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Number 248

Number of copies 40

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Project: IM-248

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Project Initiation Memorandum

Date: 7 Nov 49

To: D/EE

Publications

From: ~~XXXXXXXXXXXX~~ Division, Projects Planning *REL*

Subject: The position of the Soviet Satellites

Statement of Project

Origin: NSC staff

Problem: To estimate the position of the Soviet satellites in Eastern Europe with respect to the US and the USSR

Scope: This is a preliminary version of ORE 96-49, q.v.

Graphics (if any):

Form: IM memorandum

Draft due in D/St: 4 Nov

Dissemination deadline  
(if any): 8 Nov at 1200

Responsible Branch: D/EE

Internal Coordination: as needed

Departmental responsibilities: None

Classification to be no higher than: Secret

Recommended Dissemination: Requester only

NOV 7 1949  
OAS-77

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## CENTRAL INTELLIGENCE AGENCY

7 November 1949

INTELLIGENCE MEMORANDUM NO. 248

SUBJECT: Satellite Relations with the USSR and the West

Summary.

The separation of any Cominform Satellite from the Soviet orbit is unlikely under current conditions. Circumstances comparable to those which enabled Tito successfully to challenge Soviet domination in Yugoslavia do not exist in the other Satellites. By the drastic remedial measures to which it has resorted, the Kremlin has indicated its awareness of the grave dangers to its control of Eastern Europe inherent in satellite nationalism.

The Cominform Satellites can be expected to maintain a basically antagonistic policy toward the US reflecting that of the Soviet Union. Any relaxation of satellite antagonism toward the US would be a temporary tactic motivated by opportunistic considerations.

The current shift in the Yugoslav attitude toward the US is based on motives of self-preservation before the mounting pressure from the Soviet bloc. However, the continued dependence of Yugoslavia on US support

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against the Soviet Union will probably result in a gradually improved Yugoslav attitude toward the US.

Approximately 90 percent of the populations within the Satellites are hostile to the Communist regimes imposed on them. Although opposition elements in the various Satellites constitute a majority of the population, Communist measures aimed at separating them and destroying their organization and leadership, render such elements ineffective as opponents to Communist domination of Eastern Europe.

Local Communist control over the satellite peoples is exercised through the traditional Communist instruments which include the Party, security organs, and the armed forces. In addition, subsidiary political, cultural, and economic organizations are used to disseminate Communist influence.

The presence or availability of Soviet military might in the Satellites constitutes the most potent factor in maintaining the Communist regimes in power. The various Communist parties under the immediate direction and control of reliable Soviet agents, form the chief vehicles by which the sovietization of Eastern Europe is being carried out. The entire political, military, and economic life of the Satellites is being geared to the implementation of Soviet aims under a tight Kremlin control. In some instances, the Soviet Embassy itself serves as the main command channel between the Kremlin and the satellite governments; in others, trusted local Communists have direct access to Moscow.

The USSR has already attained a high degree of economic control over the Satellites. One of the major points of Soviet vulnerability, however, is the subordination of satellite economic welfare to Soviet interest. Considerable popular resentment, even in Communist circles, has resulted from the forceful transformation of the economic structure of Eastern Europe, the lowered standard of living, and the failure of the USSR to meet the industrial requirements of the Satellites. Thus far, however, Soviet political and economic control has been sufficient to prevent effective nationalist deviation from Kremlin authority. Meanwhile, the US export control program has contributed substantially to slowing the rate of economic development in the Satellites and has added to the strain in present Soviet-Satellite relations.

### 1. The Scope and Method of Soviet Control.

The Soviet Union has attained its domination of Eastern Europe through the methodical use of multiple instruments of control and intimidation. The presence or availability of Soviet military might in the satellite countries constitutes a passive but potent factor in maintaining the satellite regimes in power. The various satellite Communist parties, themselves directed and controlled by reliable Moscow-trained agents, form the chief vehicle by which sovietization is being imposed on the Eastern European populations. As in the Soviet Union, each satellite Communist party has penetrated and now wholly dominates the government and security forces. In some cases, the Soviet Embassy serves as a command channel between Moscow and the satellite capitals; in others, trusted local Communists appear to have direct access to Moscow. In addition, Eastern Europe has been thoroughly penetrated by Soviet secret police who operate independently but exercise control over the satellite police. Numerous Soviet "technical advisers," especially for the satellite armies and economic enterprises, are permanently stationed in the Satellites, while many inspectors from the USSR circulate throughout Eastern Europe to control and report on local conditions. With the growing nationalization of industrial and commercial enterprises throughout the Satellites, the economic life of Eastern Europe has been increasingly subjected to Soviet direction and controls. In early 1949, the Council of Mutual Economic Assistance was created with the purpose of ultimately integrating the satellite economy with that of the Soviet Union.



Although the methods of Soviet control follow the same pattern in all of the Satellites, the degree of sovietization varies from country to country. Thus Soviet control is more thorough in the Balkans, particularly Rumania and Bulgaria, than in the northern Satellites where opposition has been greater. Steps are now being taken in Czechoslovakia to bring that country under similarly strict Soviet control. Complete sovietization of Poland, which has traditionally evidenced its strong antagonism toward the USSR, will probably confront the Kremlin with its severest test.

## 2. Indigenous Basis of Communist Control.

Local Communist control over the satellite peoples is exercised through the traditional Communist instruments which include the Party, the Security Police, and the Army. In addition, all cultural, political, and economic organizations, as well as all local media of mass communication, are used by the Communists to extend their influence over the people. To an increasing extent, the entire population of Eastern Europe is being impressed into these mass-organizations for the "construction of socialism." The traditionally anti-Communist Churches have been, or are being, brought under the domination of the Communists to serve as additional levers of control. The Eastern European area has become, therefore, progressively isolated from Western contacts, and completely subjected to Communist indoctrination and thought-control. In view of this Communist domination over all aspects of community life, there is little opportunity for any organized resistance to develop, despite the fact that the populations in general are opposed to the authoritarian Communist regimes.

3. Attitude of Communist Regimes, Including Yugoslavia, toward the US.

The attitude of the Communist regimes in the Satellites is expected to remain basically antagonistic toward the US, thus reflecting the attitude of the Soviet Union, which now regards the US as the leading obstacle to its expansionist aims. Any relaxation of this policy will be temporary and purely for opportunistic reasons. Thus the more industrialized Satellites, such as Poland and Czechoslovakia, may continue their attempts to improve economic relations with the US in order to acquire vital industrial equipment unobtainable in the Soviet orbit.

Yugoslavia, on the other hand, has already to a certain extent tempered its past hostility toward the US. This modification of Yugoslavia's attitude stems from the realization that Yugoslavia is isolated from the Soviet bloc and increasingly dependent upon US economic and military aid. The change in tactics toward the US, therefore, is based on motives of self-preservation before mounting pressure from the Soviet bloc. The Tito regime will probably gradually adopt a more friendly attitude toward the US as it continues to rely on US support to maintain its independence.

4. The Vulnerability of the Satellite States to Separation from the Kremlin.

The extent of direct Soviet control over the Satellites and the instruments of power in the hands of the satellite Communist parties eliminate the possibility that any Satellite in the near future can be separated from the Soviet Union by measures short of war. A set of conditions comparable to those which brought about Yugoslavia's successful revolt from Kremlin

domination does not exist in any other Satellite. None of the Cominform satellite parties has a relatively popular leader -- such as Tito -- with a devoted party and military following. With the exception of Albania, the Satellites lack the exposed geographic position of Yugoslavia which has afforded Tito access to the West.

Although approximately 90 percent of the populations within the various Satellites are hostile to the Communist regimes imposed on them, the elements making up this anti-Communist majority have actively opposed the Communists only when directly attacked. Thus, the Communists at first turned their efforts to the successful elimination of organized underground groups and anti-Communist political parties. More recently, the Communists have directed their attacks against the various religious organizations -- the nucleus for remaining anti-Communist opposition. The Orthodox Church, mainly represented in the Balkans, succumbed and is now a subservient Communist instrument. The Communist regimes in the northern Satellites are now carrying on a relentless campaign to neutralize the powerful influence of the Catholic Church. Next on the Communist timetable will probably be the peasants, whose anti-Communist stand has thus far delayed the widespread collectivization of agriculture. Communist efforts to separate the opposition elements and destroy their organization and leadership one at a time have thus made it possible for the Communists to impose their will on a population predominantly anti-Communist.

Nevertheless, certain weaknesses do exist in varying degrees throughout the Satellites, which if properly exploited, might, in the long run, enable at least some of the Satellites to throw off the Kremlin yoke. Chief among these is the strong undercurrent of nationalism, extending even to many Communist party members, which has been caused by resentment against the enforced sacrifice of national to Soviet interests. With the Tito lesson in mind, the Kremlin, by its widespread purges of satellite parties, has indicated that it fully appreciates the dangers inherent in nationalism. However, the basic problem remains unsolved, and ruthless Soviet exploitation of its Satellites, which resulted in Tito's defection, will continue to augment nationalist discontent throughout the area.

Of the Satellites, Albania, by virtue of its isolated geographical position and the relative instability of the present regime, is most susceptible to defection. Poland, with 95 percent of its population devoutly Catholic, and with the unquenchable nationalism of the Polish people evident even in the highest councils of the Communist Party's leadership, might well prove the hardest morsel for Moscow to digest. On the other side of the scale, Rumania, where Soviet control is virtually complete, is considered least able under present conditions to break away from its Kremlin masters.

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Albania.

The USSR appears capable of maintaining effective control over Albania in the course of the next several months. Because of the impoverished economic circumstances of the Albanian people and the hostility of the freedom-loving Albanian mountaineer toward a harsh Communist regime, 90 percent of the population is disaffected and ripe for collaboration with any anti-Hoxha movement. However, in the absence of unity among the anti-Hoxha elements, resistance amounts to no more than sporadic sabotage and subversion and overthrow of the Communist regime is considered unlikely. Meanwhile the USSR has extended its control over all phases of Albanian life to a greater degree than in the other Satellites and the formation of an anti-Soviet element within the Albanian Communist Party is improbable. Refugee anti-Hoxha elements concentrated in Yugoslavia, Italy, Egypt, and Greece, comprise both pro-Tito Communists and anti-Communists. These groups have a combined membership of approximately 1,000 and maintain liaison with cells in various parts of the country. However, the extent of their influence within Albania is probably small under present conditions.

Bulgaria.

The USSR can probably maintain and even extend its control over Bulgaria despite the powerful force of Bulgarian nationalism. The small inner circle of Bulgarian Communists dominating the nation is absolutely responsive to Kremlin directives. Below this ruling clique the Communist Party is divided on the question of subservience to Moscow, and constant Soviet vigilance will

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be required to prevent the growth of effective resistance to the Soviet Union from within the party. The Kremlin's success thus far in liquidating potential opponents suggests, however, that it will continue to be successful in dominating the Bulgarian Communist Party, and through it the Bulgarian nation. No organized political opposition to the Communists is known in Bulgaria. The Agrarian Union is the only non-Communist<sup>political</sup>/party still in existence and is retained merely as a symbol of peasant participation in the government in order to facilitate the eventual collectivization of agriculture. Approximately 90 percent of the total population of 7 million opposes the regime, but this opposition lacks effective organization. Such active resistance as there is manifests itself in sporadic subversive and sabotage efforts. The only Church which does not actively espouse the government's program is the Roman Catholic, but its influence is insignificant.

#### Czechoslovakia

Czechoslovakia is not believed to be vulnerable to detachment from Soviet domination. On the other hand, Soviet control tends to be undermined by the basic conflict between Czechoslovak national interests and the aims of Soviet imperialism in Czechoslovakia, as well as by the widespread opposition of a historically pro-Western democratic people to a Soviet-imposed police state. In this content, actual and potential opposition elements include: (1) the Roman Catholic Church; (2) the former middle class; (3) a large portion of the Czechoslovak Communist Party composed of idealists from the

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prewar period and opportunists who have joined the party since the February 1948 coup; (4) numerous non-Communist government officials still retained by the Communists for their technical knowledge; and (5) the underground. The peasants are now on the whole apathetic but will join the active opposition when collectivization is begun in earnest. Labor is becoming increasingly restive as its standard of living declines and it finds itself controlled by the Communists. Both the Catholic Church and the middle class are at present under concentrated Communist attack with the object of reducing their influence and capabilities. The underground has little influence, having been disorganized by increasingly stringent security measures. Nationalism within the Communist Party, however, constitutes a serious problem for the regime.

This opposition poses continuing but not crucial problems for Soviet control of the country. The Soviet Union, through the Czechoslovak Communist Party, gives every indication of its determination and ability to maintain its power position in the country. Meanwhile, actual and potential elements opposing the Kremlin's tightening grip on Czechoslovakia are being relentlessly sought out and destroyed.

#### Hungary.

The USSR can retain its hold on Hungary under current conditions, despite the fact that Hungarians are non-Slav, non-Orthodox, strongly nationalistic, individualistic, and intensely religious. Since World War II, this antagonism has been aggravated by: (1) the excesses of the Red Army military

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groups in Poland and Czechoslovakia -- it is impossible to estimate the extent and cohesion of the Hungarian underground movement.

Ninety percent of Hungary's population is estimated to be non-Communist, but it is incapable of exercising independent political action. The major non-Communist factions -- opposition political parties, the Church, and the capitalist and land-owning elements -- are all being gradually eliminated, and the non-Communist political parties have lost all semblance of independence. The effectiveness of the Catholic Church as an opposition force has been sharply reduced and in order to survive even temporarily the Church will be forced to relinquish all but the most basic religious functions. However, as a spiritual anti-Communist force the Roman Catholic Church will probably remain a rallying point for anti-Communist Hungarians.

Poland.

The USSR is believed to be capable of retaining its control over Poland, although it faces a continuing problem in the unquenchable nationalism of the Polish people which is evident even in the highest councils of the Communist Party's leadership, and forms a continuing threat to this control. Polish nationalism weakens the USSR's hold on Poland by: (1) lessening the absolute reliability of native Polish Communist leaders in following Soviet dictates; and (2) intensifying Poland's traditional nationalistic antagonism toward Czechoslovakia and Germany, thus hindering Soviet efforts to integrate the Polish economy with those of Czechoslovakia and Eastern Germany.

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The uncoordinated anti-Communist groups scattered throughout Poland bear little resemblance to the once-flourishing underground organizations. The underground movement in Poland has a membership numbered in the thousands, is largely passive and maintains limited connections with the other Satellites and the West. The Ukrainian Partisan Army is engaged in limited terroristic acts in southeastern Poland near the Polish-Soviet frontier. The size of its membership is unknown. The Roman Catholic Church in Poland is a strong ideological rallying point for anti-Communist resistance with about 95 percent of the Polish population members of the Catholic Church. Out of an estimated total population of 24 million, the Polish Communist Party claims a membership of 1.5 million. The remainder of the population is non-Communist, comprised primarily of peasants who constitute two-thirds of the total population and are by nature extremely individualistic and independent.

#### Rumania.

The present trend toward complete Soviet domination of Rumania is expected to continue. The Rumanian Communist regime will continue to tighten its control over the people, bringing the country ever closer toward incorporation in the USSR. Defection of the Tito type is unlikely, primarily because of ample Soviet military strength in the country. Although individual officials and Communist Party members may have to be replaced occasionally, such nationalistic deviationism as exists cannot be considered a threat to the stability of the pro-Soviet regime.

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The historic political adaptability of the Rumanians probably explains their reaction to current Soviet domination. Most Rumanians live for the day when the Soviet domination no longer exists and present Rumanian leaders are liquidated. The Rumanian people, however, are incapable of taking action to subvert the regime, their attitude being one of hostile inertia. The National Liberal and the Independent Social Democratic parties are subversive to Communist demands and other opposition parties have been destroyed. The churches do not present a major deterrent to Communist control, the Roman Catholic, Uniates, and anti-Communist Orthodox clergymen having been subjugated.

There are no indications that an effective illegal resistance exists or is being developed. Small-scale and apparently spontaneous outbreaks do occur, however, presumably prompted by dissatisfaction with working conditions. The impending collectivization of agriculture on a wide scale may also provoke peasant resistance. Under present conditions, however, coordination of the various small opposition groups and their development into an organized resistance cannot be effected.

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5. Present Economic Relations between Satellites and USSR.

The immediate objective of the Soviet Union in its economic relations with the Satellites is to enlarge its war potential by directly utilizing and expanding the industrial capacity of its eastern bloc. The first step is the coordination of the satellite economies with that of the USSR, and accordingly the Council for Economic Mutual Assistance (CEMA) was founded in Moscow in January 1949. This Soviet-dominated organization includes Albania, Bulgaria, Rumania, Hungary, Czechoslovakia, and Poland. Officially CEMA is to begin operation in January 1950; however, it has already begun to coordinate the economic plans of the satellite area by controlling production in certain areas, directing foreign trade and finance, and allocating materials and technical knowledge. The bloc's foreign trade network has been closely knit through a series of bilateral trade agreements. Similarly, the Satellites are pooling their dwindling foreign exchange resources, thus permitting their more effective utilization.

The 1948 volume of trade among the six Eastern European states has increased 25 percent over 1938. The present volume accounts for one-half of the total foreign trade of Eastern Europe as compared with 20 percent before the war. Exports from these countries to the USSR, however, have increased tenfold and imports have risen twenty-five times over the 1938 levels. Because prewar Soviet trade with these countries was insignificant, these striking percentage rises do not represent comparative increases in volume. More revealing is the nature of the commodities now being exchanged

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between the satellite area and the USSR. Soviet shipments comprise capital goods and raw materials, some of which are used for processing into finished manufactures for re-export to the Soviet Union. The Satellites, chiefly Hungary, Czechoslovakia, and Poland, ship the USSR other industrial products, as well as agricultural items. Thus the Soviet-Satellite trade pattern is radically different from prewar years when agricultural products and industrial raw materials were the chief commodities exchanged. Despite increased exchange in industrial products, however, the orbit is still largely dependent for these items on imports from the ECA countries and the US.

Soviet control over communized Eastern Europe has permeated almost every segment of the economy. It is most manifest in the joint companies established in Hungary, Rumania, and Bulgaria. Supervision of the satellite transportation system, standardization of industrial equipment, the pooling of production methods and scientific skills, and the closely supervised allocation of scarce raw materials are all executed either by CEMA, the Cominform, or directly by the Kremlin. Its reparations demands on several of the Satellites provides the USSR with another opportunity for exploiting the industrial output of Eastern Europe.

The strength of Soviet-Satellite economic ties is further illustrated by the extent to which the industrial capacity of Eastern Europe is geared to Soviet interest. At present the USSR accounts for a major part of Eastern European foreign trade. Soviet approval is often required before the

Satellites may conclude trade pacts with non-Communist nations. Credit and commodity loans have been made by the USSR without which the output of many satellite industries would be curtailed. The satellite economic organizations have now been modelled after that of the USSR, thus facilitating the exercise of Soviet disciplinary controls over satellite production plans and forcing the Satellites to depend upon Soviet technical, administrative, and scientific knowledge.

Soviet influence is also evident in the field of finance. Banking procedures and credit policy are coordinated among the satellite states on the one hand and with the USSR on the other. Preliminary steps are probably underway toward the creation of a "ruble bloc" which would facilitate the balance of payments among the Satellites and the USSR.

Despite the rapid growth of Soviet-Satellite trade and the strength of Soviet control over the satellite economies, there are several points of vulnerability in Soviet-Satellite economic relations. Nationalist resentment in the Satellites over Soviet dictation in economic matters is perhaps the greatest potential obstacle to complete integration of the Soviet-Satellite economies. Other difficulties have arisen as a result of:

- (1) the strain caused by forceful transformation of the economic structure of the Eastern European countries;
- (2) the excessive demands on labor productivity coupled with a lowered standard of living and burdensome taxes;
- (3) the failure of the USSR to fulfill promptly and in sufficient quantities and types the essential industrial requirements of the Satellites;
- (4) Soviet

attempts to impose agricultural collectivization upon a stubborn peasantry; and (5) the subordination of satellite economic welfare to Soviet interest. Although these weaknesses exist at present, they do not represent a serious threat to Soviet domination in view of the strong political and economic controls exercised by the Kremlin. These points of weakness, however, are susceptible to exploitation by the West and are a continuing source of strain in Soviet-Satellite economic relations.

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6. Present Economic Relations between the Satellites and Western Europe, and Other Non-Communist Areas.

Economically, the satellite area and Western Europe are complementary. Eastern Europe supplies foodstuffs, fuel, and some primary products in return for Western European finished industrial products, items of light and heavy industry, and particularly precision instruments and replacement parts.

Since World War II, the USSR has replaced Germany as Eastern Europe's chief trade partner, and Eastern Germany is producing for the Soviet orbit. Western Germany will undoubtedly play an increasingly important role in trade with Eastern Europe, but cannot regain its prewar position.

Trade between Eastern and Western Europe is now only approximately half the prewar level. In addition to being the result of the enforced orientation of satellite trade toward the USSR, the low level of East-West trade has stemmed from: (1) the incomplete recovery of agriculture production in Eastern Europe; (2) heavy demands for recovery in Western Europe and the lack of exportable surpluses; (3) Western export controls on certain commodities; (4) the absence of credit or other means of financing imports to Eastern Europe; and (5) the widespread adoption of bilateral agreements.

Despite these barriers to an improvement in East-West economic relations, the volume of East-West trade may gradually increase. Eastern Europe's agricultural production will probably reach prewar levels by the end of 1949 and the satellites all desire an increase in trade with Western Europe in order to obtain industrial goods presently in short supply or unobtainable in the

Soviet orbit. Moreover, increased production in Western Europe will stimulate the search for additional markets. A decisive factor affecting future East-West trade will be whether the ECA nations: (1) will take effective parallel action with the US in implementing export controls; or (2) in view of mounting competition in world markets will attempt to find outlets in Eastern Europe for their industrial output. Regardless of Western Europe's attitude, however, the Satellites will still face numerous difficulties in their effort to expand East-West trade. The shortage of foreign exchange and lack of credit facilities will be a continuing problem and the satellites will have increasing difficulty in finding markets for their raw materials (for example, Polish coal) in the face of growing world availability of these products and the decline in world prices. These obstacles can only partially be overcome through state control over foreign trade, financial manipulation and the adoption of such unfair trade practices as dumping and clandestine operations.

#### 7. Present Economic Relations between the Satellites and the US.

Trade between the satellite states and the US has declined to a new low, despite pressing satellite needs for industrial equipment, replacement parts, precision instruments, industrial raw materials, and technical knowledge. US export controls and denial of financial assistance are largely responsible for this lack of trade, which has also been caused by such factors as the satellite dollar exchange shortage, lack of exportable items desired by the US, unsettled questions of nationalization of US property, and the difficulty of conducting trade through State monopoly channels. The denial of strategic items



has contributed to the reduction of production goals throughout the satellite area, and has tended to intensify the strained relations within the Soviet orbit.

Even if export controls were eliminated, however, Eastern Europe would not have sufficient exportable surpluses to balance the cost of imports from the US. Thus, these countries would require considerable US financial assistance in the form of long-term credits, similar to those now being granted to Yugoslavia. Such aid would result in increased trade and would permit a sharp upswing in satellite production, and, finally, an improvement in the relatively low standard of living in Eastern Europe. However, as long as the USSR continues to exercise its economic control over the Satellites, any US aid would accrue primarily to Soviet rather than satellite advantage. Thus, only if a Satellite can successfully defect from Soviet domination will there be any prospect for a marked improvement in economic relations with the US.