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Next Review Date: 2008

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**CENTRAL INTELLIGENCE GROUP INTELLIGENCE REPORT**

25X1

COUNTRY Austria

DATE:

[Redacted Date]

25X1 SUBJECT Austrian Communist Party and Soviet Economic Exports Disagree on Currency Devaluation

DIST. 25 November 1947

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SUPPLEMENT

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REF ID#	#X	X		X	X						
STATE	WAR	NAVY	JUSTICE	R & E	C & D						

SOURCE

- On 21 November 1947, a meeting took place at USIA headquarters to discuss the currency question. Malavin and Dykhomirov represented USIA, and Kulagin and an unidentified colonel represented the Economics Division of the Soviet Commission for Austria.
- The unidentified colonel from the Economics Division read a secret proposal from the Central Committee of the Austrian Communist Party, suggesting that the Soviets defeat the currency devaluation law in the Allied Council. In case the other Allies do not agree to reject the law, the Russians are requested by the Austrian CP to warn the Council that the new currency will not be acceptable in the Soviet Zone of Austria. This is expected either to produce the rejection of the bill or to introduce two currencies in Austria, with the resultant trend toward partition.
- The Austrian Communist Party also requested the Russians to follow this up by refusing to discuss the Austrian treaty at London on the grounds that, with CP Minister Karl Altmann's resignation, the Austrian Government is no longer the representative of a coalition. Consideration of the treaty should be postponed until new elections are held in Austria.
- Malavin then expressed the views of USIA and of Kulagin's Economic Section as follows: Communist Party strategy is not necessarily identical with Soviet strategy. He had heard that Kulagin felt it desirable to support the Austrian currency devaluation because:
  - This would indicate to the world that the CP is not the tool of the Soviets in Austria.
  - If the Russians refused to go along with the Austrian Government on the currency bill, "all would be lost in Austria".
- Therefore, Malavin and Kulagin have cabled Moscow, advocating support of the Austrian Government on the currency bill. Malavin indicated that the Russians have just under

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1 billion schillings liquid in Austria. They will attempt to covert them at the 1 for 2 rate; but, failing this, Malavin and Kulagin favor accepting the 1 for 3 rate provided for in Austrian law. They expect the decision from Moscow within a few days as to whether this plan or the Communist proposal is accepted.

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[redacted] observes that Malavin and Dykhomirov, who influenced Malavin greatly in this matter, are fairly optimistic regarding the Moscow approval. [redacted] observes that Malavin appears to be honorable and is inclined to play more fairly with the Austrian authorities than his predecessor Borisov. He desires to fit USIA as much as possible into the Austrian legal structure. This is reflected in the increased buying and selling in schillings at the present time. Thus Malavin's concepts are close to Kulagin's and represent a departure from the previous USIA policy of ignoring or paying scant attention to Austrian requests for USIA products. Whereas the previous policy had resulted in friction between the Economics Division and USIA, source comments that Malavin and Kulagin appear to be on quite friendly terms.

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