

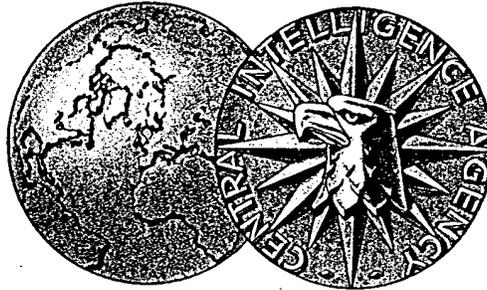
~~TOP SECRET~~

COPY NO. 112
FOR THE ASSISTANT DIRECTOR
FOR REPORTS AND ESTIMATES

022413

THE SOVIET POSITION IN APPROACHING THE CFM

CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL



ORE 48-49

Published 18 May 1949

Document No. 001
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 DDA Memo, 14 Apr 77
 Auth: DDA REG. 77-1793
 Date: 28/01/78 021

CENTRAL INTELLIGENCE AGENCY

~~TOP SECRET~~

DISSEMINATION NOTICE

1. This copy of this publication is for the information and use of the recipient designated on the front cover and of individuals under the jurisdiction of the recipient's office who require the information for the performance of their official duties. Further dissemination elsewhere in the department to other offices which require the information for the performance of official duties may be authorized by the following:

- a. Special Assistant to the Secretary of State for Research and Intelligence, for the Department of State
- b. Director of Intelligence, GS, USA, for the Department of the Army
- c. Chief, Naval Intelligence, for the Department of the Navy
- d. Director of Intelligence, USAF, for the Department of the Air Force
- e. Director of Security and Intelligence, AEC, for the Atomic Energy Commission
- f. Deputy Director for Intelligence, Joint Staff, for the Joint Staff
- g. Assistant Director for Collection and Dissemination, CIA, for any other Department or Agency

2. This copy may be either retained or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Collection and Dissemination, CIA.

DISTRIBUTION:

Office of the President
National Security Council
National Security Resources Board
Department of State
Office of Secretary of Defense
Department of the Army
Department of the Navy
Department of the Air Force
State-Army-Navy-Air Force Coordinating Committee
Joint Chiefs of Staff
Atomic Energy Commission
Research and Development Board

THE SOVIET POSITION IN APPROACHING THE CFM

SUMMARY

1. A combination of unfavorable developments in the West and in the Soviet orbit has apparently led the USSR to seek to regain its maneuverability in Europe by re-opening the whole German problem in the CFM even though the price for so doing was the elimination of the Berlin blockade and the abandonment of the positions that had caused the breakdown of the Moscow negotiations last fall.
2. Soviet objectives in the CFM will probably be to counteract, in some measure, the following developments which adversely affect the position of the USSR:
 - a. US and Western European rearmament.
 - b. The establishment of a west German state, tied in with the Western Powers and occupied indefinitely by the armed forces of the Western Powers.
 - c. The economic pinch in Eastern Europe, resulting from the restrictions on trade between East and West, which is hindering the political consolidation and economic development of the Satellites and the economic developments of the USSR itself.
 - d. The steadily increasing antagonism of the Germans toward the USSR.
3. The two basic alternative approaches open to the USSR in countering these unfavorable developments appear to be:
 - a. An approach which is limited to freeing the USSR from the adverse effects of the Berlin blockade and regaining maneuverability for a continuation of the cold war, and
 - b. An approach which aims to reach agreement on Germany and a *détente* in Western Europe.
4. The USSR must now recognize that it cannot hope to prevent the formation of a west German state, impede US and Western European rearmament or eliminate the restrictions on trade between East and West (other than those resulting from the Berlin blockade) unless it is prepared substantially to meet the terms of the Western Powers for a German settlement and to relieve the existing state of tension between East and West.
5. Although it remains possible that the USSR may have in mind only the limited objectives of Alternative I, the factors outlined above suggest strongly that it will attempt to follow Alternative II.
6. A decision to follow Alternative II would mean a shift in policy but not in ultimate Soviet objectives in Germany and Western Europe. It would reflect a recognition that (a) the opportunity to exploit the postwar "revolutionary situation" and to set up Communist-dominated governments in Western Europe and Germany had passed and (b) the USSR must now take a long-term approach to its German and

Note: The intelligence organizations of the Departments of the Army, Navy, and the Air Force have concurred in this report; for a dissent of the Intelligence Organization, Department of State, see Enclosure "A", p. 9. The information contained herein is as of 16 May 1949.

European objectives by accepting a temporarily neutralized Germany which it would attempt to subvert by other methods.

7. Alternative I would not present the Western Powers with any serious policy decisions. It would mean the continuation of past Soviet policies in Germany and Western Europe and the maintenance of the *status quo* except for Berlin. The Western Powers have already agreed on measures to deal with this situation. Under Alternative II, however, the Western Powers would face an entirely new situation, requiring important policy adjustments. These would center about two major problems:

a. A united Germany which, for a time, would be under the supervision of a four-power control organ (including the USSR) and which would be in a position increasingly to play off East against West in an endeavor itself to fill the power vacuum in central Europe; and

b. The effects of the new situation upon those aspects of the present policies of the Western Powers which are designed to strengthen to the maximum practicable extent their military position and correspondingly to restrict the Soviet war potential.

THE SOVIET POSITION IN APPROACHING THE CFM

1. THE CONTEXT OF THE SOVIET PROPOSAL.

Since the breakdown last fall of the Moscow negotiations to lift the Berlin blockade, a stalemate has existed between the USSR and the Western Powers in Europe. The USSR had apparently anticipated that the blockade would make the position of the Western Powers in Berlin untenable and force them to reopen negotiations on Germany as a whole under conditions favorable to the USSR. The success of the air-lift defeated this objective. The USSR thus found itself committed to an unsuccessful policy. In the meantime, the developments in the West have pointed clearly to increasing consolidation against the USSR, to the prospect of growing Western military strength, and to the firm integration of a west German state into the Western orbit with the armed forces of the Western Powers indefinitely in occupation. The USSR was thus faced with the prospect that a Western Germany would, for an indefinite period, provide a base for US troops and that a continuation of the existing state of tension would make certain the rearmament of the US and Western Europe.

On the Soviet side, the blockade has increased the anti-Soviet sentiment of the Germans and temporarily, at least, strengthened their attachment to the Western camp. Efforts to effect the political consolidation and economic development of east Germany and the Satellites have been running into increasing difficulties. The seriousness of these difficulties from the Soviet point of view cannot be precisely assessed, but it is evident that they have been of consequence and that the Western counter-measures to the Berlin blockade have aggravated the problem considerably. At the same time opportunities for the extension of Soviet influence in the Far East have opened up at an unexpectedly rapid rate. The combination of developments in the East and the West, therefore, has apparently led the USSR to try to regain maneuverability in Europe by reopening the whole German problem in the CFM, even though the price for so doing was the elimination of the blockade and the abandonment of the positions that had caused the breakdown of the previous Moscow negotiations.

It seems clear also that the elaborate Soviet peace offensive has been designed, in part at least, as a preparation and a face-saving device for the abandonment of the blockade. Both to the people of the Soviet area and the outside world, the Soviet proposal is being portrayed as proof of the peaceful intentions of the Soviet Union and, as such, a logical and normal move for the USSR to make. It is the Western Powers that are presented as being forced by world opinion to abandon their warmongering tactics and to agree to the reopening of discussions. To the Germans, furthermore, the move is portrayed as a lead from strength. A recent broadcast from a German observer at the Moscow May Day parade said, "Conscious of being strong enough to dispense with matters of prestige, the Soviet Government has made a first step toward resolving the Berlin and German tension."

2. BASIC SOVIET ALTERNATIVE APPROACHES.

While it is clear that the USSR has been willing to modify its conditions for lifting the blockade and risk some loss of prestige in order to reopen four-power discussions, its aims and objectives in the forthcoming meeting of the CFM cannot yet be precisely defined. The alternative approaches, however, appear in fairly clear relief, and it should be possible to narrow them down as the negotiations proceed. The two basic alternative approaches are (1) that the USSR is reopening the CFM discussions solely to free itself from the adverse effects of the Berlin counter-blockade and to regain its maneuverability in a continuing cold war, and (2) that the USSR is definitely seeking an agreement on Germany and a *détente* in Western Europe, and is prepared to make the necessary concessions to the known western positions in order to obtain them.

Before making an estimate as to which of these alternatives the USSR is more likely to follow, it will be useful to examine the present Soviet position in the light of the assumed Soviet objective of a Communist-controlled Europe and Germany. It must now be clear to the USSR that there is no present prospect of the Communists taking control in any of the countries west of the Iron Curtain. It must also be clear to the Kremlin by now that there is no immediate prospect of the Communists getting control of Western Germany, and that, in fact, the "hard" Soviet policy has been driving the Western Germans more firmly into the Western camp. The Kremlin must likewise recognize by now that its recent policy has helped the military, political, and economic consolidation in the West which, to the extent that Western military strength increases, cannot but be regarded as a potential threat to Soviet security.

On the Soviet side of the Curtain, the economic barrier between East and West is disrupting the economic plans of the Satellites, creating discontent among even their Communist leaders and slowing the Satellite integration into the Soviet orbit. The USSR must recognize, therefore, that its efforts to exploit the postwar confusion by the "cold war" methods have failed and that the Western Powers cannot be induced to make a settlement for a united Germany that will facilitate an assumption of control by German Communists.

Soviet objectives, therefore, in reconvening the CFM would seem to be to counteract, in some measure at least, the following developments which adversely affect the position of the USSR:

- (a) US and Western European rearmament.
- (b) The establishment of a West German state, tied in with the Western Powers and occupied indefinitely by the armed forces of the Western Powers.
- (c) The economic pinch in Eastern Europe, resulting from restrictions on trade between East and West, which is hindering the political consolidation and economic development of the satellites and the economic development of the USSR itself.
- (d) The steadily increasing antagonism of the Germans toward the USSR.

It cannot be determined at the moment how far the USSR may be planning to go in trying to counteract these unfavorable developments. The two alternatives noted

above may be accepted as a measure of Soviet intentions in this respect. The gains to be expected by the USSR under the two alternatives may be analyzed as follows:

Alternative I

If the USSR is reconvening the CFM merely to free itself from the economic and political disadvantages of the Berlin blockade and to regain maneuverability for a continuation of the cold war, it may hope to obtain the following benefits:

- (a) The elimination of the adverse effects of the western counter-blockade upon east Germany and the satellites.
- (b) Some improvement in the Soviet position vis-à-vis the Germans through
 - (1) The elimination of the blockade itself.
 - (2) Posing as the champion of a united Germany by sponsoring a German settlement along the lines of the Warsaw communiqué.*
- (c) A chance to influence the US Congress to defeat or reduce the military aid program for Western Europe and reduce the domestic armed forces budget by initially adopting a conciliatory attitude and protracting negotiations as long as possible.
- (d) An opportunity to embarrass the Western Powers, particularly vis-à-vis the Germans and a world opinion saturated with the Soviet peace offensive, by making various insincere proposals, by offering specious compromises on the Warsaw program, and by placing upon the Western Powers the onus for the final breakdown in negotiations.

If the USSR follows this program, the discussions will again arrive at an impasse, and the conference will break up without an agreement on a united Germany. If the USSR then reverts to its hard policy of the "cold war" and maintains the state of tension, it will have gained little. It may have somewhat improved its position with the Germans. The adverse effects of the blockade will have been eliminated, and the USSR will seek to persuade the west Germans that the only hope for a unified Germany lies in coming to an understanding with an east German state. This campaign might also encourage negotiations between the Soviet zone Germans and some elements in the Western state, but in effect, this entire program would be no more than a repetition of Soviet tactics that have already proved unsuccessful. The only concrete gains for the USSR would be the lifting of the Western counter-blockade measures that would relieve somewhat the economic difficulties of the Eastern Zone, and possibly a temporary effect on the US congressional support for the MAP. The USSR would have made no progress in detaching Western Germany from the orbit of Western Europe, in reducing or eliminating the occupation forces of the Western Powers, in stopping

* On 24 June 1948 a conference of the Foreign Ministers of the USSR and the satellite states, held at Warsaw, issued a declaration calling for a German settlement. It advocated the establishment by the Four Powers of a provisional, democratic, peace-loving government for the whole of Germany, composed of the representatives of the democratic parties and organizations of Germany; the conclusion of a peace treaty with Germany that would permit the withdrawal of all occupation troops within a year after its conclusion; four-power control for a definite period of the Ruhr heavy industry; the payment of reparations; and demilitarization.

definitely US and Western European rearmament, or in creating an atmosphere in which the restrictions on East-West trade could be removed.

Alternative II.

If the USSR believes it desirable to prevent the formation of a separate west German state under exclusive Western Power occupation and to have a chance both of impeding US and Western European rearmament and of opening up trade between East and West, it must be prepared to settle for an initially non-Communist Germany and to relieve the existing state of tension between East and West.

A decision to adopt this course of action would obviously mean a shift in policy but not in ultimate Soviet objectives in Germany and Western Europe. It would reflect a recognition that (1) the opportunity to exploit over the short term the postwar "revolutionary situation" and to set up Communist governments in Western Europe and Germany had passed and (2) that the USSR must now take a longer term approach to its German and European objectives by accepting a temporarily neutralized Germany which it would attempt to subvert by other methods. In terms of Soviet ideology and tactical doctrine, this shift would signify a temporary retreat in the face of stabilization and the beginning of a policy of consolidation and of preparation for the next "revolutionary situation" when it appeared.

Assuming that the USSR recognizes that its cold-war tactics have reached a point of diminishing returns, it may evaluate its prospects during a period of stabilization and relaxed tension somewhat as follows: Soviet security would be greatly increased if this policy brought about a reduction or eventual elimination of the occupation forces of the Western Powers and slowed up the rearmament of the US and Western Europe. The establishment of a united Germany and the elimination of a separate west German state would open up the whole of Germany to Soviet machinations, even though initially the new Germany would be non-Communist and more inclined toward the West than to the USSR. The USSR would have many avenues of approach to the Germans. It could have a voice in German affairs through membership in an allied control organ, whether or not it retained a veto power. It might be able to use more effectively the nationalism of the new German state than could the Western Powers with their divergent views with respect to the future role of Germany. It could hope that these inevitable differences between the Western Powers concerning the future development of Germany might lead to rifts in Western unity. Under a unified German government the pro-Soviet German political parties and trade-unions might be openly extended throughout the whole of Germany. The USSR could offer the Germans food and raw materials in return for a market for their manufactured goods which might be increasingly denied to them in the West. On these grounds the USSR might anticipate the possibility of developing a Soviet-German political and economic rapprochement.

Thus, the USSR might hope, at the least, to prevent the new Germany from being absorbed into the Western orbit and from becoming a base for a possible attack against the USSR. At the same time it would prepare for the eventual rise to power of the German Communist Party when the anticipated disintegrating forces within capital-

ism produced a revolutionary situation in Germany and Western Europe. Meanwhile, the USSR would be in a more favorable position to build up the strength of its own economy and those of the satellites, and would continue to develop its favorable opportunities in the Far East.

3. CONCLUSIONS WITH REFERENCE TO THE TWO ALTERNATIVES.

On balance, the weight of logic strongly suggests that the USSR will attempt to follow the second alternative. If a choice has been made it will be concealed until the negotiations have developed. The situation today is vastly different from what it was at the time of the last CFM or the previous negotiations over the Berlin blockade. The ERP has been successfully launched. The Western Union and the Atlantic Pact have advanced from talk to reality. The air-lift has survived the winter. The European military aid program and a large domestic armed forces budget are under consideration in the US Congress. Previously the USSR could hope by its cold-war tactics to prevent or retard some of these developments. The cold-war tactics have now obviously failed to do so. The Soviet response to this failure is not a threat of military action but a propaganda peace offensive, an abandonment of firm positions that had previously wrecked the Berlin discussions, and a proposal to reconvene the CFM. Although it remains possible that the USSR may have in mind only the limited objectives of removing the economic and political disadvantages of the Berlin blockade and regaining maneuverability in a continuing cold war, there would seem to be compelling reasons for it to try to counteract such basically unfavorable developments as Western rearmament and consolidation, the loss of Western Germany and the economic deterioration of the Eastern area. If it wishes to accomplish the latter, it seems unlikely that the USSR would continue, or revert to, a policy that has been unsuccessful in preventing these developments. It can hope to counteract them only by meeting Western terms on a united Germany and easing the existing tension between East and West.

4. IMPLICATIONS OF THESE ALTERNATIVES FOR THE WESTERN POWERS.

Alternative "I" will not present the Western Powers with any serious policy decisions. It will mean the continuation of past Soviet policies in Germany and Western Europe and the maintenance of the *status quo* except for Berlin. The Western Powers have already agreed on measures to deal with this situation. They can continue, without serious loss of public support, to develop the west German state, their restrictions on trade in strategic materials, and the various phases of their political, military, and economic consolidation programs. Over the longer term, they will of course encounter difficulties with German nationalism and in resolving their divergent points of view with respect to the future development of the west German state. But the position is basically tenable and permits the continuance of the current political, economic, and military policies of the Western Powers.

Alternative "II," on the other hand, presents the Western Powers with serious policy decisions, attendant upon an entirely new situation. Established policies have been based on a division of Europe that gave the Western Powers control of Western Ger-

many and upon a continuing cold war which enlisted public support for military defense measures against the Soviet menace. The new situation will call for revised policies to insure the Western orientation of a united Germany—a Germany which for a time will be under the supervision of a four-power control organ (including the USSR) and which will be in a position increasingly to play off East against West in an endeavor itself to fill the power vacuum in central Europe.

The problem of the withdrawal of the occupation forces, including those of the US, will present basic difficulties. The USSR may well advocate a total withdrawal of all forces in order to get the US out of Europe. Even if the Western Powers get agreement to reduce the occupation forces to a garrison status, the Germans eventually will exert great pressure for the complete withdrawal of these forces and it would also be difficult for the US over a period of time to maintain its forces anywhere else on the continent or in England.

An agreement on a united Germany will make it increasingly difficult for the Western Powers to maintain those aspects of their present policy which are designed to strengthen to the maximum practicable extent their military position, and correspondingly to restrict the Soviet war potential. To the extent that the Soviet Union may attempt to create the impression that it is offering a permanent settlement in the West, this difficulty will increase.

Under these circumstances the USSR will probably press for a relaxation of US export restrictions and other forms of economic discrimination against the iron-curtain countries. If the Western Powers refuse, they can be attacked on the grounds that they are continuing economic warfare and that they not only do not reciprocate the Soviet desire for peace but are continuing to plan aggression.

If the Western Powers desire to maintain their export controls on strategic materials, continuation of ERP aid to a united Germany presents serious problems in this respect. It will be difficult, if not impossible, effectively to control the exports of Germany, and the products of ERP aid can be siphoned off into Eastern Europe.

A German settlement, particularly if accompanied by a marked and continuing relaxation of tension, will eventually weaken substantially public support for rearmament programs and other measures designed to improve the western military position relative to that of the USSR.

ENCLOSURE "A"

DISSENT OF THE INTELLIGENCE ORGANIZATION, DEPARTMENT OF STATE

The Intelligence Organization of the Department of State dissents from ORE 48-49 because of the following particulars:

The second of the two alternatives which ORE 48-49 says is open to the USSR, namely, "an approach which aims to reach agreement on Germany and a détente in Western Europe" is vague and confused in concept—particularly with respect to the problem of the concessions which the USSR is prepared to make in following such an approach. Discussion of this alternative implies that the USSR will simultaneously be getting a German arrangement in accord with its long-standing objectives, and an arrangement which would mean essential acceptance of long-standing Western objectives.

It is the opinion of the Intelligence Organization of the Department of State that for genuine agreement on Germany between the USSR and the Western Powers it will be necessary for the USSR to accept a modification of its exclusive control of Eastern Germany without at the same time securing the right of veto over German affairs generally.

It is consequently believed that despite the advantages to be gained by coming to an agreement on unification the USSR would be most hesitant to make the concessions necessary to achieve it. The necessary concession would be that the USSR go so far as to admit a unified Germany, without protection of negative control through veto power. We feel that the only circumstance which could conceivably lead the USSR to make such a concession would be realization that the CFM is in the process of collapsing and with it the last chance to recreate a fluid situation and to prevent the definitive incorporation of Western Germany into the Western European system.