however, was taken up only on the final day of the conference on 12 July 1946, when Byrnes suggested that the special deputies be instructed to study the drafts available or any other which might be submitted by the other delegations. In response, Molotov presented a resolution calling attention to the increased authority and independence to be granted to Austria under the Second Control Agreement, asking for an evacuation of the refugees in Austria as a necessary prerequisite for restoring her full independence, and making it specific that the deputies would be permitted to begin work on the Austrian treaty only after the other five treaties were completed, and after taking into account the extent to which Austria has "liquidated Nazism and strengthened democracy". (11) The British and the French were willing that the deputies be asked to prepare a draft treaty on Austria and the Allied Council be instructed to investigate and report on the progress of denazification and on the problem of displaced

persons. The Soviets, however, were insistent on more tangible action on the two problems of denazification and displaced persons before the deputies could be allowed to take up the work of the treaty. (12)

In view of the negative attitude of Molotov, discussion on the provisions of the draft treaty could not be started even at the second session of the Paris Conference. The arguments continued to be, as described by a participating member at the end of the London Conference of September 1945, like that of "a phonograph record played over and over again". This was quite in tune with Soviet negotiating style of repeating their stand once taken till they found themselves in a position to "negotiate back". Nonetheless, Byrnes felt that the time taken in discussing the problem was not wholly lost, "because our experience suggests that understandings, particularly with our Soviet friends, cannot be reached until we have gone through rounds of verbal combat, in which old complaints are repeated, past positions reaffirmed, differences accentuated and crisis provoked." (13) An early conclusion of a treaty


with Austria might in fact, have meant not only economic loss to the Soviet Union, but also the withdrawal of her troops from Austrian territory for which perhaps the Soviets were not willing then. (14) Their troops were poised in Austria, awaiting the conclusion of the treaties with the other Central European States, in order to facilitate the communist takeover. Withdrawal of troops at this time would thus have further frustrated Soviet political designs. This initial frustration of Byrnes’ efforts to start negotiations on an Austrian treaty has been attributed, to an extent, to his neglect of a "tie-in" at this stage as the Soviets had keen interest in the other peace treaties. The "tie-in" technique might have set the

ball rolling in the desired direction. (16) In the meantime the Soviet Union ordered the transfer of the administration of the Danube Shipping Company to Soviet control as former German assets in accordance with the Potsdam Agreement. At the same time the Austrian Federal Chancellor, Leopold Figl, made known the Soviet demand to sign a compensation agreement for the help extended to the city of Vienna in the period after liberation. This demand was, firstly, in the form of industrial products worth ten million Austrian Shillings, and secondly, goods made out of raw material sent from the Soviet Union worth another twenty million Shillings. The Austrian Government, however, did not take any final decision immediately as it wanted to talk it with the other occupation powers. Moreover, in view of the vague terminology it was necessary to define the Agreements specifically so as not to include the property which was Austrian before 1938. This was essential

for the survival of Austria and the fulfilment of the London and Moscow Declarations. (16)

Notwithstanding the Austrian protests the Supreme Commander in Chief of the Soviet occupation troops published on 6 July 1946, Order No. 17 dated 27 June 1946, declaring the transfer of German property in eastern Austria to the "ownership of the Union of Soviet Socialist Republics as German Reparations Payment", to be controlled by the Administration of Soviet Property in eastern Austria. In clarification of this order, Commander General Major Zinov justified the Soviet action in accordance with the Potsdam Agreement under which the Soviet Union was entitled to have all German assets in the Soviet zone in Germany as also in Bulgaria, Roumania, Hungary and eastern Austria. He indicated various kinds of properties covered under this order and also declared that had the Austrian Government extended their goodwill, it would have been possible to

have so administered the property as would benefit the economic interests of both the countries. (17)

In response to the strict Soviet attitude the Austrian parliament took a bold step and passed the second Nationalisation Law on 26 July 1946. This evoked another stern note from the Soviet Commander in Chief declaring the nationalization void. In a similar tone the Soviet political representative, Koptjelow, warned the Austrian Government of the serious consequences of disobedience of Soviet orders. (18)

(17) Text of the Order No. 17 in the Red Army Newspaper, Österreichische Zeitung (Vienna), 6 July 1946. Also in DOSB, 21 July 1946, p. 123. Zinov's clarification in Wiener Zeitung, 9 July 1946. In continuation General Zinov sent a supplementary Note to the Federal Chancellor, Leopold Figl, dated 16 July 1946 in which he further specified which assets go to the Soviet control under Potsdam Agreement. He also clarified that if in the transfer of the assets to the German hands "the element of violence or incomplete payment is established (confirmed by documents) the Soviet command will, in such cases, either go about returning the assets to their former owner on condition that reparation be made to the Soviet Command for all sums received by the latter from Germans or vice versa, may agree in the event of retaining to itself the rights of ownership to pay the difference to the former owner between sum actually received by him and the real value of the property according to its condition on the day of negotiations." Text of the note in World Peace Foundation, Documents on American Foreign Relations, 1 July 1946-31 December 1946 (Boston, 1948), vol. VII, pp. 287-8.

(18) Text of the notes in Wiener Zeitung, 27 July 1946.
While this tussle was going on, the United States expressed its willingness to renounce its share in the German assets in Austria and also made it clear that it—

will recognize no physical transfer of property as conforming to the terms of the Potsdam Agreement which does not also conform to the terms of the United Nations Declaration on forced transfer of property and which does not leave to Austria the sovereign control of an independent country over the resources within its orders which was envisaged in the Moscow Declaration of 1943. (19)

As the Austrian Government's stand was being clarified on the problem of German assets in Austria, the British Government also renounced its claim to German assets in British occupation zone. Later the French representative on the executive council also conveyed his government's intention to put the German assets in the French occupation zone at the disposal of the Austrian Government for the reconstruction of the Austrian State. (20) This sort of open opposition to the Soviet Order No. 17 and subsequent anti-Soviet attitude followed by the United States, with the

(19) Full text in OSS, 21 July 1946, pp. 123-4. Also see EXCO, (17) 90, 20 November 1946.

British and the French supporting it, was strongly resented by the Soviet authorities. (21) It was quite obvious that any effective implementation of the nationalization laws passed by the Austrian Government would not be permitted in eastern Austria. Thus the lacuna regarding the claim to German assets which was slurred over at Potsdam, developed into a major rift in withholding a settlement on Austria. It was, however, believed that the successful reconstruction of Austria could take place with some foreign aid provided her resources were completely under her control and were fully exploited by wise planning. Besides this, much depended on Great Powers "ceasing to use her as a cockpit for disputes which are basically irrelevant to the Austrian economy". (22)

(21) Izvestia denounced the Nationalisation Law as 'illegal', 31 July 1946. Also see Soviet Politik gesamteher Oesterreich, n. 11, pp. 25-27 and 29-32. The following Allied Council meetings are also revealing, ALCO (28) 301, 2 August 1946; EXCO (63) 597, 20 August 1946; ALCO (30) 321, 23 August 1946.

Nevertheless the Soviet negotiators exhibited a rigidity in the tenacious pursuit of their predetermined objectives, which had obviously been spelt out with clarity by their policy makers. If the Western negotiators responded by similar hard line tactics, the Soviets yielded partially, or clamped down in their positions, leading to a deadlock and breakdown in negotiations. At the end of the first session of Paris conference, Secretary Byrnes had already realized that peace making was "a long and hard process" requiring "patience and firmness, tolerance and understanding" in which none of the parties should carry an impression that it can "impose" its will on the others. (23)

II. Paris Peace Conference : The question of South Tyrol And the Aftermath

The Paris Peace Conference opened on 29 July 1946 to discuss the satellite treaties. In this connexion the setback to Austria was the Austro-Italian border settlement in favour of Italy by allowing her to retain South Tyrol already ceded to her by the Treaty of Saint Germain, quite in defiance of the then proclaimed principle of self-determination of nationalities. Austria ultimately

acquiesced to it through an Austro-Italian agreement which recognized the region as having an autonomous status. This step was taken in the hope of an early conclusion of an Austrian Treaty. (24) The Nuremberg Judgement also extended a helping hand at this stage in reinstating the Austrian image. It expressly clarified that "the invasion of Austria was a premeditated aggressive step in furthering the plan to wage aggressive wars against other countries". This implied that Austria bore the seven years nazi occupation under pressure and force, and hence, in no way could be held

responsible for the aggressive policies of Hitler. (25) This, however, did not help in extricating Austria from the German assets question. On the other hand bitter conflict arose over German assets in all future attempts at the solution of the problem. Perhaps, it might have had some moral effect in invigorating Austrians to carry on their struggle to regain their right of self-determination. It also supported the Western insistence on considering Austria as "a victim of aggression" and on treating her accordingly.

Despite all these gestures Devin's efforts to press for an early conclusion of the Austrian treaty did not bear fruit and the Austrian question could not be discussed at the Paris Peace Conference. Nonetheless, President Truman assured Gruber that the United States would do its utmost to relieve the difficult situation in Austria and help her resume a place in the family of nations. The Department of State reiterated that Austria should be treated as a liberated area and contradicted the Soviet

interpretation of the Potsdam Agreement concerning German assets in the land. (26)

The Austrian statesmen were also active in pressing for an early and just solution of the Austrian problem. Celebrating 950 years of Austrian State, Federal Chancellor Figl appealed to the Big Four to give Austria an opportunity to be a bulwark of freedom, democracy and peace in Europe. He said, "we thank you for having liberated us, now crown your work by granting us liberty". At the same time, in New York, Foreign Minister Gruber was pointing out the heavy cost, Austria had to pay for its occupation, which was hindering its rapid reconstruction. (27) One significant aspect of the Austrian diplomacy revealed at this stage was the presence of the Austrian delegation at every place where there was a possibility of Austrian question being discussed by the representatives of the Four Powers. The Austrian delegation, though not invited to these conferences as an equal partner till the Berlin conference of 1954, used to be in contact with foreign ministers or


their deputies individually on all such occasions. They were able to play a worthwhile role in collecting information regarding the viewpoints of the several participating powers, and furthermore, canvassing amongst them support for their own positions.

At New York, the Council of Foreign Ministers finally agreed to the five "satellite" peace treaties. The Western Allies, therefore, raised the German and Austrian questions and received Molotov's positive response. He agreed to place Austria on the agenda of the next session of the Council of Foreign Ministers to be held at Moscow in the spring of 1947. It was, however, made clear that the Austrian problem would be taken up only after a German settlement was arrived at. Byrnes and Bevin renewed their proposal that special deputies be instructed to start work immediately for preparing a draft treaty on Austria. Molotov agreed to this also and the deputies were asked to start work from 14 January 1947 at London. (28) This was an important step in the process of negotiations on the Austrian question. The first delaying phase seemed to be over and a stage was set at least to start discussion.

In view of the New York Agreement, it was certain that the deputies were soon going to start the negotiations.

on the treaty. President Renner, therefore, emphatically put forth the Austrian request "to be heard". "We know best", he continued, "which interests are the most important for Austria; hence "we must be invited to the conference, thereby giving us an opportunity to represent our case by ourselves." Above all, he insisted that the "powers should negotiate not on us but with us." Renner further warned the powers of the evils that could emerge from a dictated peace and expressed the hope that the conclusion of the State Treaty should bring the end of occupation, return of the prisoners of war, all possible means of economy under Austrian control and complete political freedom to handle the affairs of the state. (29)


The deputies of the foreign ministers started their consultations at London on 14 January 1947 as scheduled. At the outset they agreed to title the treaty as a "Treaty for the reestablishment of an independent and democratic Austria". Later, they accepted the Austrian expression "State Treaty," instead of just "treaty" or "Austrian Treaty". The expression "Peace Treaty" was deliberately avoided.

Nonetheless, a number of Articles of the Balkan Peace treaties found their way in the draft during the London consultations and later. (30)

At London, the United States, Great Britain and France had their proposals for the draft treaty but the Soviet Union chose just to express its views on the different clauses of the proposals at hand. An Austrian delegation was also present at London. It was invited for consultation, whenever the need arose. There was general agreement that the treaty would consist of a preamble and three parts - political, military and economic. The preamble was to emphasize Allied desire to conclude a treaty with Austria and support her candidature to the United Nations. The Russian delegate Marshal Gusev brought in the question of the Austrian responsibility for participation in the war on the side of Germany. The United States and the Great Britain opposed its inclusion. Ultimately the French wording was accepted which read: "Austria cannot avoid certain responsibility arising from this participation in the war." The agreement was worked

out in the committee formed for the purpose, however, it was not supposed to be final. (31)

The special deputies then turned to the political clauses. The main points in this connection were; first, the recognition of Austrian independence and sovereignty; second, boundary question; third, treaties entered into by Austria in the past; fourth, the recognition of human rights, and fifth, the withdrawal of the occupation troops. The final text of Article I of the treaty was soon agreed upon. According to this, the Allied and Associated Powers recognized the reestablishment of Austrian independence and sovereignty. As regards ensuring the political and economic integrity of Austria, General Clark supported the revised British proposal and suggested that the Allied and Associated Powers should guarantee Austrian independence within the UN security system. The French standpoint was

(31) Grayson, n. 1, p. 140, and p. 153. This reference was dropped from the final text of the treaty at the Austrian request. At this stage the French representative had emphasized the necessity of Big Four guarantee of Austrian independence and a promise from Austria to refrain from any action that would endanger her independence. The German treaty was also to renounce an interest in the Austrian state. This was the beginning of the idea of Austrian neutrality though not specifically expounded at this stage. Wiener Zeitung, 21 January 1947. Similar glimpses can be found with reference to the economic survival of Austria. See Oskar Helmer, Österreichs Kampf um die Freiheit (Wien, 1949), p. 27. The significance of formulating "proposals" and "counter proposals" as against placing "demands" at the starting point of negotiations is referred to by Neil W. Chamberlain and James W. Kuhn, Collective Bargaining (New York), pp. 51-57.
that a special protocol should be issued for this and it should be included in the treaty as well. It also emphasized a specific denial of Anschluss with Germany. Marshal Gusev supported the denial of Anschluss but saw no reason for a special guarantee of Austrian independence as visualized by the American and the French representatives. He thought that the guarantee given in the U.N. Charter was quite sufficient. Lord Hood suggested that firstly the Austrian Government should denounce the Anschluss and undertake the responsibility of never allowing a union of Austria and Germany to take place. Secondly, the German treaty should include a corresponding clause renouncing the German right and claim on Austrian territory and recognizing Austrian independence. This was agreed upon by all. A further clause declaring the Anschluss null and void and the other political, economic and legal consequences following therefrom, could not be decided. After a lengthy debate on this, the delegates agreed to turn to other political and economic clauses of the draft before the matter could be taken up again. The American delegation tried to raise the boundary and the citizenship questions but the discussion on these was postponed till the Austrian viewpoint was explained. (32)

The Austrian Memorandum was submitted to the conference on 29 January 1947. It stated that Austrian independence be reestablished within the boundaries of 1937; that Austria denied any responsibility for German action during the war and since it was a forced merger, Austria should be exempted from reparations; the treaty should further provide for the withdrawal of troops and the dissolution of the Allied Commission; Austria should be permitted an army to defend her frontiers, the Allies should recognize the Austrian law declaring null, the transfer of Austrian property to German hands. Besides this, the memorandum emphasized some special points in which Austria accepted to withhold the democratic and human rights of her citizens, appealed to the Big Four to support her candidature to the U.N., return her prisoners of war, relieve her of the displaced persons and the refugees and provide for compensation for damages done to her by Germany during the occupation. It further expressed Austrian willingness to return Allied property found on the Austrian territory in the hope that reciprocally Austrian property in other territories would be restored to them. Austria accepted her debts as they stood before 1938, provided reasonable conditions were negotiated. Finally, the memorandum stressed the Austrian interest in the free and unobstructed use of the Danube for international trade.
Austrian Federal Chancellor, Figl, emphasized these points once more when he personally presented the memorandum to the conference. Giving the basis of the Nuremberg Judgement he stressed Austria's moral right to be treated as a liberated State. He specified that for the stabilization of interstate relations in the Alpine region, politically free and economically viable Austria was an unavoidable necessity. Hence, Austria, he held, should not be saddled by burdens which would hinder the work of her reconstruction. (33)

The Soviet delegate, Gusev, tried to make Gruber accept Austrian responsibility for participating in the war with Nazi Germany and also the Soviet interpretation of German assets in Austria. Perhaps this was an attempt by the Soviet delegation to provide a legal basis for its seizure of German property in Austria with Austrian consent. This would have further strengthened Soviet claims to reparations and her policy of limiting the partial independence granted to Austria under the Second Control Agreement. The British, American and French attempts to rescue the Austrian Foreign Minister were fruitless. On the other hand, Gusev invited Federal Chancellor, Figl and the Vice

Chancellor, Schaarf for personal talks and gave them the impression of complete understanding of the Austrian question and a desire for its satisfactory solution.

A long debate on the United States-French proposal for withdrawal of troops from the Austrian territory within 90 days of the coming into force of the treaty and the dissolution of the Allied Commission along with it yielded no final agreement though the matter was taken up by the military committee. A dispute also arose over the formulation of the clause forbidding Austrian political and economic union with Germany. The point of dispute was the phrase "pangermanic propaganda". General Clark was against including it, as it would give a pretext to other states to interfere in the internal affairs of Austria. He referred to the Soviet reactions in the Allied Council whenever the word "Germany" appeared in any Austrian newspaper. Gusev strongly protested against this and emphasized that the special representatives should maintain loyalty among themselves and to their respective governments. An agreement was, however, reached at this stage on six out of ten Articles in the political section. (34) Resuming discussion on the political clauses at a later date, Austria was asked to continue the law of 1919 banning

(34) Ibid., 1, 2, 9 and 12 February 1947.
the return of the Habsburgs. According to a Soviet proposal the words "and democratic" were added to the clause that "Austria would be a sovereign independent state". No agreement was reached on the clause of Austrian citizenship, and in particular differences were recorded on the five clauses referring to the citizenship and stay of the Germans in Austria. Great Britain wished to exclude these clauses. The United States and France agreed to include these provided they were limited to Nazis. The Soviet Union wanted these to be applicable to all the Germans in Austria. (35)

Yugoslav territorial claims against Austria played an important role at the Deputies Conference at London. The very first conflict arose over procedural matters in this connexion. The Soviet delegate suggested that only Yugoslavs should be heard while the U.S. delegate wished to give a chance to the Austrians as well. Little concessions on both the sides led to a compromise to hear both the delegations. (36) A Yugoslav memorandum was submitted to the Deputies Conference on 14 January claiming parts of Styria and Lower Carinthia where the population consisted of a majority of Slovenes. It also asked for

(35) Ibid., 19 February 1947.
(36) Clark, n. 14, p. 484.
the prevention of "Germanisation" of the Croats of Burgenland. In this connection, Wilfan, the Yugoslav Foreign Minister, stressed that Austria was a component part of the Nazi war machine, and even otherwise she had always been the vanguard of German oppression over many peoples, Slovenes, Croats, Serbs, Czechs, Italians, and Poles. (37)

The Austrian Foreign Minister, Gruber, was heard next. On the basis of 1920 plebiscite held under the League of Nations and recognized then by Yugoslavia, he defended Austria's rightful claim to that region. Even in the 1946 elections, he explained that none of the parties contesting elections in the region, was in favour of the division of the area or its ceding to Yugoslavia. The Slav freedom front withdrew voluntarily from the elections. Wilfan,

however, expressed his blunt refusal to accept the argument relating to the 1945 elections. Immediately after this Gruber "was closely questioned by Gusev and other Russians who were obviously hostile" and the question of frontiers remained unsettled. (38)

The London Conference then came to the discussion of the military clauses. The French-Soviet proposal that Austria should annually announce the numerical strength of her army was turned down by the United States and Britain on the ground that such a demand could be made by the United Nations, and moreover, as the British representative remarked, the announcement could be inexact. Despite a preliminary discussion in the military committee as regards the strength of Austrian army, differences still existed on the clause. The Soviet Union and France wished to limit it to 50,000 men while the United States and Britain stood for 55,000 men. Both included the police force and air force personnel. The Soviet proposal that the Austrian army should be equipped only with the weapons of indigenous production encountered British opposition. According to the Allied Commission report all significant factories producing war material were

(38) Wiener Zeitung, 15 February 1947. Clark, n. 14, pp. 484-5. The author has also illustrated in this connexion how the framing of negative question gives an advantage of reverse veto to the sponsor.
being destroyed and this was bound to render Austria incapable of equipping her army at all till a period of at least two years, if the Soviet proposals were accepted. Differences of opinion also arose over the Soviet viewpoint that only those persons should be admitted to the army who were Austrian citizens before 13 March 1938 and in no case members of any nazi organization. It was, however, agreed that Austria could possess an airforce of 90 aeroplanes and 5,000 airforce personnel. Out of the 90, only 70 were to be war planes but not bombers. The Soviet Union withdrew her proposal of allowing only 70 planes and 4,000 men but pointed out that although such a small territory, Austria had 54 aerodromes (only 18 of these were demilitarized) which she did not need for the 90 planes to be allowed to her. In 1938, Austria possessed only 3 aerodromes. There was a unanimous approval of the clause that military or air force training should be strictly restricted to army and air force personnel. Austria was also asked to help the Allies in the continued demilitarization of Germany. The Allies agreed to withdraw the occupation troops latest within ninety days of the coming into force of the treaty, though they continued to differ on the question of the dissolution of the Allied Commission. Austria was forbidden atomic weapons, missiles, submarines, U boats, manned or automatic torpedoes and any artillery
weapon of more than 30 kilometers range as also poisonous gases. She was not to produce or own any extra quantity of material than that which would be essential for her sanctioned military strength. In no case she was to produce civil aeroplanes of German or Japanese patent and if she possessed any, these were to be handed over to the Allies. Austria was also denied any scientific research in the field of atomic energy, distant missiles and other special aggressive weapons. The military clauses were to remain in force till these were either changed by mutual agreement or till Austria became a member of the United Nations. (39)

The most significant problem of German assets in Austria was discussed by the deputies on 19 February. The British viewpoint was represented by James Marjoribank in place of Lord Hood. He signified German assets as only those property interests in commercial and industrial undertakings which were in actual ownership of Germans on 2 August 1945 and, either were under German ownership since the Anschluss of 1938, or were acquired by Germans without force or duress. Financial institutions were exempted from this. Property which would not be upheld by the Allies, was to be handed over to the Austrian Government, which in

(39) Details of the discussion on the military clauses, Mainzer Zeitung, 13, 19 and 23 February 1947.
turn would undertake to eliminate German interests from such ownership. In the international zone of Vienna seventy-five per cent of the property was to go to the Western zone and twenty-five per cent to the Eastern. Accordingly, the Austrian Government was to be asked to prepare a list of the value of German assets in the Eastern zone in consultation with the Soviet Union and in the Western zone in consultation with the other three powers. The British representative also suggested to establish a property commission of the four diplomatic missions, which would handle all related questions.

Gusev presented his memorandum incorporating the following main points:

1. Austria should recognize the Potsdam Agreement on German assets and undertake all necessary measures accordingly;

2. All former German assets which have gone to the ownership (reached the ownership) of the big four should not be subjected to expropriation, requisition or seizure without the consent of its rightful owner;

3. As German assets are to be viewed all property, which was German before the Anschluss, which was transferred to German nationals as a result of purchase or sale after the Anschluss with the exception of such transactions as were made under direct force, and finally, undertakings, which grew up or developed further as a result of German investment after 1938.

General Clark opposed the proposals on the ground that the Soviet Union thus wanted to legalize all expropriations
made by her in the Soviet zone without considering the interests of Austria. He and the French representative, Couve de Murville, stressed the need of a clearer definition of the Potsdam Agreement which would not hamper the main object of reestablishing a sovereign and independent Austria. Gusev, however, was not prepared for any such reinterpretation and hinted that the Soviet Union preferred direct settlement with Austria in this connection as was being done in the cases of Roumania, Hungary and Bulgaria. (40)

On the concluding day of the London negotiations, out of sixty-three Articles at hand, written reports were ready on fifty-four, half of these were agreed upon by all the four powers. On the rest, difference of opinion was recorded. The unagreed clauses were to be referred to the Moscow Council of Foreign Ministers. (41)

(40) Ibid., 20 February 1947. The complications arising out of ambiguous agreements and the role of specificity in international negotiations are discussed by Ikele, n. 15, pp. 8-16.

(41) Wiener Zeitung, 25 February 1947, Stourzh, n. 30, p. 305. He says that the draft treaty discussed at London consisted of a preamble and fifty-nine Articles, half of which were agreed upon by the deputies. At the conclusion of the Moscow Conference, however, the United States reported that an agreement was reached on the preamble and 33 of the 53 Articles of the draft treaty, DOSB, 19 October 1947, p. 767.
Reviewing the London negotiations, Moscow emphasized that the Soviet right to German assets was non-controversial and any attempt at its revision would only delay the conclusion of the State Treaty. The treaty, it said should separate Austria permanently from Germany and put an end to pan-German propaganda in Austria, it should also guarantee that Austria would never be misused for aggression on her neighboring states, at the same time all preconditions should be ensured for the establishment of a real democracy in the country. In principle, these preconditions were also accepted by the Western Powers, but the differences continued due to their differing interpretations of these principles. As early as 1945, the renowned Austrian publicist, Alfred Werner, had emphasized that "Austria will be fit to live if the Allies help her efficiently to stand on her own feet." The Allies also recognized that a politically independent Austria needed economic security; the problem was how much "efficient" they were willing to become in order to help her attain that security. Thus, the end of the London Conference left some vital points of dispute. Significant among these were the problems of German assets including the definition of the term, whether the treaty should be signed by the Big Four or also by the other eighteen Associated states, the question of holding Austria
responsible for German aggression, the question of a Four Power guarantee and of respecting the territorial integrity of Austria, the measures to be undertaken to forbid pan-German propaganda in Austria and the Yugoslav territorial claims. (42)

The London Conference lasted for almost two months and achieved some substantial results, but the controversy over the vital issue of German assets in Austria assumed menacing dimensions. Legally speaking there was no flaw in the Soviet claims to German assets in Austria as the Potsdam Agreement did allocate these to the Soviet Union in lieu of her partial reparation claims from Germany. Western refusal in accepting this was also not totally devoid of a legal basis in so far as the unpublished protocol of the Potsdam Agreement exempted Austria from all reparation claims. Besides this, the initial Moscow Declaration provided for the reestablishment of an economically viable Austria which the Soviet demand would have decisively obstructed.

IV. Moscow Council of Foreign Ministers, 10 March to 23 April 1947

The Moscow Conference of Foreign Ministers started on 10 March 1947. Simultaneously, the deputy foreign

ministers, in charge of the Austrian treaty, renewed their efforts to reach an agreement on the disputed clauses. At the outset the deputies evolved a compromise on the strength of the Austrian army to 53,000 men. Vyshinski's insistence that its formation could begin only after the occupation troops were withdrawn and that it should be equipped "with weapons of indigenous production" obstructed the final agreement. The problem of German assets and frontier revision were other roadblocks as Gusev supported Yugoslav territorial claims and reparation demands amounting to 150 millions dollars. Marshal Tito also declared that the problem of Carinthia would not disappear from the agenda till it was solved to the satisfaction of Yugoslavia and if the Allies referred to the renunciation of reparation claims, they might do so with reference to themselves but not with reference to Yugoslavia. In view of these pronouncements the Austrian Federal Chancellor once more emphasized the acceptability of a treaty only if it ensured an independent economic survival of Austria within her present boundaries. (43) Differences were still existing among the deputies as regards the disposition of displaced persons in Austria, the definition and prosecution of war criminals,

Austrian property in the territory of Allied and Associated powers as also the Austrian citizenship question. Although these issues were not so vital as those of frontier revision and reparations, there was always the threat that some power would bring the negotiations to a halt by making an issue out of any of these points. They were important in yet another manner. They could be used to trade concessions in other fields, as for example, Gusev's concessions in the meeting of the deputies just before the case was to be taken up by the foreign ministers was interpreted as being calculated bartering for some major concession to be demanded in return.

The Soviet delegate also conceded to the Western suggestion of inviting Austria to represent her viewpoint before the foreign ministers. (44) Gruber had already reached Moscow and continued his efforts for obtaining acceptance of the Austrian viewpoint on the disputed clauses from the heads of the four power delegations and their deputies. After his talks with Molotov, he expressed

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(44) Details of the compromise reached and the concessions made by Gusev in Wiener Zeitung, 26 March 1947. DÖSB, 30 March 1947, p. 571. For the necessity of caution in reciprocating concessions see Ikle, n. 15, pp. 104-5. He also warns against formulatıng positions of "extortionary" demands, i.e., conceding on points of lesser value for exacting concessions on questions of greater significance, pp. 208-9.
the hope that the State Treaty could be concluded during the Moscow Conference of Foreign Ministers. When the foreign ministers actually took up the matter, the full range of the gap between the western and eastern views was soon revealed and it became evident that the fight over Austria was not nearing its conclusion but had only just begun. (45)

When the foreign ministers started discussions on German assets Molotov recalled point 9 of the Potsdam decisions and suggested that the question of German assets in Austria be settled in bilateral negotiations as it was settled in the case of other countries. He referred to the U.S. Government note of 7 September 1946, giving free hand to each power to manage German assets in its respective zone without any interference from others and the Soviet acceptance of it in its note of 15 September 1946. "What is important", he said "is the realization of this right in practice." (46) Soviets preferred bilateral negotiations on significant issues, as multilateral talks often led to negotiations within negotiations and to further complications. The French Foreign Minister, Bidault,

represented the view that none of the Allies at Potsdam intended to transfer title to the so-called German assets in Austria to any of the occupying powers. The British Foreign Minister, Bevin, also made it clear that German assets in Austria being the property stolen by the Nazis cannot fall under reparation claims. General Marshall did not question the Soviet claims to German assets in Austria, but emphasized that before the actual transfer took place, three points needed further clarification: definition, arbitration and application of the Austrian law to these assets. He further clarified that inapplicability of the Austrian law to these assets in a particular zone would be granting extra-territorial rights to the power concerned, which was never intended at Potsdam. He, therefore, suggested that the deputies be asked to clarify the question on the bases enumerated by him. In the deputies' conference Gusev declined to give a definition of what was taken over by "coercive methods" by the Germans. He also dismissed the question of compensation to America for her shares in the Zisterdorf oil company. Gusev further made it clear that the London Declaration on forced property could not be applied to Austria. As regards the property in the first district of Vienna, General Clark opposed any division of property in the international zone as the Potsdam agreement referred only to the eastern and the western zones. Gusev
strongly opposed this and refused to participate further in the debates. (47)

On the question of the property of the Allies in Austria, the points of dispute referred to the determination of the date for deciding the legal claims to such property and the position in which it was to be returned to the owner. The three Western Powers stood for the date of Anschluss to determine such property while the Soviet Union put forward the date of actual outbreak of war. As regards the second point, the United States held that Austria need not compensate for the damages done to the property during the war. The Soviet Union agreed with the United States proposal but Great Britain and France stood for two-thirds compensation of the damaged property. Roughly this amounted to two million shillings. The United States argued that Austria was not in a position to pay the sum. Later Britain withdrew her demand for the compensation. When the question was discussed by the foreign ministers, Bevin proposed bilateral agreements with Austria to protect the property rights of the United Nations nationals in Austria and vice versa. (48)


Turning to the Yugoslav claims the Council of Foreign Ministers agreed to listen to the Yugoslav and Austrian delegations once more. M. Kardelj, representing Yugoslav view, claimed Carinthia for Yugoslavia and a demilitarized frontier belt some 12 miles deep, while M. Simich asked for 150 million dollars worth of Austrian goods as reparations. They also demanded the incorporation of certain clauses to ensure Yugoslav independence and a special autonomy status for the Croats of Burgenland, a province in northern Austria. Gruber justified the Austrian claim to the region on the basis of the plebiscite held after the First World War under the supervision of the League of Nations and accepted by Yugoslavia. Moscow Declaration, he recalled, undertook to reestablish Austria as it existed before the Anschluss and made it clear that Austria would not sign a treaty incorporating any further change in her boundaries. The Western representatives were not ready to consider the Yugoslav territorial claims but regarding her reparation claims, Bidault suggested a solution by way of allowing Yugoslavia to retain Austrian property within her territory, as an exceptional case. General Marshall, however, made it clear that in any case it should not be more than the reparation claims put forth by Yugoslavia and besides this no other of her reparation claims should be recognized. (49)

(49) Wiener Zeitung, 6, 18, 19 and 22 April 1947.
Another round of discussion by the foreign ministers on the question of German assets was the breaking point of the Conference. The U.S. delegation was on the verge of accepting the Soviet version of the issue and agreed to the language adopted in this regard in the satellite treaties. General Clark's intervention turned the tides. He made it clear that the acceptance of the clause "will be selling the Austrians down the river". As such when the foreign ministers assembled for the discussion of the issue, everybody had already given up hope of reaching an agreement and General Marshall gave the "signal to break up the negotiations" by making it clear that there was no hope of an agreement "unless the Russians had some concrete suggestion that would make it clear that German assets do not include assets which in justice and equity should be restored to their rightful non-German owners." (50) Molotov explained:

Whatever had been taken from the Austrians ... as a result of direct violent action could not be regarded as German assets; whatever had been taken without compensation from the state, banking and other institutions and whatever had been taken as a result of Aryanisation could not be regarded as German assets. Such property must be returned to its former proprietors who owned it before the Anschluss.

(50) Clark, n. 14, pp. 491-2.
Nonetheless, he strongly opposed Austria nationalizing German assets and stressed that Austria must compensate for helping Germany in the war against the Allied States. The debate ended in a verbal dual between Marshall and Molotov. This further revealed the dangers of the Western pitfall of arriving at an "agreement in principle without spelling out in sufficient detail all the steps in its execution". (51)

Bevin still hoped for the treaty to be completed at Moscow, only if the Four Powers could agree to three Articles viz., 6, 34 and 36 relating to the boundaries, reparations and the German assets respectively. A last minute attempt to save the Conference from a total failure was made when the foreign ministers took up the three Articles in a secret session, three days before the closure of the Conference. These clauses could not be resolved, but an agreement was reached on some minor clauses which till then were points of dispute, viz., the problem of displaced persons, war criminals, repatriation of German citizens, withdrawal of occupation troops, Austrian property on Allied territory, and Austrian literary and artistic property. Further agreements were recorded on the preamble, citizenship questions, free transit between

Salzburg and Tyrol through German territory, signing the treaty between the Four Powers on the one hand and Austria on the other, the process of dissolving the Allied Commission and of zonal boundaries and on rights and immunities of the troops which would be left behind till all the troops were withdrawn.

Another round of secret sessions proved fruitless as Molotov continued to support Yugoslav territorial claims and suggested common control by the Soviet Union and Austria of the Austrian key industries. The West was opposed to both of these. In view of this stalemate, General Marshall saw no possibility of further progress and suggested that if the differences remain unresolved till the meeting of the UN General Assembly in September "we may join in asking the General Assembly to make recommendations on this subject under Article 14." Molotov clarified that Article 35 of the draft treaty for Austria concerned reparation obligations of Germany which constituted the "lawful claim of the whole Soviet people" parts of whose territory underwent occupation. The United States proposal, he held, would deprive the Soviet Union of her rightful claim provided for in the Potsdam decision. He considered it "groundless" to refer the matter to the United Nations and suggested instead the establishment of a Four Power treaty commission charged with examining all the unagreed questions of the Austrian treaty, paying special attention
to a detailed consideration of Article 36 - German assets - and of the appropriate part of Article 42 - United Nations' property in Austria. (52)

General Marshall suggested that the commission should have its seat in Vienna and report the results of its study as soon as possible to the foreign ministers. France and Britain also approved of this with a few changes and accordingly a commission was to start work in Vienna from 12 May 1947. A committee of experts was also set up to discuss Article 35 as well as the corresponding part of Article 42 in order to bring about possible coordination of views. (53)

On this note ended the Moscow Conference without any substantial progress towards the conclusion of the Austrian State Treaty. The establishment of the treaty commission, however, was a faint ray of hope in the otherwise gloomy atmosphere and in view of the agreement on minor issues of the treaty the Moscow Conference was rescued from being labelled as a complete failure. The willingness of the Four Powers to continue contact at some level would

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at least indicate some common objective of reaching a conclusion on the State Treaty, inspite of their wide differences of opinion. Nonetheless, the illusion of the delegates who had assembled at Moscow thinking "it should be possible for the foreign ministers to consider the Austrian treaty provisions with the hope of completing them" was shattered for the time being. Bevin was still optimistic about an early conclusion of an Austrian treaty and General Marshall refused to consider the conference as a failure. The differences between east and west, he said, were neither widened nor narrowed but only clearly stated. Reporting back to the nation, he said that an agreement was reached on all but a few points of the State Treaty, "but these were basic and of fundamental importance". He emphasized "we must not compromise on great principles in order to achieve agreement for agreement's sake", and join in creating "an Austria so weak and helpless as to be a source of great danger in the future". (54)

In his press conference, Bethouart, in his characteristic French way described the conference "neither a success nor a failure". Though the treaty could not be

signed, he held, that the number of disputed points was reduced considerably. Referring to the territorial question, France, he said, supported the Austrian case. However, in view of the French experience in dealing with Germany of the German tactics of winning influence through other means, he made it clear, that French support for the control of military equipment in Austria was directed against Germany and not against Austria. In spite of the difficulties concerning German assets, he hoped that a solution might be reached by the next meeting of the Council of Foreign Ministers. (55)

Reports from Moscow emphasized that the Austrian capitalists were active partners in the enterprises even after they were taken over by Germans and the transfer was not always under force. It was emphasized that if the Western powers recognized this fact the treaty could be signed without any delay. (56) The Soviet attitude throughout the negotiations at Moscow was characterized by Stalin's earlier statement to General Marshall that differences had


(56) Ibid. "Two Worlds at Moscow", New Statesman and Nation, 26 April 1947, p. 290. For typical Soviet techniques of influencing the people over the heads of their governments through propaganda measures by blaming the adversary for failure of conference see Fredrick C. Barghoorn, Soviet Foreign Propaganda (Princeton, 1964), particularly pp. 207-99.
occurred in the past and as a rule "when people had exhausted themselves in dispute, they recognized the necessity for compromise." In view of the disintegrating forces at work and the ailing state of Europe, Marshall believed that action cannot await "compromise through exhaustion". (57)

Austrian frustration was very natural. Returning to Vienna, Foreign Minister Gruber declared that the Austrians needed no optimistic words but concrete achievements. The results of the Conference, he said, did not call for any gratitude towards the Allies nor for self-satisfaction. The Austrian statesmen felt that the raising of the Yugoslav claims and the unflinching Soviet support to these was in accordance with the Communist technique of inserting a "Red Herring" which might be withdrawn at a later date to pose as a concession to the adversary and demand reciprocal behaviour for gains elsewhere. They were conscious that enmity with the Soviet Union might be suicidal to the country, but they held stubbornly to the Austrian right to control her destiny. (58)

Referring to the Four Power negotiations, V.L. Ostry, who observed the work of the twelve-men Austrian delegation

at Moscow, examined two fundamental questions from the Austrian standpoint. Firstly, whether the delegation at Moscow was necessary and useful in view of the fact that Big Powers negotiated "over" and not "with" Austria. Secondly, in view of the fact that the Four Powers had agreed to sign the treaty with Austria as the other partner, would she be treated as a "subject" and not as an "object" of negotiations in future talks. He observed that, in spite of the fact that the Austrian delegation spent only three and a half hours in the conference hall out of the 720 hours of its stay at Moscow, it did some very useful and indispensable work. Though it could not exert any positive influence on the decisions, negatively it did hinder the course of negotiations when it headed towards dangerous and detrimental conclusions. Moreover, a continued and close contact was maintained with the Four Powers, if not at official, at least at a personal level. Further, in view of the London agreement that the Four Powers might unofficially inform Austria about the course of negotiations on the State Treaty, the Austrian delegation used to get daily information about the problems discussed, decisions arrived at and the points still left disputed. This enabled it to prepare notes concerning individual items putting forth the Austrian viewpoint and submitting these to the leaders of the Four Power delegations. Considering all this, the presence of an
Austrian delegation at Moscow was undoubtedly valuable. In further negotiations, it was felt that if Austria was invited to the conference as an equal partner, it would lead to faster results. (59)

Before the appointed commission actually started work, the Austrian consensus appeared to be that of finding a means to neutralize Austria so that she would cease to be a field of rivalries between the Big Powers. Instead, it should be placed under the UN control. The idea was to make her another Switzerland. (60)

V. The Treaty Commission At Vienna: 12 May to 11 October 1947

The Treaty Commission started its work on 12 May 1947, in a prevailing mood of uncertainty and doubt regarding the possibility of finding solutions to the still unagreed clauses of the treaty. Austria was yet not a negotiating partner but hoped that the Commission would establish contact with the Federal Government and the Austrian experts.


(60) Alexander Werth's interview with the members of the Austrian delegation, Manchester Guardian, 10 May 1947.
On the commission France was represented by General Cherrier, the United States by Joseph L. Dodge, United Kingdom by George Hendel and the Soviet Union by K. Novikov. An initial difference of opinion on questions of procedure was soon overcome and a subcommittee of experts was formed led by David Ginsberg for U.S.A., M. de Laverne for France, W.H. Lawson for Great Britain and N. Koktov for the Soviet Union. At the suggestion of the French delegate it was agreed to leave aside abstract questions of form and definition of German assets and take up concrete examples in deciding the legal title to the property in question. Novikov suggested that only unagreed clauses should be discussed and the experts be directed to start their work. This was agreed on the condition that the experts would be given a free hand in their work. The West particularly insisted on latitude for the experts in view of the fact that the Soviet negotiators were subject to strict centralized control which resulted in their adopting rigid and wooden postures in the course of negotiations. (61)

Difference of opinion soon arose as to the concrete cases to be handed over to the expert committee. The Soviet Union wanted to restrict its operation to the finding of certain facts regarding oil and expressed her willingness

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to start discussion on oil only when there was Four Power agreement on simultaneously discussing the other related problems of insurance companies and industrial undertakings. Differences also arose as to the exact aspects that should be considered in deciding the nature of the assets. Thus, till the seventh meeting of the conference by 21 May, no agreement could be reached as to the detailed procedure and each power was blaming the other for this failure. (62)

The Austrian Vice Chancellor made it clear at this stage that Austria should not be divided in zones of economic interests which would ruin her independence. He appealed to the four to leave the Austrians finally free to manage their own affairs. An Austrian committee of experts representing the three Austrian parties was formed under Gruber to advise the government on treaty matters. This was intended to keep Austria ready with her expert suggestions for influencing and if possible for turning the course of negotiations according to her demands. Gruber, clarifying the Austrian stand on German assets in Austria, analyzed the problem in detail. He accepted the Yalta and

Potsdam Agreements which stated that reparation claims from Germany were to be met, among others, by appropriate German external assets which included those in Austria. He, however, stressed the need for further clarification about which property was to be classified as German assets and which would thereby become transferable: further classification was needed as to who should be the party to make such rulings and then allocate the transferred properties amongst the Allies. Law no. 5 of 1945 of the Control Commission in Berlin had laid down the basis on which such decision could be made. The Moscow and the London Declarations of 1943 spelt out the specification further. Gruber requested that the problem be settled in the light of all this available legal data and in the light of whatever could be regarded as just and equitable. (63)

Nonetheless, the deadlock continued in the treaty commission till 3 June when General Cherrierre put forth a compromise proposal to examine all questions relating to German assets and suggested instructing the expert committee to work out the details. He also proposed that those sessions might be secret ones. After an initial hesitation on the part of the Soviet Union and the United States, they

seemed to accept it as a basis for discussion. The British
delegate wanted a pause in the discussions in order to enable
the British experts to study the problem more closely. After
preliminary discussions as to how many and which concrete
assets should be examined, the Four Powers agreed to start
work on the basis of a revised French proposal which also
combined some Soviet suggestions. (64) Thus, by 19 June
21 sessions of the treaty commission had yielded a final
agreement on the agenda and the procedure of work.

In the secret sessions, the treaty commission
discussed the oil complex. On the basis of proofs and
original documents put forward by various delegations, one
third of the questions relating to Ziesterdorf oil fields
were concluded. The expert committee, however, was
practically merged with the treaty commission as the problem
was being jointly handled. On 19 July the commission had
finished discussion on oil industry. By the middle of
August, the question of banking concerns was also near
completion and the expert committee was working on the
assets of the Danube Shipping Company (Donau-
Dampfschifffahrt-Gesellschaft, shortly referred to as
DDSG). The Soviet Union, however, denounced the Western

(64) Text of the French proposals and the following
discussion, Nieser Zeitung, 4, 12, and 14 June
1947.
Powers for deferring an early conclusion of the treaty in order to gain time to enlarge their economic and political hold over Austria. The main obstacle, according to the Soviet Union, was that "the United States and England were trying to present matters in such a way as if they had special rights in the oil concerns while they knew it quite well that the real ownership rested with the German firm." (65) The United States delegate expressed his conviction that the problem though difficult, could be solved and proclaimed his preparedness to recognize just Soviet claims to the Austrian oil industries. He, however, declined to concede any extra-territorial rights to the Soviet Union on the former German assets in Austria. He was ready for any compromise solution which, while fulfilling the reparation claims would also ensure Austrian independence. George Rendel, the British delegate stressed that with the reestablishment of the Austrian state the entire property automatically stood transferred to the Austrian government and could, therefore, no longer be classified as German assets. General Cherriere laid down some basic principles to determine what was German property. They were as follows: (1) whether the owner of the property in question was in fact German, (2) whether the transfer of property in

question was legal and (3) whether the expansion of the transferred property exactly corresponded to the so-called German assets. The Soviet Union was ready to exclude that property from German assets which was taken by Nazis by direct coercive measures. Further clarifying this, Novikov stated that this constituted property that was "sold out without the consent of the owner", implying thereby that every property sold with the consent of the owner, was German property despite the fact that the compensation paid was adequate or not. This pushed the discussion to the definition of 'coercive' and 'forcible' transactions. Once more the French delegate came forward to rescue the negotiations from deadlock. Enumerating a few principles on which coercive and forcible transactions could be determined, General Cherriere considered it a waste of time to indulge in pernicious abstractions without translating these into concrete solutions. He proposed a plan by which the Soviet claim would be satisfied by certain properties and rights in addition to a lump sum payment. Compromise could be worked out, he said, as to the exact amount. With a few alterations and additions the United States and British delegates were inclined to accept it as a basis for further negotiations. The Soviet representative, however, was not very enthusiastic about the plan and considered the Soviet and the Western differences on Article
35 and 42 as of fundamental nature. (66)

By 11 September the treaty commission had held sixty sessions and was still revolving round the questions of 'force', 'duress', 'direct coercive measures' and 'indirect property' concerning the German assets. The positions of all the governments were repeated again and again by their representatives, rarely bringing forth new solutions except for the French delegate who was trying to define things in a different manner almost every time he came out with a suggestion.

The position of the Western Allies and of the Soviet Union seemed to differ on three fundamental issues relating to German assets in Austria. The first was the definition of the German assets. The Western powers excluded pre-Anschluss Austrian property, assets acquired under force and duress or with inadequate compensation to the owner, and assets in which non-Germans held shares. The Soviet Union made exceptions in whatever had been taken without compensation from state, and whatever had been taken as a result of Aryanisation. The second issue concerned the jurisdiction over these assets. The Western Powers stood

for Austrian jurisdiction, while the Soviet Union claimed her right to administer these assets in the eastern zone of occupation. Administration of the assets by any other power, they held, would mean extra-territorial jurisdiction. The third issue involved the method of settling disputes concerning the German assets in which case the Soviets stood for bilateral negotiations between Austria and the individual power concerned while the Western Powers insisted on multi-lateral arbitration in the interest of fair solution. No agreement seemed to be emerging on any one of these till the very end of the session of the treaty commission.

Once again the question of Austria's southern boundaries was taken up. The old positions were repeated again on this issue also. The Soviet Union still upheld Yugoslav territorial claims, while the Western Allies reiterated their refusal to accept any alterations in the 1937 Austrian frontier delineation. Yugoslav reparation claims again drew Soviet support, but were totally opposed by the United States and Britain. The French mediatory proposal suggested that Yugoslavia be allowed to retain Austrian property found on her territory. Again both the questions were to be referred to the foreign ministers. (67)

On 11 October the treaty commission held its last session. Five months of work undertaken in eightyfive sessions

of the commission could lead to a seventy-page report in which fifteen out of fiftythree Articles of the draft treaty were still controversial. The value of Soviet claims to German assets became more or less clear. They were assessed between 700 to 800 million dollars. (68) Moreover, each delegation collected detailed information about concrete German assets. This, however, could hardly be characterized as substantial achievement, and when the leaders of the delegations started leaving Vienna before the conclusion of the sessions, the meeting came to be branded as failure. The United States delegate, Josef Dodge had left many weeks before the conference ended and the Department of State made no pretense of the fact that he was recalled in view of the stalemate in the negotiations projecting no hope for progress. (69) He was followed by the leader of the British delegation, George Rendel and then by the Soviet representative Novikov. General Cherreire was the only leading delegate who was present till the concluding session. Perhaps this signified the French urge to solve the Austrian problem, trying even the last chance to prepare a fruitful basis for discussion at the London Conference of Foreign Ministers scheduled for 25 November 1947.

(68) Department of State Publication 6437, n. 30, p. 4.
(69) DOSR, 31 August 1947, p. 423. Ibid., 19 October 1947, p. 767.
The Austrian leaders anxiously waiting for the conclusion of the State Treaty were again disappointed. Nonetheless, they were firm in their demand that the treaty should bring them a politically and economically independent Austria within the boundaries of 1937. They were prepared to pay for the assets which were genuinely German but strongly resented the demands and claims to Austrian property which was forcibly and unjustly grabbed by Hitler's Germany. They wanted the reestablishment of Austria as a sovereign state in the real sense of the term without any pressure from outside. (70)

Lord Schuster supported the Austrian stand and criticized the Big Powers for first signing an agreement in a hurry and then trying for years afterwards to find out what that meant. (71) Moreover, in view of the fact that the satellite states surrounding Austria received their peace treaties before the Austrian problem was even considered, the process of peace making by the Big Powers appeared to be proceeding in the reverse direction. Starting to disengage themselves at the circumference, they were holding their positions firm at the centre.

(70) Wiener Zeitung, 29 September, 14, 22 and 29 October, 6 December 1947.

(71) Ibid., 9 November 1947.
which eventually nullified their disengagement at the circumference also. It became difficult to think of a way of circumventing this obstacle.

VI. London Conference Of Foreign Ministers:
   25 November to 15 December 1947

When the Foreign Ministers met at London on 25 November 1947, they agreed to discuss the Austrian question as the first item of the agenda. German assets were the axis of negotiations. The Cheriere plan was the distinctive compromise proposal. It was at this London Conference that the Big Four tried to spell out this plan in detail. The United States and Britain accepted it as a sound basis for the solution of the problem. But the Soviet Union was still dissatisfied with the plan.

Molotov justified the Soviet stand on the basis of the Potsdam Agreement and blamed Britain and the United States for trying to hold Austria under their strict control and for hindering Soviet-Austrian bilateral agreement on the German assets. (72) Marshall declared "the Soviet Union has never stated its claim in specific terms. Both the Austrian people and the Allies are entitled to know what that claim is. I ask for it now." Repudiating Molotov's

allegations, he made clear his government's intention of accepting all its international commitments but at the same time not of consenting to "allow any agreement to be distorted to accomplish purposes which most certainly were not the intentions of original signatories." He further stated that the Soviet Union appeared to be claiming "an amount of property which far excelled the property that was awarded at Potsdam." (73) In the last session of the conference held on 15 December, Molotov indicated willingness to accept "a percentage reduction in the Soviet claims" and expressed that he was ready to further clarify the Soviet stand concerning the French proposals. Two days later in the meeting of the deputies Koktomov declared that this might be done within fourteen days. (74)

Thus, the London Conference again ended without any final agreement. On the whole, as Marshall reported back to the nation, "it was a dreary repetition of what had been said and resaid at the Moscow conference." (75) One positive achievement, however, was the willingness of the Four Powers to continue contacts on the Austrian


(75) DÖRS, 28 December 1947, p. 1244.
question. It was decided that the deputies should resume work of further negotiating the unagreed clauses. Consideration of the question without reference to German problem was another hopeful indication. Moreover, the problem of German assets no longer revolved round abstract principles but came to be stated in concrete figures. The fact that the crisis still lingered on in spite of this was probably due to the mutual lack of confidence amongst the Big Powers themselves and to the presence of foreign troops on the liberated territories of Europe. The one led to the other, and to all of them, Austria seemed to be the only possible ground where the first step could be taken to break this vicious circle, but each hesitated to take this step. (76) This was characteristic of the ambivalent approach of the Big Four in their dealings with Austria. They would steer towards a deadlock in negotiations, and then stop short before a complete break. On such occasions when all other contacts were severed, the Allied Commission for Austria would be entrusted to report on some one problem connected with the treaty. This technique ensured that the direction of progress was

(76) For an analysis of barriers in the way of successful international negotiations due to numerous psychological factors resulting in lack of mutual confidence see Otto Klinberg, *The Human Dimensions of International Relations* (New York, 1964).
maintained, although at times the pace was so slow as to be almost undetectable. Internally, however, Austria suffered through this long-drawn out suspense, as in the absence of a peace treaty, she could not get down substantially to the task of social and economic reconstruction. The general feeling of demoralization has been expressed as "an abandonment of one's fate in the hands of others, much more complete than circumstances necessitate." (77)

VII. The Deputies Conference at London, 20 February to 16 December 1948; Failure Due To German Assets and Yugoslav Claims

From the London Conference of Foreign Ministers the Austrian question passed on to their deputies who resumed negotiations on 20 February again at London. In the meantime the Soviet Union had submitted her note on Cherriere plan. The French plan offered the Soviet Union half of Austria's oil production level and one third of the registered oil exploration areas for a period of thirty years; all the assets of the Danube Shipping Company outside Austria and 100 million dollars payable in ten years to compensate for other Soviet claims to German assets. (78)


The Soviet note placed the minimum Soviet claims at two-thirds of the production and two-thirds of the exploration areas for a period of fifty years; twenty-five per cent of DDSG assets in Austria besides its external assets in Hungary, Bulgaria and Roumania; and 200 million dollars in lieu of the rest of the assets to be paid in two years in freely convertible currency. The Western Powers did not rate high the capacity of the Austrians to meet the "inflated demand" of 200 million dollars in hard currency on the prevailing economic environment. The most compelling argument for rejecting the Soviet approach was that in the evaluation of the Western Powers the United States would be called upon to provide financial accommodation to meet the Soviet claims, and this was a major constraint on meaningful negotiations. (79)

Opening the London Conference of the deputies, Samuel Weber, the US delegate hoped to reach agreement on German assets on the basis of the concrete proposals at hand. The British delegate, Marjoribank stressed the point that so long as Austria was uncertain about her boundaries her future would always be doubtful, hence, that question might also be considered. Cherriere thought that a general solution could be found as soon as the problem of German assets was solved. Koktomov, the Soviet deputy, considered the Soviet plan as a progressive step and suggested commencing negotiations on German assets, before going over to the general solution. Cherriere wanted to know on what basis the Soviet Union claimed twenty-five per cent of the assets of the DDSG in Austria and why she insisted on compensation for other assets being paid in hard currency whereas in the case of Italy she had agreed to accept payment in kind. Koktomov made it clear that instead of 100 per cent claim to DDSG assets in the eastern Austria, the Soviet Union was demanding only one fourth of it in the whole of Austria and that there could be no comparison between Italy and Austria on the question of payment in hard currency. Besides this, payment in dollars was proposed by the original French plan. Further meetings were characterized by a discussion on individual items on the assets. Ziesterdorf oil fields and the floating dockyards
of the DÜSG figured prominently. The Western attempts to get from the Soviet Union a list of all the oil refineries along with their production capacity was unsuccessful, as Koktomov refused to oblige. Moreover, he also made it clear that the Soviet Union was not interested in shares but in the industrial establishments and the companies of the oil production undertakings such as OKOP and the Gasolin company. He declined to further elucidate the details.

Concerning the assets which were transferred to the Soviet ownership, Koktomov made it clear that they should be protected from any kind of expropriation or nationalization by Austria. He was ready to concede that the returns therefrom might be subjected to the existing Austrian taxation laws with the choice of the Soviet Union to pay it in cash or in kind. (80)

In a further session Marjeribank gave the list of oil companies which could be transferred to the Soviet Union entirely, as also those in which 40 per cent of the basic production could be controlled by the Soviet Union. General Cherriere suggested that they should discuss first the points of least difference between the Soviet and the French plans. But Koktomov rejected the idea of negotiating

over the lists. He considered it a retrogression. The British and the United States declared their inability to accept the Soviet plan as the Russian demands exceeded Austria's capability. General Cherriere basically supported the stand of the British and the Americans but expressed his willingness to make some concession to the Soviet Union. (81) The negotiations on German assets were at stand-still, but none of the negotiators were willing to finally call a halt. At this juncture, Samuel Reber played a new card by offering a few concessions to the Soviet Union. He was ready to agree to a higher percentage of oil production than the 40 per cent offered by the original British proposal, provided the Soviet Union gave complete data about the undertakings. He also wanted to know what exactly the twenty-five per cent of the DDSG included and a specification as to how the lump sum was to be paid, and finally offered to add one more refinery of Hauskirschen to the British list of refineries to be transferred to the Soviet Union. This addition increased the annual oil production to be offered to the Soviet Union by 70,000 tons bringing the total to 420,000 tons. Koktomov, however, did not accept it as any new basis for further negotiations. In the next meeting, Reber, offered

(81) Ibid., 3, 4 and 5 March 1948.
still another company of Steinberg-Naphatha provided the Soviet delegate was prepared to deal in concrete figures of production. Koktomov insisted on deciding the percentage first. Heber asked whether Koktomov was ready to agree to reduce the difference of percentage between Anglo-American and the Soviet plans by half. This bargain too could not induce Koktomov to come to terms because, as he explained, this added only three per cent more to the rejected fifty per cent of the total offered by France. (82)

General Cherriere again tried to resolve the deadlock by proposing to discuss the problem in three stages. First, to discuss the French and the Soviet proposals clause by clause; second, try to relate the results of this discussion to the problem as a whole, and third, to formulate it in article 35 of the treaty.

Regarding the oil problem, the French delegate extended the Soviet right to drilling and to production of oil for thirty years in the region in which oil was already

(82) Ibid., 4 and 12 March 1948. For a theoretical analysis of bargaining in international encounters see O.R. Young, Politics of Force: Bargaining During International Crisis (Princeton, 1968), Chapter 2, pp. 26-41. Though this study is entirely "crisis" oriented international conflict situations cannot be considered out of focus of this process. When a "conflict" reaches an "eruption point" it becomes a "crisis" calling for urgency in its termination.
found. In other regions eight years of exploration rights would be followed by right to production of the newly found oil for another twenty-five years. This would take the period of exploration and production rights up to 33 years. The Soviet delegate giving example of international usage of maximum 90 years frist, rejected these French proposals as well. When the question of DDSG was taken up, Marjoribank wanted to know about the fate of the floating dockyards - Schwimmdock - before proceeding further. Koktomov resented this method of holding up discussion of the total problem by insisting on a detailed explanation of some part of it. The question of lump sum payment also remained unresolved and the idea of goods in lieu thereof could not attract Koktomov. After a day's pause to enable the delegates to contact their governments and seek further information, when the session was resumed on 18 March each delegate made concessions but still the gulf was not completely bridged. Further sessions till the Easter pause were characterized by the repetition by each delegate of the concessions and unwillingness of the others to conclude the treaty. And still the conference dragged on. (83)

The negotiations were resumed on 30 April with Koktomov changing his position further by still lowering the amount of lump sum by another 25 million dollars making it 150 million dollars and extending the term of its payment over a period of six years from the original two years. Britain, however, made it clear that the Soviet concessions did not basically change her original position and, hence, were of little influence on the further course of negotiations as the Austrian capacity to pay the sum was still left unconsidered. Koktomov opposed the idea that the Austrian capacity to pay should be made the criterion rather than the damages done to the Soviet Union.

(84) However, with a few more moves by all towards the position of the other side the oil complex was near solution. The percentage of production, period of exploration and further production rights of the Soviet Union, and the amount of oil to be transported to her from the existing refineries were decided. Although the assets of the DDSG and the lump sum to be paid still remained undecided, a fruitful method for evolving agreement was set by the

(84) Tass, 30 March 1948. Wiener Zeitung, 1 and 2 April 1948. The process of changing positions and reaching agreements during negotiations has been referred to by Dunlop and Healy, n. 5, pp. 60-65.
precedent on the oil complex. (85)

Unable to proceed forward on German assets the deputies turned to the question of boundaries. Koktomov wanted to invite the Yugoslav delegation once more to represent her viewpoint. At the outset the U.S. and British representatives declined to accept Yugoslav claims or hear about these any more. De Leusse, who had replaced Cherriere, repeated the French stand declining any change in Austrian boundaries. At the next meeting, however, Ueber agreed to receive a fresh Yugoslav memorandum provided she had anything new to say. Koktomov agreed to this but insisted that an invitation should be issued to her simultaneously to represent her case in person. France agreeing to this emphasized her stand of maintaining the Austrian boundaries intact. Britain and the United States did not alter their stand though Koktomov utilized a tie-in

(85) For various concessions made by all see Wiener Zeitung, 6, 8 and 10 April 1948. Concessions for some sort of mutual accommodation based on the recognition of common interests are considered a useful negotiating style. Ikle holds that even in a "zero-sum" conflict where gains of one party are exactly equal to the losses of the other some accommodating tactics through the instrument of concessions do yield dividends in the shape of fulfilment of common interests. Maintaining flexibility and reciprocating concessions, he thinks, are some of the effective instruments in this direction. He, however, warns against the disadvantages of reciprocating each and every concession or its withdrawal without considering its substantive worth.

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tactic by declaring that he would be prepared to discuss military clauses, if an invitation to Yugoslavia was immediately issued. Koktomov rejected Reber's suggestion of agreeing to the then boundaries subject to change only if Yugoslavia put forth sound claims. Since no delegation seemed to budge from its position the meeting was dissolved earlier than scheduled. In the next meeting, ultimately it was agreed to invite Yugoslavia on the condition that she submitted a memorandum with new points of view. It was also decided to inform Austria about it and invite her too for representing her views. (86)

Subsequently an agreement was reached on the question of weapons in which Koktomov agreed to withdraw his objection to Austria equipping its army with imported weapons. This, he said, he did for the sake of agreement though he was not convinced of the arguments to the contrary. An agreement was also reached on Article 26 of the draft concerning war material of Allied and German or

Ikle, n. 15, pp. 87-89 and pp. 104-5. Motivations behind the concession moves which consequently results in movements from original positions with which the parties start negotiating are discussed by Arthur Lall, Modern International Negotiations: Principles and Practice (New York, 1966), pp. 298-311. Chamberlain and Kuhn, refer to the possibility of settlement of one issue affecting determination of another, Chamberlain and Kuhn, n. 31, p. 73, and pp. 428-39.

(86) Wiener Zeitung, 14, 16 and 16 April 1948.
Japanese origin to be found in Austria. Allied war material was to be returned to the respective Allies and the German and the Japanese to be destroyed. (87)

The Yugoslav memorandum was received in the conference secretariat on 26 April. This time Yugoslavia had reduced its claim to territory by 680 quadrakilometer, and to population by 40,000. The reparation claims to 150 million dollars besides the right to hold Austrian property in Yugoslavia were unchanged. The memorandum declared that the reduction was made in the interest of peace and early settlement. Indicating the exact boundary demarcation which Yugoslavia desired, the Memorandum asked for the protection of the Slav minority, which would still be left in Austria. Federal Chancellor, Figl, had already declared that Austria would not agree to a single quadrakilometer change in her boundaries. When the Yugoslav Deputy Foreign Minister, Bebler, and the Austrian Foreign Minister, Gruber, presented their respective standpoints before the Conference, their arguments revolved more round the historical role rather

than the ethnic aspect of the problem. After a long discussion between Bebler and Gruber the two delegations were given an opportunity to answer questions of the deputies and were asked to submit their further arguments in writing. (88)

The three Western powers unanimously refused to accept any change in the Austrian boundaries because they considered the Yugoslav claims unfounded. Koktomov, however, considered these claims sound and supported Yugoslavia asking for frontier revision accordingly. A vivid and spirited debate followed in the next meeting of deputies without yielding any result. Gruber made it clear that Austria would herself obstruct further negotiations if the Big Powers showed an inclination to accept any

(88) Wiener Zeitung, 27 and 29 April 1948. The territory renounced by Yugoslavia in this second memorandum was Lower Cailtal and parts of the Villach town south of Drav and the surrounding area which constituted 480 quadrakilometers with a population of 23,000 residents and the region of Pustiz, Gornitzahl, Sankt Paul, Legerbuch, Nettendorf, Ettendorf, a part of the region Lavamund and Soboth which in all constituted an area of 200 quadrakilometers and 7,000 population. K.R.S., "Slovene Carinthia, the Austro-Yugoslav Frontier Question", World Today, vol. III, pp. 389-97.
boundary change or reparation demands from Yugoslavia. "For us", he said, "there can be no eighty or ninety per cent Austria, but it is only a hundred per cent Austria that can draw our signatures to the treaty." At London the delegations seemed to be ready to leave and Koktov's efforts to draw his Western counterparts into a discussion on Yugoslav claims or other problems related to the treaty evoked no response. No formal sessions were held after 6 May and still the delegations did not leave London immediately. In an informal talk over luncheon on 21 May the United States delegate, Reber, enquired from Koktov if he had changed his views and received a negative reply. Hence, the negotiations were formally broken by Reber, who expressed his inability to decide the date of further meeting in view of the then existing situation. This was just the formal conformation of the already broken-down conference. (89)

VIII. Western And Soviet Calculations And The Austrian Initiative

Thus the London Conference had got off to a good start on the subject of the German assets with France making positive contribution in the role of "mediator - moderator".

(89) Wiener Zeitung, 8, 22 and 25 May 1948. At this stage Berthlot had taken charge of the French delegation in place of De Lusse.
between Britain and the United States on the one hand and the Soviet Union on the other. The French role was all the more significant in view of the fact that she was not a "third party" to the conflict but a participant herself. (90) The British and the Americans were not so considerate about the Soviet claims in view of their own renunciation of German assets in Austria though their governments and peoples had substantial investments in Austrian industries. The Soviet attitude was governed by the interests of her own economic development and by a feeling of revenge against German atrocities on the Soviet Land. France being a "less interested" party having no substantial material interests in the former German assets in Austria, was "more receptive to the discovery of new solutions" based on the future viability of Austria and the interests of the remaining powers involved. France began

(90) For an analysis of the process of intervention by "third parties" for resolving differences among conflicting parties see O.R. Young, Intermediaries: Third Parties in International Crises (Princeton, 1967). By "third party" the author means a party not directly involved. France, however, was a party directly involved in the Austrian conflict situation though the problem of German assets did not directly affect her interests and therefore, to an extent she approaches the characteristics of a "third party" with reference to this issue. Hayter attributes the rapidity and lucidity of French mind in diplomacy in general to the high intellectual level of France's diplomatic personnel which is achieved through their exhaustive mental training, Sir William Hayter Jr., The Diplomacy of Great Powers (New York, 1961), p. 33.
by finding out precisely as Lippman says, "what the negotiation is about" by formulating "focal points" on concrete issues in an attempt at mediation. (91) This brought the problem of German assets near solution. At this stage the Yugoslav claims were forced in the foreground and an effective instrument was found for stultifying further meaningful negotiations at London. Yugoslav emerged as the "divisor" in this context, who exacerbated the Four Power conflict hoping to profit from the Cold War and the fluid conditions pertaining to the settlement of Austria. (92) Moreover, under the guise of attempting to establish a democratic state in Austria the Big Powers revealed their conflicting ideologies which they were keen to impose on Austria. The actual points of dispute in the

(91) New York Herald Tribune, 19 December 1961. Ikle, n.v. 15, p. 103. Ikle emphasizes the role of formulating "focal points" for meaningful negotiations and holds that the mediating functions become influential because of their capability in creating such focal points and channelising discussion accordingly, Ibid., pp. 213-14. For a further clarification of these aspects of international negotiations see Thomas C. Schelling, The Strategy of Conflict (Cambridge, 1960), pp. 67-73, 144-5

(92) A "divisor's" role in international conflicts is dealt with in short by O.R. Young, n. 90, p. 99. For further elaboration see George Liska, "Tripartism: Dilemmas and Strategies" in Laurence Martin, ed., Neutrality and Nonalignment (New York, 1962), pp. 121-31. Liska, however, visualizes the possibility of a "divisor's" influence of neutral and nonaligned states if these were to act as intervenors in Big Power conflict.
course of negotiations were mere pretexts, symptomatic of
the growing mistrust and mutual suspicion amongst the
negotiating Powers. (93)

At the time these talks were being conducted, there
were revolutionary upheavals in several of the states
along the Austrian frontiers. No sooner had the negotiations
started, than the communists captured power in Czechoslova-
okia in the later half of February. The Allied Commission
for Germany fell apart and the Berlin blockade followed
counteracted by the Western airlift. Towards the end

IV, pp. 346-54. F.H. Cramer, "Between East and West",
Forum (Bombay), November 1948, pp. 257-63. For a
brief and general survey of the bases of mutual
suspicions between East and West during the decade
and a half after the Second World War see Walter
Lippman, The Communist World and Ours (Boston, 1958).
Writing in the later half of the eighteenth century
de Mably has emphasized the absolute necessity of
preventing mutual suspicion among negotiators for
the success of the process. M. Abbe de Mably,
About Principles of Negotiations: To serve as an
Introduction to the Public Law of Europe Based on
the Treaties (new edition revised and corrected,
The Hague, 1768, mimeographed copy), p. 130. For
an elucidation of ideology as a gamb for specific
issues of conflict or ideological differences
accentuating otherwise latent conflicts see Andrew
Georgy and Hubert Gibbs, eds., Problems of Interna-
tional Relations (London, 1962), pp. 208-10. For a
theoretical analysis of the role of ideology in
conflicts see Kenneth Boulding, Conflict and Defence:
A General Theory (New York, 1962), chapter 14 on
"Ideological and Ethical Conflict", pp. 277-304.
Another valuable source in this connexion is Anatol
Saporta, Fights, Games and Debates (Michigan, 1960),
part III on "Ethics of Debate", pp. 245-312.
of May the crisis in Palestine was heading to a point of climax, and though not expressly visible, tension had started mounting between the Soviet Union and Yugoslavia. It became evident only when Tito was thrown out of Kominform on 28 July 1948. The election results in Italy were severe setback to the Soviet Union as it dampened the prospects of the communist movement in Italy and perhaps blocked its further spread towards the West. Austria, therefore, remained the only outpost from where a further communist advance into Europe could take place. Soviet concessions on German assets were interpreted in the Western circles in the light of these developments. The signing of the Austrian treaty, they felt, might be a tactic of eliminating Western troops from the land and clearing the ground for a repetition of the Czechoslovak experiment in Austria. The Western Powers, therefore, deemed it highly dangerous to vacate Austria at this time, thereby leaving her an easy prey to Soviet Russia. These factors clearly indicated that it was Western refusal to leave Austria at that time, rather than the Soviet Union's unrelenting hold, which was the underlying obstacle blocking the State Treaty negotiations. (94)


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However, even against this background of revolutionary upheavals, the deputies did continue their negotiations on Austria for a considerable length of time. The purpose for so doing does not seem to have been a genuine desire for concluding a peace. Although the Soviet Union readily made some concessions, yet she was not enthusiastic about withdrawing her troops from Austrian soil, which would have been necessitated by the conclusion of the treaty. Moreover, the treaty would have removed the legal basis for maintaining Soviet troops on the territories of all the satellite states to the east, and thereby deprived the Soviet Union of the strategic advantage from where she might have still hoped to teach a lesson to the Yugoslav rebel. (95)

Also see Ibid., vol. for 1948-49, "The Italian Elections", pp. 41-48; "The Tito Heresy", pp. 116-26; "The Battle of Berlin", pp. 133-8; "War and Peace in Palestine", pp. 375-407. Soviet actions in Czechoslovakia and Berlin are considered essentially defensive by George F. Kennan, Memoirs 1925-1960, pp. 401-2, 419-20. An impact "force of events" considerations exert on crisis situations has been analyzed by Young, n. 32, pp. 96-97. This is valid in case of conflict situations as well when interactions of parties at one place are influenced favourably or otherwise by their encounters elsewhere.

Repetition of the Czechoslovak experiment in Austria involved a risk of failure also. Thus, with the closure of the London negotiations the Austrian treaty was almost relegated to the background for the rest of the year. No power seemed to be keen to resume the efforts.

It was only in early October that Norbert Bischoff, Austrian Ambassador to the Soviet Union, was reported to have brought the Soviet proposal for an early resumption of Austrian treaty negotiations. At the same time the Soviet political representative in Vienna, Koptelov, gave an understanding to Foreign Minister Gruber that the Yugoslav territorial claims were not an unsurmountable hinderance for the Austrian treaty. At London it was stressed that after Tito's expulsion from Kominform, Soviet support to Yugoslav claims would no longer be so strong and perhaps could lead to its renunciation. On the other hand, developments over Berlin had driven the Western powers to be sceptical about the outcome of negotiations with the Soviet Union, even in the face of any Soviet official pronouncement to the contrary. John Foster Dulles, had made it clear that it was difficult to see the treaty concluded so long as the Soviet Union continued to support Yugoslav claims. France was the only state which appeared a bit enthusiastic about it. Under these circumstances, the task became one of
finding the means of conveying to the West the genuineness of the Soviet desire to negotiate. (96)

At this stage Austria took the initiative and sent a note to the capitals of the Big Four requesting them to resume negotiations on Austria. By the end of December, all the Powers had agreed to concede to the Austrian request and it was decided to resume negotiations by February 1949. (97) Thus, the problems related to the treaty were almost solved, but still the final treaty was almost held back on account of political and strategic considerations. President Renner aptly described the situation when he said, "the Powers are negotiating over Austria but they are dealing with Europe." (98)


(97) Text of the note sent to the Big Four Capitals on 6 December 1948, Wiener Zeitung, 8 December 1948.

It is worthwhile to digress a little to uncover the roots of the Soviet and the Western, particularly the United States policy in this entire region of Central Europe. The traditional Soviet interest of imperium on the territories of Central Europe was an inheritance from Czarist Russia and a realist political need. Soviet security had often been threatened by converting this region as a stepping stone by any emergent power on the European continent. Similarly, the search for an access to the warm waters of the Mediterranean and Persian Gulf for her economic as also security needs had been a vital policy objective since the Czarist era. This had inspired her numerous thirsts to get control of Constantinople Bosphorus and Dardanelles. Earlier it was conceived as a religious mission and imperial destiny of Russia for reestablishing the orthodox and catholic communion disrupted by the Ottomons and also the Hapsburgs who held a sizable number of slaves under their control. Catherine the Great, visualized a Russo-Greek Empire and the fifteenth century Czars entertained the idea of incarnating Russia as the "Third Rome". With the Communist leaders of the Soviet Union, this became the mission of liberating the workers of the world from the chains of capitalist exploiters. Since the earliest times this was also motivated by a pull to be in constant touch with the technologically developed states to the West for her own modernization process. In
pursuant with these objectives towards the end of the Second World War, it was for the first time that Stalin's army was successful in establishing this imperium in Central Europe. After the end of the war, the trails of the vast devastation suffered by the Soviet Union made it imperative for her to retain this area under her control by all means at her disposal. Besides the dictates of strategic calculations, it was also essential for her economic reconstruction. The oil terrains of the Balkans were particularly significant in this respect. This explains the Soviet urge to have a strict control over the states around her territory. (99)


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The Anglo-French anxiety to contain this Soviet advance was also in tune with their traditional foreign policy goals of maintaining a balanced power structure in Europe for the stability of their state system. Their call for the United States help in achieving this objective could be understood in view of the fact that the Second World War had nearly exhausted the Anglo-French national substance. The United States was the only power at that time which could deter any further Soviet advance. Simultaneously, the United States involvement in Europe was the logical step of her policy of interventionism slowly growing on the European scene since the turn of the twentieth century. These interventionist policies were confined to Western Hemisphere till the end of the nineteenth century and were termed as "isolationism" and "neutralism". The "suicide of Europe" with the outbreak of the First World War accentuated America's imperial potential. Her economic stake in Europe also dragged her irresistibly into European conflicts during the First World War. Moreover, the United States realized the danger to her own security if a single power was allowed to have

economic-military domination of the Eurasian continent. The danger to her economic and security interests was further brought home by the experience of the era of "withdrawal" from the European scene between the two world wars. The most decisive expressions of this consciousness were the Marshall Aid for European recovery and NATO military alliance, both coming on the heels of the Truman doctrine to contain communism. It was proclaimed immediately after the end of the Second World War when Soviet imperium was set on the territories of Eastern Europe and threatened the fulfilment of the vision of a Russo-Greek empire of Catherine the Great. Consequently, it was a reflection of the distinct US need to prevent further expansion of Communist domination of the single most valuable centre of material power as well as cultural affinity outside the North American continent. In view of these Great Power calculations, further accentuated by the onset of atomic era it was obvious that their wider interests in the region were bound to have an impact on their entanglement on any small location in the area. To a considerable extent, this disrupted the Allied unity in the post-war period and hampered the progress of peace making in the
The pattern of negotiation obviously differed considerably in the case of each of the four powers although the western powers often acted as a consortium. The Austrian role of catalytic pressure on the four powers contributed to the functioning of big power diplomacy within a framework in which political independence and economic security of Austria were accepted as explicit goals by all. The Austrian Government's conception of its


For an analysis of European American interaction and an evolution of their communion see Daniel Lerner and Morton Gordon, Euratlantica: Changing Perspectives of the European Elites (London, 1969). Barghhoorn has elucidated that in the period immediately following the end of the Second World War there did exist a reservoir of mutual friendliness even among the Soviet people and the Americans which could have been effectively exploited for establishing friendly relations. Fredrick C. Barghhoorn, "What Russians think of Americans", Foreign Affairs, vol. 26, pp. 290-301.
catalyst role had its most crucial characteristic in the assertion of Austria's moral right to be treated as a "liberated state". Not having coercive methods at their disposal the Austrians had to find substitutes to accelerate the mechanism of international negotiation. The Austrians also faced the constant problem of ensuring that the tensions generated by the lack of political homogeneity among the four powers did not frustrate the search for a viable equilibrium. The bargaining context with the Soviets suffered in particular from that regime's inevitable post war demands which were meant to advance the transcendent purpose of "revolution". The Austrians carefully separated their opposition to Soviet demands on their economic resources and to political cross pressures from excessive involvement in antagonistic compulsive relations with the Soviets. Their assessment of the oscillating phases of big power negotiations stressed the primacy of "self determination" not by way of challenging the policy orientations of the four powers but for stressing common interests through which autonomy in domestic affairs could be widened through continuous readjustments leading to the realization of the Austrian objective of restoration of national sovereignty.