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EASTERN EUROPE

SOVIET UNION

✓ German Objectives Soviet agreement to lift the Berlin blockade and enter into four-power discussions on Germany does not represent any change in the Soviet objective to establish a Germany which will eventually fall under Soviet domination. It is still too early, however, to predict the sincerity of the Soviet desire to achieve an understanding with the West on Germany or the extent of the concessions the USSR would make in order to reach an agreement. The lifting of the blockade has been accompanied by a relaxation of Soviet pressure throughout the western periphery of the Soviet orbit and by an intensification of the Soviet propaganda "peace" campaign. On the other hand, May Day Communist propaganda savagely attacked the western powers, recent Communist statements have called for active preparation for militant action, and steps are still being taken toward the establishment of an East German state. Progress of the CFM alone, therefore, will demonstrate whether the USSR: (1) has agreed to enter into four-power discussions to sound out the western position and retrieve itself from the unfavorable situation created by the Berlin blockade; or (2) now considers it a sounder strategy to seek a "neutral" Germany in order to delay the final consolidation of the West German state and give the USSR some voice in all Germany.

✓ CFM Proposals Initial Soviet proposals at the forthcoming CFM will be designed to appeal strongly to an increasingly articulate German nationalism. After attempting to secure a commitment on postponing the West German state, the USSR will probably propose a general settlement for all Germany based on a return to four-power cooperation and the Yalta and Potsdam agreements. The Soviet terms

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will include the principal demands of the 1948 Warsaw communique which advocated: (1) establishment of a centralized government for all Germany; (2) conclusion of a peace treaty and withdrawal of occupation troops within one year; and (3) control over Ruhr production and distribution by the US, the USSR, the UK, and France. Depending primarily upon the intensity of the Soviet desire to obtain the withdrawal of US troops from Europe, the USSR may later in the negotiations seek a "compromise" agreement. Such a compromise might involve the acceptance of a federal government composed of the East and West German zonal organizations. The USSR would insist, however, that such a federation be established in a manner which, in addition to not threatening Soviet political and economic control in East Germany, would provide for sufficient Soviet influence in West Germany to offer reasonable prospects for subsequently establishing a centralized Germany not wholly western-oriented and susceptible to eventual Soviet domination.

✓ East German State Despite Soviet agreement to resume discussions on Germany, the USSR is continuing its preparations for establishing an East German state. The executive agencies of the East German government have long been in operation, and elections for the Peoples' Congress in mid-May will provide a pseudo-democratic legislative body capable of functioning as a parliament. In addition to being a significant step toward the Soviet aim of eventual economic integration of East Germany with Poland and Czechoslovakia, the recently announced East German-Polish trade agreement (which is aimed at increasing 1949 trade between East Germany and Poland to \$152 million or doubling the volume of goods exchanged by the two countries during 1948) is another move toward the formalization of an East German

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government. The trade agreement was negotiated by the East German authorities, thus reflecting the Soviet policy of continuing to grant more governmental authority to the East German economic administration, with the possible idea of eventually making the East German regime a full member of the Council of Economic Mutual Assistance. These Soviet actions are designed to build up the status and importance of the local administrative agencies in the eastern zone of Germany and can be used by the USSR both as a lever in negotiating with the western powers at the coming Council of Foreign Ministers and as a counter to the establishment of a West German state. In the event of an impasse in the CFM, the USSR will have the machinery necessary for the establishment of a Satellite regime in eastern Germany.

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"Peace" Campaign Simultaneously with the lifting of the Berlin blockade, and in an apparent effort to forestall further western consolidation, the Kremlin is intensifying its "peace" campaign throughout the western periphery of the Soviet orbit. The Soviet bloc has again extended feelers toward accommodation with the West; it has at least tapered off its past intransigent attitude in numerous cases. Soviet bloc countries have recently made concerted attempts to expand trade with the West and seek western financial assistance in an effort to mitigate the unfavorable impact of western economic pressure. Hungarian officials have shown a markedly more friendly attitude toward the US Embassy in Hungary; Albania has granted diplomatic recognition to Italy; the Greek guerrillas have made a rather broad peace offer ostensibly intended to lay the groundwork for future negotiation of the Greek problem (see page 14); Soviet pressure on Iran has apparently tapered off, and the USSR has renewed its offer to discuss trade with that country; and Soviet

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pressure on Scandinavia has markedly decreased in comparison with that of the past few months. These developments may be designed to lull western suspicion at the forthcoming CFM meeting. The course of quadripartite discussions on Germany will determine whether the USSR is merely waging another campaign in its "peace offensive," or whether the Kremlin is laying the groundwork for achieving a temporary accommodation with the West.

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May Day Slogans The savagery with which the US was attacked in Moscow's May Day orders would seem to belie Soviet sincerity in re-opening discussions on Germany and in making overtures on other fronts. May Day propaganda, however, is designed for home consumption and for guidance to Communist parties throughout the world. In this context, the May Day slogans are a logical development of the Kremlin's principal psychological weapon--the peace campaign. For the faithful, the US must still be branded as the leading capitalist nation dedicated to the overthrow of the Soviet Union, while the common peace-loving masses throughout the world are pictured as sharing the Soviet desire for peace. Thus, the slogan that "the friendship between the peoples of the USSR, the US, and the UK forms the best guarantee for a lasting peace" is directed primarily toward driving a wedge between these peace-loving masses and their war-mongering governments.

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