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THE IMPLICATIONS OF THE AUSTRIAN
TREATY FOR THE POLICIES OF THE
USSR AND OTHER STATES

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Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.

Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

on 19 May 1955. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, G-2, Department of the Army; the Director of Naval Intelligence; the Director of Intelligence, USAF; the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC and the Assistant to the Director, Federal Bureau of Investigation, abstained, the subject being outside their jurisdiction.

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REF 93-3

THE IMPLICATIONS OF THE AUSTRIAN TREATY FOR THE POLICIES OF THE USSR AND OTHER STATES

THE PROBLEM

To estimate the implications of the Austrian treaty settlement for the policies of the USSR and other states.

CONCLUSIONS

1. The terms which the USSR has accepted in the Austrian treaty involve important concessions as compared with positions previously held. While there are a number of compensating factors which probably reduce the scope and significance of these concessions from the Soviet point of view, they do not adequately explain Soviet motives in seeking a treaty at this time. (*Paras. 7, 10, 12*)
2. We believe that it was the development of the German question, and in particular the progress toward West Germany's rearmament and inclusion in NATO, which led to the Soviet decision to conclude an Austrian treaty at this time. We believe that the reversal of policy on Austria is intended to convey the impression that the USSR has receded from the rigidity of its former positions and is prepared to approach discussions on international issues with a new flexibility. The immediate objective is to encourage hope in the West, and particularly in Germany, that renewed opportunities exist for a settlement of the German question. (*Paras. 12, 16*)
3. The USSR cannot expect, however, that the example of an Austrian treaty alone, unaccompanied by concrete Soviet proposals on Germany, will sustain German hopes for reunification indefinitely. The acceptance of an Austrian treaty on terms more generous than the West had expected, together with the recent Soviet move on disarmament, is therefore probably designed to create a receptive atmosphere for proposals which the USSR will wish to advance at a Four Power conference. These proposals might include any of a number of variations on Molotov's plan advanced at the Berlin Conference in 1954 for an all-European system of collective security. The plan could be presented in more attractive guise and contrived to appeal to various elements in the West, but essentially it would probably call for a recognition of the status quo in Germany with the issue of unification being left for solution by two neutralized German regimes, even though the Soviet leaders might estimate that the West, including West Germany, would not agree to any proposal for two

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neutralized Germans. If the Soviet leaders come to believe during forthcoming Four Power talks that these tactics are unlikely to be successful in preventing or delaying West German rearmament, they may finally make a genuine offer, satisfactory to West Germany, for reunification on the basis of its severance of NATO ties and acceptance of neutralization. We believe that the chances of such an offer are less than even.¹ (Paras. 17-20)

4. The Austrian settlement will probably be widely regarded as an indication of Soviet intent to seek a detente with the

West. In NATO countries and elsewhere final judgment regarding Soviet intentions, particularly among responsible statesmen, will probably be suspended until Soviet attitudes regarding other outstanding issues become known. We believe that the Austrian settlement alone will not alter the conviction of the present West German government that it must maintain its alliance with the West. It would be extremely difficult, however, for a West German government to reject a bona fide offer from the USSR for a genuinely democratic, unified Germany at the price of neutralization in the event it were made. (Paras. 21-22)

DISCUSSION

I. THE ROLE OF AUSTRIA IN SOVIET POSTWAR POLICY

5. The USSR's policy in Austria since 1945 has been keyed to its policy in Eastern Europe generally, and to the larger issues of the struggle for Europe, particularly the question of Germany's future orientation. Except possibly for a short period after World War II, Austria was probably not regarded seriously by Soviet leaders as an objective of territorial expansion. The presence of Western forces in Austria served as a barrier to Soviet expansion, but the military occupation of its zone in Austria nevertheless offered the USSR certain practical advantages with respect to the Satellites and Yugoslavia, and also afforded political leverage for the advancement of its objectives elsewhere in Europe. More recently, the Soviet leaders apparently have regarded Austria primarily as a bargaining

¹The Special Assistant, Intelligence, Department of State, believes that the last sentence of this paragraph should read as follows:

"We believe that the likelihood of such a development is small, primarily because it seems to us that its uncertainties and disadvantages, from the Soviet point of view, would far outweigh its advantages."

counter in their effort to prevent the rearmament of West Germany.

6. The occupation itself has provided the USSR with certain economic, military, and political advantages. Soviet takings from the Austrian economy, although constituting only a minor factor in the economy of the USSR as a whole, were probably highly valued during the USSR's postwar recovery. However, the military and political advantages were far more important. The USSR was assured an advanced strategic position in central Europe and domination of the important rail and water networks in that area at a time when the Soviet leaders apparently still believed in the possibility of further Communist gains in Western Europe. Vienna has been an important center for international Communist front organizations, and the occupation has afforded protection for Communist agents and facilitated control of Communist activities elsewhere in Europe. Moreover, the stationing of Soviet forces in Austria shielded southern Czechoslovakia and western Hungary from Western influence and thus enhanced the security of the new Communist regimes in those countries.

II. CONCESSIONS AND COMPENSATIONS OF THE AUSTRIAN TREATY

7. The terms which the USSR has accepted in the Austrian treaty involve important concessions as compared with positions previously held. In the economic sphere, the most significant concession is the liquidation of Soviet property rights in Austria. The major political concession is the Soviet agreement to withdraw occupation troops prior to a German settlement.

8. Taking only economic factors into consideration, the terms of the treaty are less advantageous to the USSR than either the continuation of the occupation or a treaty which included the economic terms of the draft previously accepted by the Western Powers. Under the terms of Article 35, the USSR would have gained permanent ownership rights in certain oil refineries and shipping properties, and long-term exploitation rights in Austrian oil fields. In the present treaty the USSR has agreed to the following disposition of property held by it as former German assets: (a) to return some 240 enterprises to Austria for payment of \$150 million in goods instead of dollars; (b) to accept delivery of one million tons of crude oil annually for 10 years in place of 30-year rights to oil fields which have been producing between two and three million tons annually; (c) to return to Austria oil refineries and oil distribution enterprises which the USSR would have obtained outright under Article 35; and (d) to return, for \$2 million, all assets of the Danube Shipping Company located in Austria, assigned by Article 35 to the USSR.

9. The political and military implications of the present agreement on troop withdrawal from Austria can also be viewed as giving less advantage to the USSR than the terms which the Western Powers had previously indicated they might accept. At the Berlin Conference in 1954 the West signified willingness to extend the period for troop withdrawal to 18 months after the signature of a treaty, and Premier Mendes-France subsequently proposed extending the period to two years. Under the terms of the treaty, the USSR has

agreed to withdraw its troops by 31 December 1955 at the latest. Most significantly, the USSR agreed to separate the question of troop withdrawal from any prior agreement among the four powers regarding Germany. By so doing, it has relinquished a bargaining counter it might have been able to employ in seeking a revision of Western policies in Germany.

10. There are a number of compensating factors which probably reduce the scope and significance of these concessions from the Soviet point of view. From the economic standpoint, the value of the enterprises now to be returned to Austria has deteriorated under the occupation, and there are indications that profits of these enterprises have been declining. Moreover, Austrian oil resources have been reduced under Soviet exploitation; the extent of the concession involved in their return to Austria is uncertain. In addition, the provisions for redemption payments, extending for 10 years in the case of oil properties, and six years for other enterprises, will continue to give the USSR some influence over Austrian economic policy.

11. From a military standpoint, the withdrawal of Western troops from Austria, and the denial to NATO of any possible use it might have made of Western Austria in its defense planning may be regarded by the USSR as more than offsetting any disadvantages entailed in its own withdrawal from Eastern Austria. The neutrality of Austria, combined with that of Switzerland, will interdict to NATO the most direct route through the Alpine passes from Germany to Italy, and thus interrupt the continuous Western front from Norway to Italy. The presence of Soviet troops in Eastern Austria to assure border security and Soviet control in Hungary and Czechoslovakia is probably less important to the USSR now than in the early years after the war when Communist control had not been fully consolidated. The legal requirement in the Hungarian and Rumanian peace treaties that Soviet forces be removed from those countries after the conclusion of the Austrian treaty can be circum-

vented by other arrangements, such as the recently concluded Eastern European military pact.

III. PROBABLE SOVIET MOTIVES AND OBJECTIVES

12. While there are some advantages in the terms of the Austrian treaty to the USSR, they do not adequately explain Soviet motives in seeking a treaty at this time. In particular, they fail to explain why the USSR is willing to accept a treaty on terms less advantageous than those it might have obtained previously. The answer to these questions must be sought elsewhere than in the terms of the treaty itself. We believe that it was the development of the German question, and in particular the progress toward West Germany's rearmament and inclusion in NATO, which led to the Soviet decision to conclude an Austrian treaty at this time. However, other factors may have played a role in a pattern of mixed motivation.

13. Soviet policy, even prior to Stalin's death, had apparently recognized the need for some relaxation of international tensions, partly to arrest the growing cohesion of Western alliances, and partly to slow the pace and reduce the burden of the arms race. We believe that Soviet policy, for an interim period, will probably continue this attempt to hold international tensions in check. The move for an Austrian treaty, taken in the context of the progress toward German rearmament and the threatening crisis in the Far East, can be viewed as part of this effort. On the other hand, it is also possible that the Austrian treaty is the first step in a series of moves designed to produce a substantial and prolonged relaxation in international tension in order not only to prevent West German rearmament but to further other Soviet objectives, including US withdrawal from advanced bases, and a reduction of the incentive for the West to maintain its present defense efforts. We believe that the USSR places as much emphasis upon aggressive as upon conciliatory attitudes, and that aggressive attitudes are unlikely to be abandoned over any prolonged period. At present, Soviet policy

appears to be showing its conciliatory face, and the fact that the Austrian treaty move would document this may have been considered by the Soviet leaders as an additional factor in its favor.

14. It has also been suggested that the USSR anticipates an increase of tensions in the Far East, and possibly even hostilities between the US and Communist China, and is therefore preparing to exploit the advantages of a conciliatory posture in Europe. Such an attitude, it is argued, would not only place the USSR in a favorable position to prevent its own involvement in such hostilities, but would also increase its ability to influence the European powers to try to restrain US actions against Communist China. We believe it is possible that in the present stage of the crisis in the Formosa Strait the USSR may have some such motivation, but we think it unlikely that this would have been an important factor in the Soviet move for an Austrian treaty. Another important Soviet objective in the Far East is to detach Japan from its present alliance with the US. It is thus possible that the Soviet leaders believed that, on the eve of the Soviet-Japanese treaty talks, it would be useful to demonstrate to the Japanese a case in which Soviet concessions were obtainable at the price of accepting neutrality.

15. A further hypothesis on Soviet motives in moving for an Austrian treaty is that the USSR desires to erect a bloc of neutral states in Central Europe. Such a bloc would presumably include Austria, Switzerland, Yugoslavia, and the Scandinavian states. It would also necessarily include Germany, either unified or divided, as an essential element. The likelihood that this may have played a role in Soviet motivations, therefore, must be examined in the context of the German problem as a whole.

16. We believe that the only development affecting Soviet security interests so significantly as adequately to explain the reversal of a long-established Soviet policy at this time is the culmination of European defense arrangements in the agreement to rearm West

Germany and include it in NATO. German rearmament and association with NATO has long been regarded by the USSR as a serious potential threat to the security of the Soviet Bloc. The development of the German issue over the last few years, particularly at the Berlin Foreign Ministers meeting of January 1954 and subsequently, demonstrated that the USSR could no longer merely by temporizing on negotiations delay Western plans to include a rearmed West Germany in the Western alliance. The swift negotiation and ratification of the Paris Accords, subsequent to the failure of EDC, apparently came as a surprise to the Soviet leaders, and convinced them that unless Soviet policy departed from some of its rigid positions, West German rearmament and association with the West would go forward unchecked. We believe, therefore, that the reversal of policy on Austria is designed to regain the initiative for the USSR. Along with other moves, it is intended to convey the impression that the USSR has receded from the rigidity of its former positions and is prepared to approach discussions on international issues with a new flexibility. The immediate objective is to encourage hope in the West, and particularly in Germany, that renewed opportunities exist for a settlement of the German question. The USSR will attempt to convince the West Germans that they must abandon rearmament if they are to obtain Soviet agreement to reunification. It will also portray the success of the Austrian negotiations as an example of the results that the West Germans could expect from direct dealings with the USSR.

17. Beyond this, the USSR almost certainly regards the Austrian treaty as an urgent preparatory step for another Four Power conference. It is unlikely that the USSR would expend the valuable diplomatic and psychological leverage which its position in Austria has given it simply to effect a temporary impact on Western opinion. The USSR cannot expect that the example of an Austrian treaty alone, unaccompanied by concrete Soviet proposals on Germany, will sustain German hopes for reunification indefinitely.

The Soviet leaders probably believe that further plausible efforts on their part to reach a German settlement must be made if the existing antirearmament sentiment in West Germany is to be turned to account. The acceptance of an Austrian treaty on terms more generous than the West had expected, together with the recent Soviet move on disarmament, is therefore probably designed to create a receptive atmosphere for proposals which the USSR will wish to advance at a Four Power conference.

18. A principal objective of Soviet policy in a Four Power conference will probably be to fix the responsibility for the continued division of Germany upon Western rearmament policy. The Soviet leaders would hope thereby to encourage West German opposition to Adenauer's policy of firm alignment with the West. Proposals designed to effect this aim might include any of a number of variations on Molotov's plan advanced at the Berlin Conference in 1954 for an all-European system of collective security. The plan could be presented in more attractive guise and contrived to appeal to various elements in the West, but essentially it would probably call for a recognition of the status quo in Germany with the issue of unification being left for solution by two neutralized German regimes. The Soviet objective in such a maneuver would be to present an alternative solution of the German question so attractive as to offset the anticipated Western demand that agreement on free elections must precede any decisions regarding Germany's status in Europe. The Soviet leaders would count upon the effect of the Austrian treaty on Western opinion to lend plausibility to their proposal.

19. We believe it unlikely that the Soviet leaders estimate that the West, including West Germany, would agree to any proposal involving two neutralized Germanies. In making such a proposal, the Soviet aim would be to shift the focus of attention from the issue of free elections to the issue of rearmament as the principal obstacle to a German settlement, and thus to gain a propaganda advantage over the West which the USSR could exploit in its dealings with West Ger-

many. They will hope at least to promote divisions and confusion in West German opinion, and thus to retard and perhaps prevent the Bonn government's progress toward implementation of the Paris Agreements.

20. It is possible that, if the Soviet leaders come to believe during forthcoming Four Power talks that these tactics are unlikely to be successful in preventing or delaying West German rearmament, they will finally make an offer satisfactory to West Germany for reunification on the basis of its severance of NATO ties and acceptance of neutralization. While this would require the sacrifice of important political, military, and economic advantages derived from the Soviet control of East Germany, it would be compensated by the fact that the US would be required to withdraw its forces from Germany and would probably be unable to maintain its present military strength in Europe, thus seriously weakening NATO. The Soviet leaders might believe that such a solution would open up the possibility of growing distrust between the Germans and the Western Powers, perhaps exacerbated by the factor of economic competition between them, and together with internal political changes which could come about in Germany, ultimately lead to an orientation of a "neutral" Germany toward the Bloc. While such a Soviet proposal is possible, we believe that the chances that such a proposal will be made are less than even.²

IV. EFFECT OF THE AUSTRIAN TREATY ON THE POLICIES OF OTHER STATES

21. The Austrian settlement will probably be widely regarded as an indication of Soviet intent to seek a detente with the West. It has already been welcomed by the Tito regime as confirming its assessment of post-Stalin Soviet policy, as specifically tending to reduce tensions, and as encouraging his regime to continue a policy of achieving beneficial re-

lations with both big power camps with a minimum of Yugoslav commitment to either. In NATO countries and elsewhere, final judgment regarding Soviet intentions, particularly among responsible statesmen, will probably be suspended until Soviet attitudes regarding other outstanding issues become known. In the meantime, a new climate of expectation for a prolonged easing of international tensions will exist, and may give rise to frictions between the US and its allies over methods to employ in seeking a more general settlement with the USSR. The positive effect of an Austrian settlement on Western opinion will probably be short-lived, however, unless Soviet attitudes in the forthcoming Four Power meetings are considerably less intransigent than they have been in the past.

22. Although the Austrian settlement will have an impact in West Germany, in the final analysis it will be the character of Soviet proposals on the German question, rather than the psychological backwash of an Austrian treaty, that will determine German public opinion. We believe that the Austrian settlement alone will not alter the conviction of the present West German government that it must maintain its alliance with the West. In the absence of a bona fide offer from the USSR which would permit a genuinely democratic, unified Germany at the price of neutralization, we believe that West Germany will stand firm in its alliance with the West. It would be extremely difficult, however, for a West German government to reject such an offer in the event it were made.

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