

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO: THE UNDER-SECRETARY OF STATE FOR  
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Security: CONFIDENTIAL

No: 55

FROM: The Canadian Legation,  
Vienna, Austria.

Date: February 10, 1956

Enclosures:

Reference: Your No. S-4 of January 23, 1955  
No. 2 of February 2 and previous

Air or Surface Mail:

Subject: correspondence on the related sub-  
ject of the Canadian interests in  
the Bruck Sugar plant (Woodcot  
Estates Ltd.).

Post File No:

Ottawa File No.	"L"
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With particular reference to the exchange of telegrams noted above, I should like to bring you up to date on the wretched way in which the related question of the Woodcot Estates Limited's interest in the Bruck Sugar factory has been handled by the Austrian officials concerned.

2. I have been careful, in my discussions on this subject, to confine myself to enquiries, in accordance with your letter No. E-318 of August 31, 1955, as to the intentions of the Austrian Government to provide appropriate representation for former shareholders in the interim administration of the Bruck Sugar factory. I have, however, made it clear, in line with your telegram No. 51 of September 16, that we expected some suitable arrangements would be made. On the other hand, I have not received any further instructions concerning this or other Canadian claims, although your letter No. S-368 of October 27 (para. 4) stated that such instructions were being sent separately.

3. I have still received only oral replies to my written enquiry concerning the intentions of the Austrian Government in this matter and, although we have been assured, even by the Minister of Finance, that appropriate arrangements would be made for representation of the former shareholders in the interim administration, nothing has been done. Moreover, it now appears unlikely that anything will be done. The last time I had an opportunity to discuss the matter with Finance Minister Kamitz, he explained that he was very sorry that he had been unable to keep his promise to Mr. Magann and me that the former owners would be represented on the public administration of the plant very soon. This was because of the unexpected tenacity of opposition to the appointment, particularly on the part of the Socialists, which was really a reflection of the tension within the Coalition, as neither party actually attributed as much importance to their real interest in the administration of the factory as it assumed in the political tug-of-war which is now going on. (I am sure, also, that the impasse which developed in this particular instance also suited the interests of important elements in the People's Party as well.)

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with immediately by the simple expedient of ordering the Finanzprokuratorat to give the Government's assent to the court action. Dr. Rinesch said that he could file a new brief within a fortnight and Dr. Kamitz told Dr. Neudörfer to see that proper arrangements were made to proceed with the case as soon as possible. At the same time the Finanzprokuratorat would be authorized to proceed with a few other cases so that undue attention would not be attracted to the Bruck case.

7. Dr. Kamitz also went on to say that he would be prepared to act on the first finding of the court that restitution to the former owners was in order and undertook not to launch an appeal if the former owners were successful in the first proceedings. He also undertook to restore effective control without awaiting the formulation of a court order as to the details of a restitution settlement. The Finance Minister expressed the view that this might very well result in a restitution of the property within a couple of months and although the representatives of the former owners considered that a little optimistic, they think they might very well be able to complete the necessary court procedure before the end of the summer. Altogether, they are more than satisfied with this turn of events and, provided the business proceeds as now planned, it is obvious that the former owners will be in a better position to re-establish their position adequately and completely much more quickly than they had expected. In spite of my admiration and friendship with Dr. Kamitz, however, I must confess to more skepticism myself in view of the lengthy and unsatisfactory way in which this case had been dealt with until now and the many unfulfilled assurances already received.

8. State Secretary Bock also gave assurances that everything possible would be done to keep the plant in good working order and said that there was no prospect of any extensive investment being made, which might not meet the wishes of the eventual owners, as no funds could possibly be made available in present circumstances.

9. There is obviously a continuing struggle for the control of this property mainly between the Socialist Consumer Cooperative Organization on the one hand, and the Sugar Beet Growers Association, a People's Party organization, on the other. These entities are both very powerful within their respective party organizations and, if one were to accept their short-sighted objectives as representing an important element of power in the Austrian Government - decidedly not an untenable position - one could easily accept the strong opinions expressed in paragraph 15 of the memorandum from the Woodcot Estates Ltd., enclosed in your letter No. E-318 of August 31, 1955. The author of that memorandum, Mr. J.J. Prentice, the President of Woodcot Estates Limited, has, however, expressed his satisfaction with the present developments in the case (of which he was informed by cable) and I think that we might now be content to wait a few weeks to see how expeditiously the restitution procedure is handled.

10. Meanwhile, in so far as the possibility of accession by Canada to the Austrian State Treaty is affected by the consideration of the manner in which this and other Canadian interests involved in restitution are handled, there is nothing, it seems to me, that would encourage us to agree to accession in the immediate future. The struggle for economic and commercial power by the Austrian political parties in the Coalition has brought action on

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3. I let Dr. Kamitz (and indeed all others with whom I have discussed the matter) know that I was disappointed in the situation and said that I expected he would do what he could to find a solution which was not only in the interest of the former owners but also in the long-term interest of Austria. I also asked him if he would have a meeting with Dr. Rinesch and Mr. Bentley, representing the interests of the former owners, and State Secretary Bock to see if they could work out some sort of plan to meet the wishes of all concerned. Dr. Kamitz readily agreed to do this and a meeting was held on Thursday, February 2. I considered it would not be desirable for me to attend such a meeting as I would not want to become involved in any specific arrangements and explained that my interest was in knowing how the Austrian Government intended to deal with the matter. I had Dr. Kamitz and others to dinner after the meeting, however, and I am now glad to report that he made certain proposals which may result in a very good settlement for the Canadian interests concerned. Mr. Bentley and Dr. Rinesch also agree that present plans, if carried to a successful conclusion, will meet their best needs.

4. As you know, the Bruck Sugar factory was seized by the Soviet occupation element as a German asset because it had been acquired by a German citizen named Clemens Auer, and others, after Austria was incorporated in the German Reich in 1938. The Soviet element prevented restitution of the plant prior to its being transferred to the Austrian Government, in accordance with the State Treaty, on August 14, 1955. (Restitution proceedings had been initiated in 1949 by Dr. Rinesch.) As title to all assets so transferred under the State Treaty are now legally vested in the Austrian State, restitution proceedings have to be re-initiated but, in respect of these properties, the Austrian Restitution Court has not been able to proceed with the consent of the appropriate office of the Austrian Government in such cases. This office is known as the Finanzprokuratur, and is responsible to the Minister of Finance.

5. The Restitution Court has been informed that the Finanzprokuratur would not assent to proceeding with cases involving property formerly held as German and transferred to Austria under the State Treaty pending the enactment of legislation to implement the provisions of the State Treaty relevant to restitution. It was expected that this legislation would have been agreed upon within the Coalition Government and enacted early in January this year. This has not been the case, however, and, as indicated in paragraph 2 of my telegram under reference, there is no prospect of agreement on the legislation in the near future.

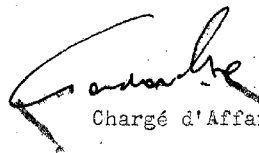
6. At the meeting on February 2, Dr. Kamitz also had Dr. Neudörfer, a senior officer of the Finanzprokuratur, in attendance. Dr. Kamitz, after explaining the situation fully and again expressing his regrets about the present impasse, said that he would like to suggest a new course of action. First, he proposed that the application of the former owners for representation in the public administration of the plant should be allowed to stand and that State Secretary Bock would continue to seek the cooperation of the Parliamentary Committee set up to advise on public administration of these assets in having Mr. Bentley, or someone in his stead, appointed as an administrator. As the Minister did not expect any very favourable result of this in the near future, on the other hand, he proposed that at the same time an effort would be made to have the restitution case proceeded

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many planes of government almost to a standstill and, in this regard, it would be well to retain whatever instruments of persuasion we may have to bring about a recognition of Austrian obligations.

11. I should appreciate having any indication of your intentions with respect to instructions regarding representations concerning this and any other claims suggested by paragraph 4 of your letter No. S-368 of October 27, 1955.

  
Chargé d'Affaires, a.i.

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