

46. Daily Summary Excerpt, 1 December 1947, Reported Communist Drive to Seize Power in France and Italy

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GENERAL

1. Reported Communist drive to seize power in France and Italy--US
Ambassador Dunn in Rome has received [] a document, which the [] evaluates "authoritative," relating to a recent special Cominform conference in Poland. According to [], the document indicates that: (a) the Soviet Politburo is directing a coordinated all-out Communist campaign to take over the French and Italian Governments by violence rather than constitutional methods; (b) although the initial emphasis is apparently on the use of general strikes timed to block the operation of the European recovery program, the Communists will not be restricted to this method; (c) the campaign is personally directed from Moscow by Zhdanov, secretary-general of the Soviet Communist Party, through his "personal representative," Foreign Minister Ana Pauker of Rumania; (d) Mrs. Pauker is a member of a new special committee in Belgrade--composed of representatives of the Soviet, Yugoslav, French, and Italian Communist Parties--which operates independently of the Cominform and will regulate and synchronize Communist action in France and Italy; and (e) the committee has been assured unlimited means--apparently including financing, food, and military stores--in order to carry out its campaign effectively.

(CIA Comment: CIA suggests, preliminary to the receipt of the reported document, that the document is: (a) an Italian Government plant for the purpose of expediting interim aid by impressing on the US Congress the urgent need for countermeasures against Soviet plans; (b) a Cominform device to stimulate activity on the part of the Italian and French Communists and does not reflect any real intention to take the course indicated; or (c) an authentic and accurate indication of Soviet plans, which have as their maximum objective Communist seizure of the French and Italian Governments and as their minimum objective the creation of such economic and political chaos in France and Italy as will preclude the successful implementation of the European recovery program.

(CIA does not believe that the French or Italian Communists are capable of seizing control of their respective Governments without material outside support. The supplying of such support, however, would involve the risk of a major conflict for which the USSR is presently unprepared.)

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RESULTS OF COMMUNIST STRIKES IN FRANCE

The defeat of the crippling Communist-led strikes in France is the result of vigorous and effective action by the Schuman Government and the growing split in French labor between Communists and non-Communists. The Government has gained in prestige through its victory over the Communists. Communist prestige and support have been correspondingly reduced and the Communists have suffered a setback in their aim to wreck the French economy. However, they have caused a serious loss in production of coal and other industrial products which will adversely affect the European recovery program.

Although the French Communists have been defeated in their first effort to employ against the Government the full economic power inherent in their control of labor, they can be expected to continue to wield economic power for political gains. Their objectives remain unchanged: to wreck the French economy, to render US aid ineffective, and eventually to assume control in France. The Communists probably will not launch widespread strikes again in the near future, but they will continue to exercise their capability to dislocate the French economy by sabotage and violence. Under direction from the Kremlin, they may even engage in such direct action as to cause their Party to be outlawed in France but, even in that event, they will be capable of disruptive clandestine action.

In any case, the newly-strengthened Schuman Government will face difficult tasks in the months to come. While trying to prevent further work stoppages, the Government must: (1) seek to overcome the serious economic setback resulting from the recent strikes; (2) resolve anticipated disagreements between Socialists and Radical Socialists in the coalition regarding methods for economic recovery; and (3) weather the adverse effects of a hard winter and the unpopular measures which it must take to combat inflation. If the Government can succeed in all these respects, it may be able both to defeat the Communists and to remove the possibility of De Gaulle's return to power. If Schuman fails, a Gaullist solution will become probable, and Schuman's vigorous action against the Communists will have prevented them from forcing De Gaulle to power prematurely.

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48. Daily Summary Excerpt, 4 December 1947, France: Communists Increasing Violent Action

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EUROPE

4. FRANCE: Communists increasing violent action-- [] has expressed to US Embassy Paris his concern over the increasing tendency of Communist shock troops to attempt sabotage and to provoke the police to militant action. [] said that such actions might eventually cause the Government to outlaw the Communist Party. [] was puzzled by the apparent readiness of the USSR to risk driving underground "one of the best-organized Communist parties in Europe" unless this reflected "Soviet willingness to face general war in the near future." US Embassy and US Military Attache Paris are skeptical of this conclusion. They consider that [] perhaps exaggerates the present importance to the Kremlin of the French Communist Party.

(CIA Comment: In its efforts to sabotage the European recovery program, which is the USSR's immediate and primary target, the Kremlin will be willing even to risk the sacrifice of the French and Italian Communist Parties. If these Parties are defeated and driven underground, the USSR will have lost no more than it would lose by the success of the European recovery program. CIA believes that the unexpectedly rapid progress of the Marshall program has upset the timetable of the Kremlin and forced this desperate action as the last available countermeasure.)

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49. Weekly Summary Excerpt, 5 December 1947, A Revival of Soviet Designs on Iranian Azerbaijan

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A revival of Soviet designs on Iranian Azerbaijan is indicated in the USSR's stepped-up propaganda campaign against Iran, following the sharp exchange of notes on the oil question at the end of November. Soviet agents are increasingly active in Azerbaijan; the official Soviet press and radio are again promoting "independence" for Azerbaijan; and the clandestine radio, in its appeals to Kurds and Azerbaijanians, states that the struggle for the province will "now" begin. Moreover, the unconfirmed report of a planned invasion of northern Iran by Soviet-organized Iranian minority elements specifies that the drive will begin on 13 December, the first anniversary of the recapture of Azerbaijan from the autonomous, pro-Soviet rebels. Meanwhile, the Iranian Cabinet has resigned because of disagreement with Prime Minister Qavam over domestic policies, and it appears that Qavam himself will soon be forced out of office.

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FAR EAST

8. KOREA: Future Soviet tactics in Korea-- has been told by a usually reliable source that at a conference of high ranking North Korean and Soviet military and governmental officials, held on 19 November in Pyongyang, the following tactics were discussed: (a) a decrease of electric-power supply to South Korea in order to cause unemployment and widespread unrest; (b) the organization of a strong fifth column in important South Korean cities; (c) the withdrawal of Soviet forces following the establishment of an independent North Korean government "according to the desires" of the North Korean people, despite UN action; (d) the maintenance of the People's Army in a state of readiness to occupy South Korea with the aid of the fifth column.

(CIA Comment: The North Korean Peoples Council is now preparing a "provisional Korean constitution" which would provide a "legal" basis for formal Soviet recognition of the North Korean regime. CIA believes that the USSR will initiate a series of moves similar to those indicated in this report in an effort to force the withdrawal of US forces and to frustrate implementation of the UN resolution on Korea.)

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51. Daily Summary Excerpt, 13 December 1947, De Gasperi Fears Communist Insurrectionary Action

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13 DEC 1947

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GENERAL

1. De Gasperi fears Communist insurrectionary action--According to US Ambassador Caffery in Paris, Premier De Gasperi has informed the French Foreign Office through the Italian Ambassador at Paris that the situation in Italy is very serious and that De Gasperi fears the Italian Communists may resort about 20 December to some form of insurrectionary action particularly in North Italy. De Gasperi believes that his Government can eventually put down a revolt but that, if the Italian Communists receive substantial help from the French Communists, the Italian Government's ability to deal with the Italian Communists would be seriously impaired. De Gasperi therefore proposed that immediate contact be made between French and Italian military and civil intelligence with a view to thwarting the Communists in both countries.

Caffery has been reliably informed that the French have agreed to the proposal and contact has already been established as suggested.

(CIA Comment: In view of the existing inadequacies in arms and equipment of the Italian Army and security troops, CIA believes that the Italian Communists at present have the capability of obtaining temporary control of Northern Italy. If the Italian Communists receive material assistance from the French and/or the Yugoslav Communists, the Italian Government would probably not be able to regain control of North Italy unaided.)

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Date: 4 APR 1978 By: 023

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PROSPECTS FOR ADDITIONAL COMINFORMS

Despite persistent rumors of the imminent creation in the Far East and in Latin America of companion organizations to the Belgrade Cominform, it is extremely doubtful that the Soviet Union intends to set up such overt regional organizations at this time.

The inclusion in the Belgrade organization of only major European Communist parties indicates that the Kremlin regards considerable local Communist party strength as a prerequisite to membership in a Cominform. A Cominform is neither a loose federation of Communist parties nor an organization devoted to building local party strength; rather, it is the center for the direction of militant activity in areas where Communist strength is already substantial. Although the creation of additional regional Communist groupings, particularly in Latin America, is a possibility, there would be little advantage at present to formation by the Soviet Union of additional Cominform. Furthermore, it is difficult to believe that, from the Soviet point of view, the advantages of Cominform in Latin America and the Far East would sufficiently compensate for the repressive measures which might result from the open acknowledgment by local parties of their subservience to Moscow.

Establishment of a Far Eastern Cominform (already rumored to exist at Harbin) presupposes a radical change in Soviet Far Eastern policy. In the past, the Soviet Union has scrupulously avoided identifying the Chinese Communist Party with Moscow, and it is highly improbable that the Soviet leaders would, at this time, jeopardize the Chinese Communist Party by acknowledging its connection with the world Communist movement.

The considerable current liaison between Latin American and European (especially French) Communist leaders, is believed to represent nothing more than normal co-ordination of Party policy. The USSR for the time being at least cannot hope to offset the US position of leadership in Latin America, and the role of Communist parties in that area must necessarily be negative in the event of an early East-West war. It is, therefore, most unlikely that the USSR will sponsor a Cominform in the Western Hemisphere.

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53. Daily Summary Excerpt, 23 December 1947, Czechoslovakia: Communist Drive Expected in January

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4. CZECHOSLOVAKIA: Communist drive expected in January--US Charge [] in Prague reports current indications that beginning in January 1948 the Communists will make every effort to achieve their objectives in Czechoslovakia by constitutional rather than extralegal means. He cites three reasons which militate against extralegal Communist action: (a) because of their non-revolutionary character, the Czechoslovak people would probably react unfavorably to unconstitutional methods; (b) as Czechoslovakia is the only peripheral country with a highly developed industry, unorthodox Communist election methods would impair the country's ability to obtain necessary raw materials from the West and thereby jeopardize the export of

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Czechoslovak products vital to the USSR; and (c) President Benes, who is extremely popular and highly respected, would strongly resist extralegal measures.

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PROSPECTS FOR COMMUNIST ACTION IN ITALY

The Italian Communists are expected to instigate in the near future a new wave of strikes throughout the country. These strikes ostensibly will be aimed to win benefits for the workers similar to those recently granted in Rome and Sicily. If the De Gasperi Government demonstrates weakness in dealing with widespread disorders, the Kremlin may direct insurrectionary action before the national elections in March or April.

The potentialities for effective Communist employment of force to further Soviet objectives in Italy remain undiminished, despite De Gasperi's recent success in putting down the general strike in Rome. Communist capabilities for overt armed action are particularly strong in North Italy, where the Party has a large membership, controls many city councils and labor organizations, and commands a partisan following estimated at 50,000 well-armed and 50,000 partially-armed fighters. The Communists apparently also possess adequate truck transportation in that region. Against this force, the Italian Army and security troops can place only limited strength, inadequate in arms and equipment. Rightist semi-military forces are believed to number only 20,000 at the most, and these are very poorly equipped for combat. Such Rightist forces would be more likely to impede rather than to increase the effectiveness of the Government troops.

If the Italian Communists, with assistance from the Communists of France and/or of Yugoslavia, should seize control of North Italy (as is within their capabilities), the De Gasperi Government would probably require outside aid to regain possession of the area. However, two factors at present apparently militate against an imminent Communist coup: (1) the Communists have not yet succeeded in creating a truly "revolutionary situation"; and (2) they do not appear to have given up hope of winning the next elections. Neither the decision nor the order for insurrectionary action, however, is likely to originate in Italy itself. Such authority obviously rests in the Kremlin which will presumably direct such action as it considers necessary to defeat the European recovery program.

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Meanwhile, in order to weaken De Gasperi's support the Communists can be expected to exploit the dissatisfaction of the South Tyrol People's Party with the Government's draft legislative provisions for Italy's German-speaking population. Although De Gasperi has not yet been directly charged with bad faith in implementing the Austro-Italian agreement of September 1946 (for the local autonomy of the South Tyrol), the issue is one which the Government must handle carefully lest it increase the Communist following in an area where Communist political and military strength already presents a substantial threat. Dissident elements among the South Tyrolese could impede the Government's efforts to regain control of North Italy, in the event of a Communist insurrection.

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55. Weekly Summary Excerpt, 9 January 1948, Growing Soviet Interest in China

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Evidence in the Moscow press of growing Soviet interest in China may foreshadow a more active Soviet role in Chinese affairs. The USSR, however, is not likely at this to establish a closer relationship with the Chinese Communists. It has given renewed indications that it is not ready to abandon its "correct" attitude toward the Nanking Government in favor of open aid to the Communists in China's civil war. Increased Soviet activity could, however, be directed toward obtaining concessions from the Chinese, including Chinese cooperation with the USSR on Japanese peace treaty issues, or the extension of Soviet influence in China's border regions.

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56. Daily Summary Excerpt, 14 January 1948, France: Alleged Communist Plan for Military Activities

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5. FRANCE: Alleged Communist plan for military activities-- US Ambassador Caffery in Paris has obtained from French Communist sources a report that the principal task of the recent Italian Party Congress at Milan was to "coordinate military activities of French, Italian, Swiss, and Spanish Communist parties." These sources say that the strategic plan, which is to be placed in operation in case the Kremlin decides that the international situation demands extreme action, would place the southern littoral of France under Communist control from the Spanish frontier to Switzerland, and inland centers, such as St. Etienne, would become "Soviet bases" connected with northern Italy. The informants add that the French and Italian Communists admit that they were recently obliged to make a "strategic retreat" and intend to reorganize in accordance with lessons learned in the recent "dress rehearsal" in France and Italy.

(CIA Comment: Although such a plan may have been considered, it is extremely unlikely that this plan would be implemented under present conditions. CIA considers that such a program will not be attempted unless: (a) Communist strategists estimate that the French Government is too weak to resist; (b) the Communists have gained control of northern Italy, from which area the operations in France can be directly supported; and (c) it appears reasonably certain to the Communist strategists that such a move would not provoke US intervention.

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SOVIET POLICY IN EASTERN EUROPE

The USSR has recently intensified its efforts to obtain direct military, economic, and political control over the Eastern European Satellites. This intensification is revealed in the rapid conclusion of a series of mutual assistance pacts now linking nearly all the Satellites, the signing of long-range trade agreements by the USSR with Poland and Czechoslovakia, and the increasing emphasis on the Cominform as the principal organ for the implementation of Communist policy in the area. The USSR will continue to strengthen its controls over the Satellites but will take no action which will either: (1) weaken the direct ties binding each individual Satellite to the Kremlin; or (2) run counter to the Kremlin's plan for ultimate absorption of the Satellites in the USSR.

The immediate objective of the USSR is the organization of a unified military force in Eastern Europe for defensive purposes as well as for possible overt support of the Markos regime in Greece. The Rumano-Hungarian mutual assistance pact nearly completes such a system of intertwining alliances between the Satellites. The recent pacts have differed from those concluded prior to 1947 by the USSR with Poland, Czechoslovakia, and Yugoslavia, in that they are directed against any attacker rather than against Germany alone. Moreover, the USSR is not directly involved. The Soviet Union, therefore, has forged a military weapon which will insure united Satellite action in Greece should the occasion warrant but will simultaneously minimize the risk of direct conflict between the US and the USSR.

Although these pacts provide for sweeping economic coordination between the participating nations, they do not presage political or economic union in the near future. Rather, they represent a transitory stage in the development of the Satellites as members of the USSR. In addition to providing the machinery for the integration of the Satellite armed forces with the Soviet Army, these pacts can serve the USSR as basis for propaganda designed gradually to minimize the traditional rivalries which formerly divided the Eastern European nations.

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The USSR is exercising its actual political and economic control over the Satellites through Communist Party channels. Although the Kremlin may originally have planned for an eventual Balkan federation, recent evidence indicates that this plan may now be abandoned or its implementation postponed for some time. The PRAVDA editorial of 28 January, which disavowed Bulgarian Premier Dimitrov's prediction of a Balkan-Danubian customs union and eventual federation, may have been prompted by the Kremlin's realization that the many practical difficulties obstructing consummation of such a plan made Dimitrov's speech premature. Moreover, the Kremlin may have feared that announcement of a Balkan federation would hasten acceptance of Bevin's proposal for western European union. More important, however, the USSR probably does not consider conditions in the Satellite states sufficiently secure to permit any loosening of the ties binding the Kremlin directly with each country. As long as the Kremlin exercises through the Cominform direct operational control over each Communist Party, unified Satellite action can be achieved more effectively than by delegating this authority to a federation head.

In obtaining economic control over the Satellites, the USSR can gain greater advantage by promoting direct Soviet-Satellite trade than it can by encouraging inter-Satellite trade through a formal federation. The recent long-term trade agreements signed by the USSR with Czechoslovakia and Poland indicate that the USSR does intend to integrate each Satellite economy directly with the USSR. Similarly, Soviet economic exploitation of Hungary and Rumania is indicative of the desire of the USSR to extract the maximum economic benefits from each country and thereby retard the growth of trade between the Satellites themselves. Such a policy, by insuring that each country's economy is meshed directly with that of the USSR, will facilitate eventual absorption of the Satellites into the Soviet Union.

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GENERAL

- 1. Possible Soviet plans for Poland--JS Ambassador Smith in Moscow believes that the provisions in the new Polish-Soviet economic agreement for the investment of capital equipment by the USSR in Poland and in Polish-administered Germany reflect a long-range Kremlin decision "never to let go of eastern Germany" and to develop Poland as the first Satellite to be incorporated into the USSR. Smith adds that "if the east-west cleavage continues and deepens, the absorption of Poland might well take place in the not too remote future."

(CIA Comment: CIA concurs in the belief that the USSR intends to hold eastern Germany and eventually to incorporate the Satellites into the USSR. However, because absorption of Poland would increase anti-Communist opposition and add to the security problem of the USSR, the Kremlin will probably not order such a step until all latent opposition to such a plan has been eliminated.)

This publication contains current intelligence exclusively and therefore has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and Air Force.

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DDA REG. 77/1763

Date: 13 Nov 76 By: 028

59. Daily Summary Excerpt, 19 February 1948, Czechoslovakia: Communists May Precipitate Crisis

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EUROPE

4. CZECHOSLOVAKIA: Communists may precipitate crisis--
US Charge [] in Prague, in commenting on the current political crisis in Czechoslovakia over the question of Communist control of the police, expresses the view that if the Communists regard a breakdown of the National Front coalition government as unavoidable, they will precipitate it at once. [] believes that the Communists would want to utilize trade union meetings already scheduled for 22 February as a basis for public demonstrations.

(CIA Comment: CIA concurs in this estimate. The refusal of the Communists to comply with the recent demand of the Moderates for changes in the police organization reveals that the Communists believe continued control of the police to be essential to their victory in the May elections.)

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SOVIET EXPANSIONISM IN KOREA

The intention of the USSR to establish an independent regime in North Korea and eventually to dominate all Korea has been further revealed by the following recent events: (1) the announcement by the North Korean radio of the completion of the "draft provisional constitution of Korea"; (2) the staging of a Communist-instigated strike in South Korea as a protest against the UN Commission's "illegal interference" with Korean independence; and (3) the review at Pyongyang in North Korea of the "Korean People's Army" and the subsequent propaganda announcements that this army would be the future liberator of the "oppressed" South Koreans.

Although the USSR has scrupulously avoided direct implication in these events, there is no doubt that the Kremlin has been engineering their development for many months. Since the beginning of the occupation, the USSR has been organizing a North Korean army, clandestinely trained by Soviet advisers and equipped with Soviet weapons. The "draft provisional constitution," which envisages a regime remarkably similar to that of the USSR, anticipates eventual incorporation of all Korea into the "People's Republic of Korea" and goes so far as to specify Seoul, capital of the present US zone, as the future capital of a united Korea.

The "draft constitution" probably will be acclaimed by "people's representatives" of both North and South Korea at a mass demonstration at Pyongyang on 1 March (a Korean patriotic holiday) and will be adopted by a special assembly of the North Korean People's Council in mid-March. The questions of whether to hold a plebiscite in order to secure "popular approval" prior to the adoption of the constitution and whether subsequently to extend formal recognition to the regime will probably be decided by the Kremlin in accord with political expediency.

Despite the relative complexity of these day-to-day tactical maneuvers, the underlying trend in Korea remains clear. Soviet intransigence and expansionism are driving

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61. Daily Summary Excerpt, 24 February 1948, Czechoslovakia: Estimate of Political Crisis

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EUROPE

4. **CZECHOSLOVAKIA:** Estimate of political crisis--US Ambassador Steinhardt reports that events have moved so rapidly in Czechoslovakia recently that the sole restraining influence upon the Communists appears to be President Benes' constitutional authority and his personal popularity.

(CIA Comment: CIA believes that the Communists will make every effort to preserve a semblance of legality in their drive to gain control of the government. However, the Communists are already so committed by their public pronouncements and actions that it would be political suicide for them to accept a compromise which did not enable them to retain sufficient power, including control of the police, to insure a Communist victory in the May election.)

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62. Weekly Summary Excerpt, 27 February 1948, Communist Coup in Czechoslovakia;
Communist Military and Political Outlook in Manchuria

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COMMUNIST COUP IN CZECHOSLOVAKIA

The establishment of a Communist police state in Czechoslovakia has further diminished the possibility of a compromise in Europe between the ideologies of the Kremlin and the principles of western democracy and individual freedom. Such a compromise had apparently been achieved in Czechoslovakia where Communists and non-Communists had nearly equal power in the coalition Government, where the majority of the people approved of many Communist economic policies, and all parties were willing to follow the lead of the USSR in matters of foreign policy. The compromise was shattered, however, by the refusal of the non-Communists to permit continued Communist control of the police and by the Communist realization that an electoral victory was impossible without this control. The coup, therefore, reflects the refusal of the Communists to settle for anything less than complete control and their conviction that such dominance could never have been achieved under a freely operating parliamentary form of government.

The ease with which the Communists effected the coup reveals the extent to which they had been paying only lip service to the freely-elected coalition Government which has been in power since 1945. Having won the key cabinet posts in the May 1945 elections (Premiership, Interior, Information and Finance), the Communists have since steadily extended their control of the positions necessary for seizure of the government. By gaining direction of the Ministry of National Defense through the appointment of General Svoboda, a willing Communist tool, the Communists were able to neutralize the army. Communist command of labor was effectively implemented through the National Trade Union Organization. Despite these basic prerequisites for a coup, the seizure of power by the Communists would have been more difficult if they had not already gained a majority position in provincial, city, and village local governing bodies and had not organized "action committees" composed of trusted Communist Party members. Through these organizations, the Communists were able to seize physical control of all national and local government offices,

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factories, newspapers, radio stations, and virtually every important public or private institution in the country. The acceptance by President Benes of the new Communist cabinet, therefore, represented little more than a formal acknowledgment of a fait accompli.

The Communist Party can now stifle any remaining opposition in the country. The five representatives of the Moderate parties included in the new cabinet have been assigned minor positions and will act as willing Communist supporters. The Communists will liquidate all effective opposition through a series of "treason" trials and will rapidly complete the communization of the nation's economy.

Assumption of power by the Communists will have a disrupting effect, at least temporarily, on the nation's economy. For political reasons the Communists will be forced to liquidate many anti-Communists from key managerial and technical positions in industry, and substantial industrial and economic sabotage will undoubtedly develop. Because the nation's highly industrialized economy is dependent upon the import from the West of raw materials and machinery not obtainable in eastern Europe or the USSR, Czechoslovakia will continue to trade with western Europe, although possibly on a decreased scale because of the decrease in total production.

The Communist coup will have little effect upon Czechoslovak foreign policy which has consistently followed the lead of the USSR. The coup may, however, have political repercussions in western Europe. In France, Italy, and Germany, the existing political divisions probably will be intensified because the non-Communists will be more determined to prevent Communist participation in the governments of these countries. Meanwhile, Communist morale in western Europe will be improved by the Kremlin's success in Czechoslovakia.

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COMMUNIST MILITARY AND POLITICAL OUTLOOK IN MANCHURIA

The Chinese National Government's military situation in Manchuria continues to grow more precarious. Present indications are that, without adequate supplies or reinforcements, the Nationalists cannot maintain their present garrisons in southern Manchuria which have been marooned for some time. Consequently, despite the recent reorganization of the Nationalist command in Manchuria, the Nationalist foothold centering around Mukden probably cannot survive for a period of more than six months without the delivery of substantial outside aid.

If Mukden falls, National Government influence in Manchuria will be destroyed and control will pass to the Communists who will then be able to move more troops to China proper. The imminent possibility of a Nationalist collapse in Manchuria has given rise to a new series of representations by National Government officials who hope to elicit prompt US aid.

Despite considerable speculation suggesting that the Communists intend to establish an independent Manchurian regime, with a separate government, such an autonomous state seems unlikely. Chinese Communist propaganda has insisted that Manchuria is an integral part of China and has represented the Communist program as a crusade for the "liberation" of China as a whole. The Communists will probably persevere in an aggressive strategy in China and will therefore seek to enlarge the area under their control rather than to make a piecemeal consolidation of their gains. The establishment of an autonomous Manchurian state would make the Communists more vulnerable to the accusation that they are puppets of the USSR; there are some indications of current Soviet interest in, and preparatory activity toward, the establishment of such a regime in Manchuria. Because of the intensely nationalistic spirit of the Chinese people, however, the Communists are most

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anxious to protect themselves from the charge of Soviet dominance.

The Communists in China are therefore more likely, following their assumption of full control in Manchuria, to establish a political structure which will be designed to become a component part of a Communist government of China but will have an almost free hand in managing its own regional affairs. Such a setup would harmonize with the Chinese Communists' present "border region" system, a loose governmental structure which has always allowed a considerable amount of local independence and thus has overcome many regional antagonisms.

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63. Daily Summary Excerpt, 4 March 1948, USSR: Possible Kremlin Disagreement on Tactics

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4. USSR: Possible Kremlin disagreement on tactics--US Embassy
Budapest reports that the Hungarian Prime Minister recently revealed the following impressions concerning possible disagreement within the Kremlin over Soviet tactics: (a) one group, allegedly favored by Stalin, desires to consolidate present Soviet gains and temporarily settle differences with the west; (b) the other group, led by Molotov, wants to press rapidly for greater expansion before US aid to Europe can be effective; and (c) the Molotov group feels that US preoccupation with the presidential election presents "a golden opportunity" for Soviet expansion and that Soviet action should be timed accordingly.

(CIA Comment: Several unsubstantiated rumors of divergent opinions within the Politburo over tactics in the "cold war" tend to support the Prime Minister's observations. CIA believes that a definitive decision by the Kremlin awaits: (a) the outcome of the Italian elections; and (b) more substantial indications of western, particularly US, determination to check further Communist expansion.)

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64. Daily Summary Excerpt, 16 March 1948, Czechoslovaks Believe USSR Willing to Risk War

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16 MAR 1948

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GENERAL

1. Czechoslovaks believe USSR willing to risk war--US Ambassador Steinhardt has been told [

that the Deputy Foreign Minister of the Soviet Union recently confided in Premier Gottwald the possibility that war will break out "when the weather gets better." Steinhardt's informant gained the impression that the Czechoslovak Cabinet's present view is that the Soviet Union regards the establishment of Communist-dominated governments throughout Europe before the fall of 1948 as essential and has decided to devote every effort to that end during the next few months despite the possibility of war with the western powers.]

(CIA Comment: CIA does not believe that the USSR is presently prepared to risk war in the pursuit of its aims in Europe.)

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Date: 13 MAR 1978 By: 028

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65. Intelligence Memorandum 13, 16 March 1948, Soviet Pressure on Berlin

16 March 1948

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MEMORANDUM FOR THE PRESIDENT

Under date of 22 December 1947, CIA reported that there was a possibility of steps being taken in Berlin by the Soviet authorities to force the other occupying powers to remove from Berlin. Delay in the formation of a separate Eastern German Government and in Soviet attempts to force the Western Powers from Berlin has probably been caused in large measure by the firm attitude of US officials in Berlin. While no further reports have been received indicating that the USSR has decided to force the Western Powers from Berlin, the recent US, UK, France, Benelux discussions in London concerning the formation of a West German State to be included in a Western European Union invite some form of Soviet response stronger than the mere protests received so far.

Soviet response will be timed to follow overt allied implementation of the London decisions, and will consist of the announcement of plans, such as a plebiscite, for an Eastern Zone "all German state", claiming to represent the whole German people. Announcement of such plans would be followed by an intensified Soviet campaign to oust the Western Powers from Berlin. The most urgent dangers are: (1) "incidents" arising from the presence in Berlin of young, undisciplined troops; (2) aggravation of the situation by such German malcontents as want an East-West war; (3) any tendency towards war hysteria or lack of firmness and patience on the part of US officials in Berlin.

s/ RHH - by hand DCI to Admiral Leahy
R. H. Hillenkoetter 3/16/48
Rear Admiral, USN
Director of Central Intelligence

Encl:
Copy, Memo for President,
12/22/47

Distribution:
Orig. & 1 - President
Director
Asst Dir., RAN
Central Records

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12 March 1948

IM-13

MEMORANDUM FOR THE DIRECTOR, CIA

FROM: THE ASSISTANT DIRECTOR, ORE

SUBJECT: PROBABLE SOVIET REACTIONS IN BERLIN TO
WESTERN EUROPEAN UNION TALKS

Attention is invited to a Memorandum for the President from the Director of CIA, dated 22 December 1947, a copy of which is attached. Delay in the formation of a separate Eastern German Government and in Soviet attempts to force the Western Powers from Berlin has probably been caused in large measure by the firm attitude of US officials in Berlin. While no further reports have been received indicating that the USSR has decided to force the Western Powers from Berlin, the recent US, UK, France, Benelux discussions in London concerning the formation of a West German State to be included in a Western European Union invite some form of Soviet response stronger than the mere protests received so far.

Soviet response will be timed to follow overt allied implementation of the London decisions, and will consist of the announcement of plans, such as a plan for an Eastern Zone "all German State", claiming to represent the whole German people. Announcement of such plans would be followed by an intensified Soviet campaign to oust the Western Powers from Berlin. The most urgent dangers are: (1) "incidents" arising from the presence in Berlin of young, undisciplined troops; (2) aggravation of the situation by such German malcontents as want an East-West war; (3) any tendency towards war hysteria or lack of firmness and patience on the part of US officials in Berlin.

THEODORE BABBITT
Assistant Director
Reports and Estimates

Attach: Memo. 22 Dec. 1947

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This was covered by memo. 16 March 1948
del. to Pres. (EC 8404) ~~SECRET~~
in files ORE/ORE

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22 December 1947

MEMORANDUM FOR THE PRESIDENT

The breakdown of the GFM in London may cause the USSR to undertake a program of intensified obstructionism and calculated insult in an effort to force the US and the other Western Powers to withdraw from Berlin all representatives except a small Allied Control Authority group. The implementation of such a program could create a situation of great tension which might lead to armed clashes between Soviet personnel and that of the other occupying powers.

The failure of the GFM to reach agreement on any question and the GFM's subsequent indefinite adjournment will result in an accelerated consolidation of eastern Germany. The USSR will attempt to incorporate thoroughly the economic system of its Zone into the Soviet economy and to orient the political system still more closely to the Soviet ideology. Soviet authorities will encounter difficulties in accomplishing both objectives because of the presence of US officials and troops in Berlin.

The presence there of this personnel hinders the ruthless and forcible communization of all eastern Germany, helps to sustain non-Communist opposition, and demonstrates that the US does not intend to abandon or partition the country. Berlin, of course, could hardly serve as the capital of an eastern German state, should the USSR eventually establish one, so long as the Western Powers maintain troops in the city. The Kremlin is aware of this situation.

The Kremlin is aware, also, that the present quadripartite occupation of Berlin furnishes the US with an excellent listening post and a base of operations for intelligence activities in the Eastern Zone as well as providing political refugees from Soviet areas with a convenient haven. Masters of propaganda themselves, the Soviet authorities are highly sensitive to the great propaganda value of the continued presence of US and the other Western Power forces and the guarantees they provide of relative political freedom for the residents of the city.

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The USSR, consequently, cannot expect the US and the other Western Powers to evacuate the city voluntarily. The USSR, therefore, will probably use every means short of armed force to compel these powers to leave the city.

These devices may include additional obstruction to transport and travel to and within the city, "failure" of services such as electric supply, reduction of that part of the food supply which comes from the Soviet Zone, flagrant violations of Kommandatura agreements, instigation of unrest among Germans in the US sector, disregard of the elected municipal government, a deliberately intensified campaign of insult or personal injury to US personnel, and terrorization of their German employees.

The degree of danger inherent in such a campaign will depend on the accuracy with which Soviet authorities gauge US determination to remain and the state of discipline of US officials and troops. Overly enthusiastic resort to insults or personal violence by Soviet troops or Communists could well create "incidents", street fights, brawls, and other public disturbances which, in turn, might well lead to high-level repercussions of the gravest character. Only the greatest determination and tact on both sides could prevent a serious incident from deteriorating beyond control of the Berlin authorities. Even if Soviet estimates of limits to US patience are accurate, the situation could and probably would be aggravated by the activities of German malcontents, who for one reason or another, seek to bring about an open East-West conflict.

The Kremlin will probably defer its maximum effort to force Western Power evacuation of Berlin until it has fully calculated the risks and considered the problem in the light of Soviet strategy elsewhere. Nevertheless, in view of probable irresponsible action by local Soviet officials, the day-to-day developments in the immediate future will test the firmness, patience, and discipline of all US personnel in Berlin.

R. H. HILLENKOETTER
Rear Admiral, USN
Director of Central Intelligence

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66. Intelligence Memorandum 18, 16 March 1948, Effect of Reinstating the Draft

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MEMORANDUM FOR THE PRESIDENT

The Central Intelligence Agency and the intelligence organizations of the Departments of State, War, Navy and Air Force agree that if the Congress passes a universal military training act and/or a selective service act these measures, taken singly or together, will not of themselves cause the USSR to resort to military action within the next 60 days.

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67. Daily Summary Excerpt, 17 March 1948, Turks Fear War May Be Imminent

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2. Turks fear war may be imminent--US Ambassador Wilson in Ankara reports that Secretary General Carim of the Turkish Foreign Office is "deeply pessimistic" over the international situation. Carim fears that the USSR is prepared to begin open war at any time and that the initial attack might be directed against Turkey. According to Wilson, Carim reasons that in view of the hardening attitude of the western democracies, the USSR will be relatively weaker a year hence and would therefore gain by precipitating action now. Carim believes that the Soviet armies would quickly over-run western Europe and the Middle East.

(CIA Comment: CIA does not believe that the USSR plans a military venture in the immediate future in either Europe or the Middle East.)

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68. Daily Summary Excerpt, 27 March 1948, USSR May Close Eastern Zone Border

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6. GERMANY: USSR may close Eastern Zone border--US Political Adviser reports from Frankfurt that

27 gendarme officials from southern and western Thuringia met on 15 March at Soviet instigation and were informed of an alert plan for which they were to prepare immediately. The plan is allegedly to be put into effect when Soviet officials move to abolish the Christian Democratic Union and the Liberal Democratic Party and arrest the parties' leaders. The gendarmes reportedly will reinforce the border police in order to prevent the escape of the political leaders into the western Zones.

(CIA Comment: Although US border detachments have not reported physical evidence of a tightening of the border, such a Soviet move may be imminent; this step might also be taken in connection with a purge of "unreliable" elements from the Socialist Unity Party. The move probably would not foreshadow interruption of US, UK, and French traffic with Berlin.)

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69. ORE 22-48 Excerpt, 2 April 1948, Possibility of Direct Soviet Military Action During 1948

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POSSIBILITY OF DIRECT SOVIET MILITARY ACTION DURING 1948

Report by a Joint Ad Hoc Committee *

THE PROBLEM

1. We have been directed to estimate the likelihood of a Soviet resort to direct military action during 1948.

DISCUSSION

2. Our conclusions are based on considerations discussed in the Enclosure.

CONCLUSIONS

3. The preponderance of available evidence and of considerations derived from the "logic of the situation" supports the conclusion that the USSR will not resort to direct military action during 1948.

4. However, in view of the combat readiness and disposition of the Soviet armed forces and the strategic advantage which the USSR might impute to the occupation of Western Europe and the Near East, the possibility must be recognized that the USSR might resort to direct military action in 1948, particularly if the Kremlin should interpret some US move, or series of moves, as indicating an intention to attack the USSR or its satellites.

* This estimate was prepared by a joint ad hoc committee representing CIA and the intelligence agencies of the Department of State, the Army, the Navy, and the Air Force. The date of the estimate is 30 March 1948.

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70. Weekly Summary Excerpt, 9 April 1948, Soviet Walkout From Allied Control Council;
Diminished Communist Capabilities in Italy

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Both the recent Soviet walkout from the Allied Control Council (ACC) and recent Soviet interference with transportation into Berlin seem to indicate that the USSR: (1) has abandoned hope of using the ACC to hinder the present western European reconstruction program, and (2) intends to accelerate preparations for the establishment of an eastern "German state" whenever the Kremlin decides that the western powers can be successfully blamed for partitioning Germany. In this preparatory phase, the USSR may place the Soviet Zone under a "democratic" and "loyal" German administration, created from the Communist-dominated Peoples' Congress and strengthened by trained Germans from the former Moscow Free Germany Committee. Both the presence of the western powers in Berlin and the functioning of the ACC hamper the realization of the Soviet objectives and, unless allied determination remains obviously strong, further Soviet attempts to eliminate these hindrances may be expected. (A CIA Special Estimate titled "Possible Program of Future Soviet Moves in Western Germany" is now being prepared.)

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DIMINISHED COMMUNIST CAPABILITIES IN ITALY

The prospects have sharply diminished that the Italian Communist Party will obtain a sufficiently large plurality in the 18 April elections to ensure Communist or left-wing socialist representation in the next Italian Government. Concurrently, the Party's capabilities for successful large-scale insurrection, without active military assistance from Yugoslavia, have been considerably reduced. Unless the Communists receive substantial outside aid, the Government now appears sufficiently strong to prevent its overthrow by force and to put down large-scale rebellion. Whether the Kremlin, even under these circumstances, will direct an insurrection either before or after the elections cannot be predicted. If, as seems probable, the Communists fail to secure representation in the new government, they will then launch a new program of strikes and sabotage to wreck the recovery program and discredit the government.

The reduction in Communist capabilities for successful large-scale insurrection springs largely from four factors. In the past few months, the Italian armed services and security forces have been greatly strengthened, not only by new equipment but also by a considerably improved morale. Concurrently, the Communist para-military forces have been weakened and to some extent disrupted by government seizure of clandestine munitions dumps and caches and the interception of arms shipped in from abroad. No evidence available indicates that Yugoslav forces--the most logical source of outside assistance--are being prepared for action in Italy. Finally, and probably most important, the Italian masses appear less inclined than ever to support a Communist uprising and have become increasingly anti-Communist in their attitude.

Communist capabilities for effective revolt, in the absence of outside aid, now appear limited to localized successes, particularly in north Italy. These capabilities are based upon military potential and the party's following in labor. The Communist semi-military organization, the Apparato, consists of

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approximately 100,000 ex-Partisans, armed and trained, and about 100,000 reserves in training. The Apparato has general headquarters at Milan and operational headquarters in cities on the main highway between Milan and the other Communist stronghold of Bologna. Communist munitions dumps are believed to contain extensive supplies of arms, including armored cars, light field guns, anti-tank guns, mortars, machine guns, and a few tanks. To increase their armaments, the Communists would attempt to seize Government arsenals and ammunition dumps, and, if unsuccessful in capturing them, would make every effort to blow them up.

In addition to their military potential, the Communists possess a powerful revolutionary weapon in their control of the Italian General Confederation of Labor (CGIL), which has five million workers in industry and various public services. Domination of the agricultural Workers' Confederation, which has approximately two million members, gives the Communists almost complete control of the agriculture of the important Po Valley region; virtual Communist control of the industrial unions would facilitate seizure by the workers of most industrial establishments. The Communists, furthermore, dominate the newspaper printers' union and have infiltrated communications. Public utilities, particularly gas and electric services, are Communist-dominated and could be disrupted in case of revolution.

The De Gasperi Government, however, with control of armed forces totaling approximately 336,000 men, would probably be able to prevent Italian Communists from taking over the central government. Army strength is concentrated in northern Italy, and army divisions are disposed at Udine, Treviso, Milan, Torino, and Lucca. Supplementary to the army are the security forces of the Ministry of the Interior: 75,000 carabinieri, a mobile reserve corps of 16,000 civil police, 80,000 regular members of the civil police, 36,357 finance guards, and 5,000 railway police. The carabinieri maintain their heaviest concentrations in the north. Critical areas, such as Bologna, have been reinforced by special

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reserves of the security forces. In the event of insurrection, the Italian Navy could employ its units to protect Italian ports and could land many of its approximately 35,000 men to assist the ground forces. The bulk of the Italian fleet is based at Taranto and La Spezia. The Italian Air Force, with personnel numbering 25,000, has about 500 planes, mostly obsolescent, of which about 60 are fighters in tactical units.

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71. Daily Summary Excerpt, 12 April 1948, Colombia: Continuation of Bogota Conference Favored

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THE AMERICAS

5. **COLOMBIA: Continuation of Bogota Conference favored--**
US Embassy Bogota reports that delegation leaders are unanimously in favor of continuing the conference at Bogota, "unless the situation so worsens as to make it physically impossible."

Reports from US Consulates in Colombia indicate that the Government is still making progress toward restoring order and that uprisings outside the capital city were relatively small and soon brought under control. The Embassy adds that the mopping up of snipers continues in Bogota where damage and loss of life were very heavy.

A CIA source reports the belief current in Bogota that there is no substantiation for the government claim that the shooting was the result of a Communist plot, and that the shooting was in fact the result of a private dispute over litigation in which Gaitan was counsel. The Embassy transmits a report that the assassin was employed last October as butler in the Soviet Legation. The Colombian Government has announced that it has arrested the persons who took over a Bogota radio station and that two Russian agents and other foreigners were among those arrested.

(CIA Comment: CIA believes that the Colombian Government will make every attempt to lay the insurrection at the door of the Communists. The reported decision to sever diplomatic relations with the USSR is consistent with such a campaign. The weight of available evidence, however, points to the conclusion that the Communists did not instigate the revolt, which was a spontaneous reaction to Gaitan's assassination, but actively encouraged mob action once rioting had broken out.)

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72. Weekly Summary Excerpt, 23 April 1948, New Soviet Attitude Toward Austrian Treaty; Prospective Communist Strategy Following the Italian Elections

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NEW SOVIET ATTITUDE TOWARD AUSTRIAN TREATY

The apparent desire of the USSR for an early conclusion of an Austrian treaty has recently led to a definite change in Soviet tactics both at the London treaty discussions and in the administration of Soviet areas in Austria. Until recently, the USSR enjoyed an excellent tactical position in the London negotiations because of the reluctance of the western powers to commit themselves on the economic phases of the treaty without knowing the Soviet position on questions of Austrian security. The USSR has sacrificed this advantage by agreeing to defer the discussion of economic items in order to consider the security issues.

Although recent moves by the USSR in Vienna and in the Soviet-occupied zone of eastern Austria appear to be confused and defensive, they essentially reveal a Soviet desire to impress the Austrian Government and the western allies with the desirability of an Austrian treaty. Soviet steps to impede transportation between the western zones and Vienna, which have proved annoying even though never fully enforced, are probably intended to serve as a reminder of the capabilities of the USSR in Austria. Austrian leaders are particularly disturbed by the prospects of possible Soviet violence and forced partition of the country following a breakdown in treaty negotiations.

There can be little doubt that the USSR regards the present quadripartite occupation of Austria as unfavorable to its designs and considers that forced partition is not a desirable solution to the problem. The Kremlin would welcome a treaty which would both provide for quadripartite troop withdrawal and leave Austria unable to resist eventual absorption into the eastern bloc. Although the USSR, through an underestimation of Austria's political vitality and economic potential, might accept a settlement which would make it difficult for either the USSR or its Satellites to absorb Austria except by armed aggression, it is unlikely that the Kremlin will agree to any terms which would be likely to prejudice seriously its chances of eventual domination in Austria.

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**PROSPECTIVE COMMUNIST STRATEGY FOLLOWING
THE ITALIAN ELECTIONS**

The defeat suffered by the Communists in the Italian election has further reduced Communist capabilities for assuming power and has vastly improved the morale and confidence of the anti-Communists in both Italy and France. An increasing number of left-wing European Socialists and fellow-travellers may now abandon their Communist association. The Communists in western Europe thus are confronted with a considerable loss in political influence in addition to their already reduced capabilities for revolutionary action.

Italy and ^{France}Germany may consequently enjoy a brief respite while the Communists regroup their forces and revise their strategy. The USSR, however, can be expected to maintain its pressure in Germany. Moreover, it will probably continue its aggressive tactics in the Near East. In Iran, continuing Soviet pressure may eventually lead to actual intervention, professedly based on the 1921 Soviet-Iranian Treaty. The deteriorating situation in Palestine may soon present the Kremlin with an irresistible opportunity for greatly expanded covert intervention. Although the Satellites continue to exercise caution in their support of the guerrilla forces in Greece, they are capable of vastly increasing the scale of their covert aid. In Latin America, the USSR can be expected to seize upon any favorable opportunities for exploiting local unrest or violence.

For the immediate future, Communist activities in western Europe are likely to be directed toward rebuilding the popular front rather than an early or determined bid for power. A Communist drive to recover the allegiance of the non-Communist Left is indicated by these recent developments: (1) French Communist Leader Thorez on 18 April called upon Communists, Socialists, and Catholics to unite in defense of French "liberty and independence"; (2) the Cominform Journal, reversing its original position, is now professing to represent

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all workers' parties, not merely the Communists; (3) the German Communists recently voiced approval of a "Middle-Class Auxiliary" of the Socialist Unity Party (SED), which might conceivably develop into the long-expected "nationalist" movement based on the Bismarckian concept of Russo-German cooperation; and (4) the Kremlin reportedly has issued a directive to the French Central Communist Committee calling for a program of non-violence in western Europe and intensified activity in Germany and the Near East.

Concurrently, Communist propagandists may intensify their efforts to contrast "peaceful" Soviet intentions with US "warmongering" and "imperialist designs." Such a drive would be designed to win the support of those western Europeans who are prepared to seek "peace at any price" and to encourage a relaxation of western, and particularly US, military preparedness. Such an intensified campaign would presumably be launched in the speeches and pronouncements which traditionally are made by leading Communists on May Day.

In any event, the Communists are not expected to relax their efforts to prevent recovery in Europe. Defeat of the recovery program remains a prime objective of Communist strategy. Strikes and industrial sabotage, conducted ostensibly on the basis of local economic issues rather than political considerations, therefore can be expected. Although Communist propaganda will continue to impugn US motives in promoting recovery, the Kremlin may henceforth moderate its attacks upon present western European governments.

In Greece, the Kremlin is also faced with a possible reduction of Communist capabilities. Differences between Greek Communists and Soviet-Satellite Communists have apparently arisen over problems concerning Soviet aims in Greece and the conduct of the civil war. Greek Communist leaders are reportedly disturbed by the failure of the Satellites to provide the guerrillas with enough aid to halt the continuing successes of the Greek Army, and the Minister of Interior in the Markos government is said to be distrustful

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of the "selfish" policy of the USSR and fearful that Yugoslavia may be planning to seize Greek Macedonia. Moreover, certain Greek Communist leaders believe that the primary Soviet intention in the civil war is to wage a long campaign of economic attrition against the US and not to effect the rapid military defeat of Greece. In view of the successful operations of the Greek Army, it is apparent that the Kremlin must decide soon whether to authorize a drastic increase in aid to the guerrillas or allow their gradual defeat by the Greek Army.

Although Communist May Day demonstrations in Latin America may result in local disturbances, present indications are that the Latin American governments will be fully capable of controlling any outbreaks. In Mexico, the electrical workers have threatened to call a May Day strike. If they are joined by the petroleum workers, miners, and railway workers (all closely allied with the electrical workers by inter-union agreements), the resulting strike could cause a general paralysis of the country and threaten the stability of the Mexican Government. Sporadic violence may break out in Cuba, and possibly in a few other countries, though there are no indications at present of coordinated plans for strikes or public disturbances.

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73. Daily Summary Excerpt, 24 April 1948, Reported Soviet Plans for Eastern German Regime

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3. GERMANY: Reported Soviet plans for eastern German regime-- Headquarters of the European Command in Frankfurt believes that if the Kremlin resorts to positive action in Germany about 1 May, the USSR will probably establish an eastern German government with the four powers remaining in Berlin but inoperative as a controlling or governing element. The Headquarters has received reports substantiating this conclusion; one such report suggests that Soviet officials have decided to unify the Soviet Zone on 1 May 1948 under a central government which will be composed of prominent individuals in the Peoples' Council of the Peoples' Congress. The Headquarters expects the USSR to give greater recognition and additional support to the Peoples' Council as a possible replacement for existing political parties in the Soviet Zone.

(CIA Comment: CIA believes that the USSR may utilize "May Day" as an occasion for accelerating its efforts to establish a provisional government in the Soviet Zone, and that such action would be accompanied or preceded by increased Soviet pressure on the western powers in Berlin.)

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74. ORE 29-48 , 28 April 1948, Possible Program of Future Soviet Moves in Germany

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POSSIBLE PROGRAM OF FUTURE SOVIET MOVES IN GERMANY

SUMMARY

1. The following discussion covers a program that might be resorted to by the USSR in Germany in an effort to cause the Western Powers to leave Berlin, to consolidate the Soviet hold over Eastern Germany, and to extend Soviet influence into Western Germany. Until recently this review of possible Soviet intentions was considered purely speculative and the program one that would be attempted only after the USSR had concluded that Soviet interference with the Allied efforts in Western Germany could not be effected by legal international means or through local Communist subversion. The timing of the individual stages of the program would probably be conditioned upon the timing and success of Western Power action.

2. The recent Soviet walkout from the Allied Control Council and Soviet efforts to impede transportation to and from Berlin indicate that this program may already be under way, and, that while risk of war may be involved, the plan possibly can be effected without military violence.

3. It is believed, therefore, that recent Western Power action may have caused the USSR to decide that:

a. hope no longer remains for interfering through quadripartite means with the production of Western Germany upon which the success of the European Recovery Program substantially depends;

b. the Soviet Zone must be placed under permanent control of a well organized German group, loyal to the USSR, and supported by police state measures;

c. the Peoples' Congress should be the instrument for the formation of such a provisional German Government;

d. in order to prevent Allied interference with this process of political consolidation, the Allied Control Council should be abolished, or permanently boycotted, and the Western Powers forced out of Berlin;

e. the new German "Government" should be acknowledged, at a propitious time, as the official administration for Eastern Germany, with propaganda pretensions to authority over all of Germany;

f. the Soviet Army should remain as the "protector" of the new Reich pending creation of a new German Army, by agreement with this government; and

g. in an effort to undermine the Western Power program Western Germany should be pressed, by all possible methods, to "rejoin" the Reich.

Note: The information in this report is as of 2 April 1948.

The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report.

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POSSIBLE PROGRAM OF FUTURE SOVIET MOVES IN GERMANY

1. With the conclusion of the London tripartite talks and the decision to consider Western Germany in the ERP planning, the Kremlin may have decided that little hope remains for the USSR to interfere with US/UK Zone production.

Three events: the results of the Soviet-sponsored Peoples' Congress, the abrupt departure of the Soviet delegation from the Allied Control Council (ACC) meeting of 20 March, and the subsequent Soviet efforts to impede both freight and passenger traffic between Berlin and the West indicate that at least the first steps in the outline of possible Soviet action may no longer be entirely in the realm of speculation.

2. CIA has believed and continues to believe that the USSR might encourage the Peoples' Congress to organize a future "national" administration and establish a *de facto* Government for the Eastern Zone while propagandistically claiming to speak for all the country. The Peoples' Congress partially confirmed this opinion when it convened on 17 March, advocated the early establishment of a Government to replace the ACC, and evidenced its pretensions to speak for the German people.

3. CIA has believed and continues to believe also that in preparation for the new "government", the USSR would attempt to discredit the ACC. While the abrupt termination of the Control Council meeting of 20 March has not yet been extended to a permanent Soviet withdrawal from the Council, Soviet officials have charged that the Western Powers, by unilateral action, have already made the work of the Council worthless.

4. The presence of the Western Powers in Berlin adds to the difficulty of establishing a Soviet puppet government in Eastern Germany, because of the "opposition" that operates from the sanctuary of the Western Powers' sections of the city. The USSR would consequently desire to effect a Western Power evacuation of Berlin as expeditiously as possible. The Soviet attempt to impede transport threatens to render untenable the position of a sizeable Allied group isolated over a hundred miles from the Western area, and, additionally, to cut off the industrial contribution of the US and UK sectors of Berlin from the Bizonal economic structure.

5. Should the Peoples' Congress, in fact, set up a "government" of the Soviet Zone, and lay claim to "represent" all of Germany, the Soviet Military Administration might accord it local recognition as the established German administration and give propaganda-credence to its pretensions to govern all of the Zones. The USSR and its satellites might then be expected to enter into provisional political and economic agreements directly with this "government", laying the foundation for eventual formal recognition at such time as the USSR considers it feasible to press the puppet government's claim to German sovereignty.

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6. A Soviet-sponsored provisional government which would, in all probability, control the Soviet sector of Berlin, might attempt by constant propaganda and possibly by direct interference in the public utilities affecting the Western sectors to obtain the withdrawal from Berlin of Western representation in the event that any still remained. The USSR could support this program with further concrete action similar to the transport block and declare the dissolution of the ACC, seeking to place the onus for its failure on the West.

7. If, at any time, the Soviet Union decided that the new government of Eastern Germany is sufficiently loyal or adequately controlled by the USSR to be a trusted satellite, that further Soviet interference in Western Germany through quadripartite means is hopeless, and that the Western Powers are susceptible of blame for the partition of Germany, the USSR might officially recognize the Eastern German government, and by agreement continue the "protection" of the Red Army while developing a German Army and perfecting the police system. Both the USSR and the Eastern German "state" would then launch a campaign for German unity and independence designed to win sufficient German converts in the Western Zones to reduce materially German cooperation in the West and to attempt to undermine the program of the Western Powers.

8. Although each of these successive steps involves the risk of war in the event of miscalculation of Western resistance or of unforeseen circumstances, each move on the program could be implemented without the application of military force if adroitly made as merely a retaliatory measure necessitated by unilateral Western Power action, and if pressed only at opportune moments.

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The deadlock over transport problems continues in Berlin despite a lull in sensational publicity. The USSR has not made a single real concession but has actually established complete but somewhat inefficient control over surface traffic moving in and out of Berlin, except incoming freight. Present hope for solution by negotiation is small. The USSR is now apparently preparing to tighten its grip on the city by attempting to enforce new restrictions on air traffic which would make all allied transport subject to Soviet regulation. So far, Soviet action on air transport has been limited to probing for western power weakness under the guise of a desire for increased air "safety." If the US-UK reaction to this probing shows indecision, the USSR may be expected to take strong action to compel western air traffic to submit to Soviet controls. Such action would probably include use of Soviet fighter planes to threaten and intimidate allied pilots.

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76. Daily Summary Excerpt, 7 May 1948, Germany: Soviet Attempt to Interrupt US Air Traffic

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4. GERMANY: Soviet attempt to interrupt US air traffic--According to Acting US Political Adviser Chase, US officials received Soviet notification on 4 May that no flying would be permitted that night over the greater Berlin area. Chase reports that the US representative, in accordance with his instructions, informed his Soviet colleague that the US did not recognize such unilateral action. Chase adds that US airplanes from the Tempelhof Air-drome carried out a previously scheduled night operation, consisting of a normal training flight over the greater Berlin area.

(CIA Comment: CIA believes the Soviet action is an attempt to probe US reaction to Soviet-imposed regulations on air traffic between Berlin and the west and may be followed by more determined moves to restrict the air traffic of the western powers.)

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77. Weekly Summary Excerpt, 14 May 1948, Formation of a Jewish State in Palestine;
French Officials Attempting to Negotiate Settlement of French Vietnam Dispute

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TRENDS IN BRIEF

Formation of a Jewish state in Palestine will enable the USSR to intensify its efforts to expand Soviet influence in the Near East and to perpetuate a chaotic condition there. Although the USSR and its Satellites will probably delay full recognition of the new state, they may grant it belligerent rights in the near future. In any event, the flow of men and munitions to Palestine from the Soviet bloc can be expected to increase substantially. The USSR will undoubtedly take advantage of the removal of immigration restrictions to increase the influx of trained Soviet agents from eastern and central Europe into Palestine where they have already had considerable success penetrating the Stern Gang, Irgun, and, to a lesser extent, Haganah.

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French officials in Paris and Indochina are attempting to negotiate a temporary settlement of the French Vietnam dispute. High Commissioner Bollaert has been authorized to form a provisional Vietnam government headed by General Xuan, president of the Provisional Government of South Vietnam (Cochinchina). The formation of such a government may result in a transfer to France of the meetings with Bao Dai and might postpone indefinitely his return as head of a new regime. If a government, with nominal independence and geographic unity, should emerge under the reportedly ineffectual Xuan, the prospects for internal stability would still be slim because of the postponement of the settlement of problems concerning finance, customs, and diplomacy. Ho Chi Minh, who is supported by 80% of the population and who is allegedly loyal to Soviet foreign

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policy, probably would then assume control; much of his support would come from elements who insist upon a propaganda campaign against French use of the European recovery program to further French colonial policy. Because of the delicate balance of control exercised by the Schuman Government, the French will probably not risk a major policy decision involving liberal concessions on the controversial colonial issue in Indochina. A temporary Xuan government, therefore, will have little chance of success.

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78. Weekly Summary Excerpt, 18 June 1948, The Soviet Withdrawal From the Berlin Kommandatura

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A P P E N D I X

THE SOVIET WITHDRAWAL FROM THE BERLIN
KOMMANDATURA

The situation in Berlin has been further complicated by a Soviet "walkout" from the 16 June meeting of the Berlin Kommandatura in a maneuver similar to the abrupt Soviet departure from the Allied Control Commission (ACC) in March. As in the case of the ACC, further meetings are not scheduled, and the USSR may have decided to abandon completely the facade of quadripartite control of the German capital. Through this action, the Soviet Union has improved its position for obtaining the consolidation of the Soviet Zone necessary for formation of an East German state or for seeking, through "conciliation," the establishment with the western powers of more advantageous working arrangements for Germany as a whole, or for Berlin in particular. Soviet and Communist propaganda will undoubtedly claim that this latest Soviet action was forced by the six-power announcement of plans for a provisional government of western Germany. Agitation for western withdrawal from Berlin may increase, but it appears doubtful that the USSR will make a formal demand for such withdrawal.

If the USSR should proceed directly with the formation of an east German state, the withdrawal from the Kommandatura will provide Soviet propagandists with a "legal" claim for the incorporation of the Berlin Soviet sector into the eastern zone and will make possible increased pressure for the withdrawal of the western allies on the grounds that, having partitioned Germany, the western powers have no place in the Soviet Zone.

On the other hand, current Soviet tactics may be designed to create an "emergency" situation which would either force the western powers to call for renewed meetings of the ACC or permit the USSR to take such action without loss of face. Through apparent concessions on the question of quadripartite control of Germany or through the time-worn method

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of obstinate obstructionism, the Soviet Union would attempt to use such meetings to delay the realization of allied plans for western Germany. In any event, the USSR will leave itself free to consolidate further its political and economic control of the Soviet Zone and will be prepared, at any time that appears opportune, to declare the formation of an east German state with pretensions to sovereignty over the entire country.

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79. Daily Summary Excerpt, 21 June 1948, Yugoslavia: Challenge to Kremlin Authority

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4. **YUGOSLAVIA: Challenge to Kremlin authority seen--US** Charge Reams in Belgrade believes that Yugoslav insistence upon Belgrade as the site of the Danubian Conference, instead of some other Satellite capital as proposed by the USSR, represents the first direct and irrevocable challenge by a Satellite to the Kremlin's supreme authority. According to Reams, Soviet acceptance of Tito's request reflects the Kremlin's belief that Tito's position is strong enough to require the "traditional gradual undermining."

(CIA Comment: CIA agrees that the Kremlin will not take any drastic steps immediately to "discipline" Tito. However, this incident has highlighted for the Kremlin the need for reconciling within the Satellite states the conflict between national interests and international Communism. Consequently, the USSR may either tighten its controls over the Satellites by expanding direct Soviet participation in Satellite governments or attempt to ease the "nationalist" opposition among Satellite Communists by making some economic concessions.)

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80. Daily Summary Excerpt, 24 June 1948, Implications of Soviet-Satellite Conference; Germany: Soviet Solution for Berlin Problems Suggested

24 JUN 1948

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GENERAL

1. Implications of Soviet-Satellite conference--US Embassy Warsaw believes that the current Soviet-Satellite meeting in Warsaw may have been called primarily to enable the eastern European powers to present a united answer to the London Conference on Germany. The Embassy concludes that the conference will be used as a major propaganda device to prove that the peoples of Europe overwhelmingly desire a "peaceful, democratic" solution of the German problem.

(CIA Comment: CIA concurs with the Embassy's estimate and also considers it probable that an "Eastern Union" will be formed, avowedly to protect the USSR and its Satellites against aggression from a resurgent Germany sponsored by the West. CIA also believes that at this conference the USSR may inform the Satellites of its intention: (a) to establish a provisional government for eastern Germany to coincide with the one contemplated for western Germany; or (b) to attempt to neutralize Germany's contribution to the European recovery program by expressing a desire, possibly couched in face-saving terms, to reach agreement on Germany with the West.)

Document No. 072

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Class. CHANGES: TS S G

DDA Memo, 4 Apr 77

Auth: LBA RLG 1763

Date: 14 MAR 1978

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EUROPE

4. GERMANY: Soviet solution for Berlin problems suggested--
US Ambassador Murphy reports from Berlin that the Soviet chief of liaison and protocol has suggested informally to the US liaison officer that possibly an adjustment of present zonal lines in Germany could be made in order to eliminate the friction caused by US-Soviet contact in Berlin. Murphy indicates that this suggestion came during a general conversation, in the course of which the Soviet officer asked whether the US was not "skating on very thin ice" in relation to the danger of war. The Soviet officer evaded any specific answer as to whether the suggested "readjustment" would involve US withdrawal from Berlin in exchange for parts of Saxony and Thuringia. Murphy attaches significance to this suggestion because the Soviet officer is known to be an intimate of Marshal Sokolovsky. Murphy believes that the suggestion may indicate a Soviet desire to bargain rather than force the present issue.

(CIA Comment: CIA believes that the conversation is a feeler to test US determination to: (a) continue its present policies in Europe in the face of Soviet threats; and (b) remain in Berlin even if offered a face-saving chance to get out.)

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81. Intelligence Memorandum 36, 24 June 1948, Probable Purpose of the Warsaw Conference

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Director, CIA

24 June 1948

Assistant Director, ORE

IM-36

Probable Purposes of the Warsaw Conference

1. The meeting in Warsaw of Soviet Foreign Minister Molotov and the Foreign Ministers of the satellite states allegedly to discuss the effects of, and a reply to, the London Six-Power Agreement on western Germany apparently stems from the need to create an Eastern bloc into which eastern Germany could be economically, if not politically, fitted to match the western power inclusion of western Germany in the European recovery program. From the formality of the meeting; from the rank of the delegates; and from the comparative publicity attending the gathering, some declaration of importance may be expected at its conclusion. For psychological and political reasons, the intentions of the USSR warrant some "explanation" in advance to the satellites and a later public announcement of satellite approval.

2. At present three courses of action in Germany, or a combination of the three, are open to the USSR. Before adopting any of these courses, the USSR will probably announce the formation of an Eastern bloc to defend itself against aggression from a resurgent Germany as established by the western powers. The Soviet action in Germany could be:

a. Announcement of an intention to permit the Germans to create a provisional government for eastern Germany;

b. An attempt to open negotiations in order to delay immediately further western action and to impede German contribution to ERP and eventually to achieve the overall unification of Germany through an accommodation with the western powers; or . . .

c. Immediate establishment of a purportedly independent east German state with propaganda pretension of being the restoration of the Reich.

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3. The degree of consolidation now reached would permit the USSR to lay the foundations for a provisional government, in such forms as a "democratic" constitution and "free elections". While a provisional government in the Soviet Zone would not increase the economic benefits to the USSR, it would balance the scale of political developments in Germany permitting the Soviet Union to save face in any further negotiations.

4. For reasons elaborated in (Special Evaluation No. 31, 12 June 1948), the USSR has been expected to attempt to enter into negotiations with the western powers in order to delay further or to prevent an appreciable western German contribution to the European recovery program. To be acceptable, such an attempt would have to be made before the USSR took final action to establish a satellite state in eastern Germany. Although Soviet behavior in Germany, particularly in Berlin, has been far from conciliatory it has not been so definitive or final as to preclude further negotiations and may even have been designed to force the western powers into discussions.

5. As was set forth in ORE 29 - 48, 28 April 1948, the USSR has been engaged in consolidating political and economic control of eastern Germany to enable the USSR to create a satellite German state at this time. But, as was also stated in Special Evaluation No. 31, the benefits to the USSR from such a course would not now be substantially greater than those resulting from the present system. The action would, moreover, preclude the possibility of partial Soviet control over western Germany and interference with the German contribution to the European recovery program.

6. Consultation with the satellite states, while not absolutely necessary under such stringent control as exercised by the USSR, would be desirable in order to obtain public satellite support for propaganda and psychological reasons. Any action resulting in the establishment of a German Government or in the unification of Germany, therefore, would warrant Soviet assurances to the satellites on matters of security, boundary or reparations claims, and on the type of German state to be evolved.

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7. In view of these considerations, CIA believes that the USSR is using the Warsaw conference to inform the satellites of Soviet intentions:

a. To form an "Eastern Union" against further German aggression sponsored by the western powers;

b. To announce a program for the creation of a provisional government matching in independence, and possibly in timing, the one contemplated in the west; and

c. To indicate a desire, possibly couched in face-saving terms, for resumption of negotiations with the western powers ostensibly to permit the unification of Germany, but actually to prevent the realization of Allied plans for western Germany.

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SUMMARY

The meeting in Warsaw of Soviet Foreign Minister Molotov and the foreign ministers of the satellite states to discuss the London agreements on Germany apparently stems from the desire to create an eastern bloc into which eastern Germany could be economically, if not politically, fitted to match the inclusion of western Germany in the European recovery program. Some declaration of importance may be expected at the conclusion of this meeting. Probably the formation of an "Eastern Union" to protect the USSR and its satellites against aggression from a western-sponsored resurgent Germany. Following that, the USSR may adopt one of three courses or a combination, these are: (a) announcement of an intention to permit the Germans to create a provisional government for the Soviet Zone; (b) an attempt to achieve the overall unification of Germany through an agreement with the western powers; and (c) immediate establishment of an allegedly independent east German state, purportedly a restoration of the German Reich. CIA believes that the USSR has convened the Warsaw meeting to establish the "Eastern Union" and to inform the satellites of its intention to announce a program for the creation of a provisional government in eastern Germany matching in independence, and possibly in timing, the one contemplated in the west and to express a desire, possibly couched in face-saving terms, to reach an eventual solution with the western powers to permit a unification of Germany that would be satisfactory to all interested nations.

Deputy Assistant Director

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82. Daily Summary Excerpt, 25 June 1948, Germany: French View on Berlin Crisis;
Palestine: Jewish Extremists Increasingly Active

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25 JUN 1948

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EUROPE

1. GERMANY: French view on Berlin crisis--A high official of the French Foreign Office has expressed to US Ambassador Caffery his personal views that: (a) the western powers erred seriously when the Berlin crisis first arose by overstressing the importance of remaining in the city and announcing that they would remain at all costs; (b) Berlin is not in fact "any more quadripartite" than western Germany, in which quadripartite control has long been abandoned; and (c) in the face of aggressive Soviet action, the western powers would encounter almost insuperable difficulties in Berlin and, even if able to maintain military and governmental forces, they could not avoid a decline in prestige through remaining there.

(CIA Comment: CIA believes that even though a slight decline in prestige of the western powers would result from their remaining in Berlin in the face of Soviet aggressive action, such a loss would be far less than that they would suffer through a withdrawal. Moreover, any apparent weakening of tripartite solidarity on the Berlin situation would greatly reinforce Soviet determination to drive the western powers from the city.)

NO CHANGE in Class.

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Class. CHANGED TO: TS S

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

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NEAR EAST-AFRICA

3. PALESTINE: Jewish extremists increasingly active--US
Consulate General Jerusalem reports that during the past few days Irgun Zvai Leumi and the Stern Gang (Jewish extremist groups) have become increasingly active in Jerusalem. Both groups have, in contravention of the UN truce terms, brought reinforcements, arms, and supplies into the city and have taken over strategic areas which they are converting into fortified enclaves. The Consulate General has learned from various sources that the USSR is providing the Stern Gang with arms and money through the Satellites, particularly Poland. These sources also believe that the USSR will make every effort to increase its support as an effective means of gaining a foothold for subversive activities in Israel. The Consulate General feels that the Jewish extremists may become increasingly embarrassing to the Israeli authorities and may attempt to thwart any effort to settle in a reasonable way the present Jewish-Arab impasse.

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83. Weekly Summary Excerpt, 25 June 1948, Soviet Desire to Reopen Quadripartite Negotiations on Germany

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E A S T E R N E U R O P E

The continued Soviet desire to re-open quadripartite negotiations on the German problem has been indicated by the failure of the Warsaw Conference to produce formal plans for a provisional government of eastern Germany and the Warsaw communique calling for a further four-power attempt to unify Germany. Concurrently, intensified Soviet obstructionism in Berlin appears designed to force the western powers to agree to renewed discussions in which the USSR would undoubtedly demand that the entire German problem be reconsidered. These Soviet efforts are prompted primarily by a desire to obtain some measure of control of western Germany, particularly the Ruhr, or at least to sabotage or slow down the western program, including European recovery, rather than by any sincere desire for a just and equitable solution of the German question. The communique of the Warsaw Conference, in its appeal for German unity and renewed efforts for quadripartite agreement, provides the Kremlin with a propaganda theme which will undoubtedly attract many adherents not only in Germany but throughout western Europe and the US.

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84. Daily Summary Excerpt, 30 June 1948, Implications of Possible Approach to West by Tito; Germany: Alleged Plans for East German Government

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4. Implications of possible approach to west by Tito--The US Military and Naval Attaches in Belgrade, in raising the question of possible approaches by Marshal Tito for US support against the USSR, recommend the "boldest possible exploitation" of any such defection in "the keystone of the Soviet-Satellite structure." The Attaches believe that in withstanding Soviet pressure Tito would have good prospect of success if given full support from the west. The Attaches, however, recommend that the US take action only through propaganda until approached by the Yugoslavs.

(CIA Comment: Although Tito may extend cautious feelers to the west, it is more probable that he will postpone any direct request for western support until the Kremlin has definitely closed all further avenues for a rapprochement. If the Kremlin denies the implied request for direct contact made in his 29 June answer to the Cominform resolution, Tito may then be forced to seek western aid against Soviet retaliation.)

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EUROPE

7. **GERMANY: Alleged plans for east German government--Well-informed but untested CIA sources report that:** (a) an east German government, to be called an "All German Government," will be announced in the near future; (b) Otto Nuschke, member of the Christian Democratic Union and co-chairman of the Volksrat (People's Council), will be the Prime Minister; (c) indications are that the USSR intends to have the Volksrat emerge as a ready-made government; and (d) the co-secretary of the Volksrat is working on a draft peace treaty which must be ready for submission to the People's Congress in September.

(CIA Comment: CIA believes that the USSR has drawn up plans for an east German state which, in its provisional nature and approximate timing, will ostensibly parallel the scheduled west German government. The implementation of the Soviet plan, however, probably will be delayed until the USSR can "justify" its action by claiming that the western powers have ignored the plea for German unification in the Warsaw communique.)

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85. Weekly Summary Excerpt, 2 July 1948, Berlin Blockade; Intensified Communist Activity in Italy; Yugoslavia's Defiance of the Kremlin's Authority

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WESTERN EUROPE

GERMANY

The Soviet Union has further threatened the position of the western powers in Berlin by increasing existing restrictions on communications between the city and the western zones. The recent Soviet action in cutting off all rail communications and road and barge traffic represents the near-maximum curtailment of ground facilities within Soviet capabilities. On 23 June when the new embargoes were put into effect, the western sectors had food stocks adequate for a six-week minimum German ration and fuel stocks to supply light power, and water for three weeks. The Soviet action, ostensibly taken in retaliation against the western decision to introduce the new west German currency in Berlin, has two possible objectives: either to force the western powers to negotiate on Soviet terms regarding Germany, or failing that, to force a western power withdrawal from Berlin.

The USSR does not seem ready to force a definite showdown but for the present appears more inclined to compel the western powers to negotiate locally regarding Berlin in the hope that such negotiations could be broadened to include Soviet demands on major issues such as the Ruhr. The USSR is attempting by various means to find a face-saving method within Germany of reconvening the Allied Control Council. Having abandoned its recent efforts to use the Polish mission in Germany for this purpose, Soviet officials have apparently directed the Communist-controlled Socialist Unity Party representatives on the Berlin City Assembly to propose that city officials ask that the ACC be convened. Present indications are that the Assembly will make such a request and the USSR will seize upon it as a means of reconvening the Council and possibly also the Kommandatura. Although Communist leaders in Soviet-controlled areas have probably prepared an action program designed to create a revolutionary situation in the western sectors, the USSR presumably will not direct that such a program be put

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GERMANY

fully into effect until it has exhausted less drastic pressure devices and until public unrest develops.

The Soviet Commander, Marshal Sokolovsky, has attempted to reassure the Germans and the western powers that his new restrictions may only be temporary. The western powers are inclined, however, to take Sokolovsky's remarks with a large grain of salt. For the present, the German population in the western sectors continues markedly anti-Soviet and supports the strong stand taken by the western powers. Its faith has been further strengthened by determined US-UK efforts to fly in supplies and by continued evidence that the UK and French position remains firm. This German population may be expected to give loyal and effective support to the western powers, unless its will is sapped by starvation or its determination weakened by a belief that a western withdrawal is inevitable.

Soviet propaganda and policy moves in Germany during the past week have been very closely coordinated. Soviet-licensed newspapers in the Soviet sector of Berlin hammered at their "panic" theme of hunger and unemployment in the western part of the city. Propaganda both within and without Germany emphasized that the western powers were forcing a "split Germany" upon the German people. The Warsaw Conference accused the western powers of splitting Germany down the middle while Soviet-licensed papers in Berlin demanded that the western powers declare themselves ready to conclude a peace for all of Germany. Meanwhile, the USSR kept the back-door open from the mounting Berlin impasse by carefully explaining in all propaganda releases that the Soviet restrictive actions are made necessary by technical difficulties rather than by political motives.

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ITALY

Greatly intensified Communist activity in Italy, including a full-scale attack against the European recovery program and a general strike scheduled for 2 July, may be expected as a result of new instructions received from the Cominform. In accord with these orders, Italian Communists will probably denounce the London agreement on Germany as a partitioning act and will defend any Soviet counteraction as moves to assure eventual unity of Germany under a "democratic" government. The Communists may also engineer an ostensible separation from the Left Wing Socialist Party in order to increase the effectiveness of that group. If the Socialist Party at its current Congress should swing from pro-Communist to a more moderate position, the Communists might abandon the Popular Front device and demand that pro-fusionist Socialists merge with the Communists. This would enable the Communists to pose as the only party representing the Italian working class, and as such, claim the right to participate in the Government.

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E A S T E R N E U R O P E

YUGOSLAVIA

Tito's two-fold defiance of the Kremlin's authority, in flatly rejecting the Cominform's criticism and in advocating a Balkan federation, has confronted the USSR with the necessity of making a decision which will have far-reaching effects upon the Soviet Union's eastern European empire and upon the Kremlin's control over Communist Parties throughout the world. Although the Kremlin undoubtedly feels the need to take some decisive action to regain prestige, it is faced with the unpleasant realization that: (1) drastic retaliation against Tito might prompt him to withdraw from the Soviet bloc; and (2) any accommodation with Tito will mean a considerable loss of face. This decision is complicated by the further realization that the Cominform's emphasis upon the "internationalist" character of Communism will probably weaken the Communist Parties of western Europe through the defection or elimination of "nationalist" elements and fellow travellers. The Kremlin's awareness of its difficult position is indicated by its treatment of this dispute as one merely involving Communist Parties and not governments. The Kremlin may, therefore, continue to handle the matter on a Party level in the hope of reaching some solution which will both be face-saving and prevent the defection of Yugoslavia from the Soviet bloc. While seeking a solution, however, the USSR can be expected to tighten its controls drastically over the other Satellites in order to prevent any emulation of Tito's example. Moreover, the USSR will eventually exert maximum pressure, short of war, to eliminate Tito and his lieutenants.

Tito's continued refusal to bow to the Kremlin reflects his realization that the die is cast and any precipitate retreat on his part would be tantamount to political suicide. By following his answer to the Cominform with a public announcement of a detailed Yugoslav Communist Party program and

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YUGOSLAVIA

referring only indirectly to the Cominform resolution, Tito indicated that he still hopes to force the Kremlin to modify the Cominform decision and accept Yugoslavia as a full-fledged partner in the Soviet family rather than as a vassal of the USSR. Thus, Tito will probably extend no feelers immediately to the west, because such action would further jeopardize any chance of a favorable rapprochement with the Kremlin. Moreover, Tito's re-affirmation of the principles of Marx and Lenin and his pledge of continued cooperation with the USSR in foreign policy matters have increased the difficulty of achieving any early rapprochement with the west except in the sphere of economic relations. Meanwhile, Tito can be expected to take steps to strengthen his position internally while simultaneously supporting Soviet foreign policy, and maintaining close relations with the other Satellites. However, whenever Tito considers that rapprochement with the Kremlin becomes unlikely, he will probably extend cautious feelers for western support against the USSR.

Communist Parties in the other Satellites are too vulnerable to Soviet force to risk a break with the Kremlin and therefore will probably not in the near future emulate Tito's recent example in defying the Cominform. However, if Tito wins substantial concessions from the Kremlin or is successful in breaking away from Kremlin control, the "internationalist" Communists in the Satellites will face greater obstacles in controlling those "nationalist" Communist elements (particularly in Bulgaria and Hungary) which are reportedly already rebelling against blind obedience to the Kremlin. Tito's action confronts Bulgaria with a more difficult decision than any other eastern European nation. Bulgaria and Yugoslavia have achieved close economic and military cooperation since the end of World War II. Moreover, both

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YUGOSLAVIA

countries are involved in conflicting claims on Greece and Macedonia. Although the possibility cannot be eliminated that Bulgarian Communist Premier Dimitrov will accept Tito's bid for a Balkan federation, it is more probable that Dimitrov will continue to hew to the Kremlin line because: (1) his rivalry with Tito for leadership in the Balkans militates against any rapprochement; (2) through his long training in Moscow and his association with the Comintern, he has grown too internationalist-minded to defy Communist Party discipline; and (3) he realizes that the USSR could retaliate -- by force, if necessary -- effectively against Bulgaria.

The recent Cominform blast against Tito and the stand-to-the-death statements of various Communist leaders against the European recovery program reveal that the expanded duties of the 1948 Cominform include the role of inter-Satellite taskmaster for the Kremlin. As a result of the dispute with Tito, the Cominform headquarters will probably be moved from Belgrade to Prague. Czechoslovak Communists have already announced that future editions of the official "Cominform Journal" will be distributed from the Czechoslovak capital. Besides its action in disciplining Tito, the Cominform apparently also laid down for all Party members a strict line to be taken concerning the European recovery program. Since the meeting, French, Italian, and Trieste Communists have publicly stated that they will exert every effort to destroy the European recovery program. This is in strong contrast to public statements made by French and Italian Communist leaders prior to the Cominform meeting which were comparatively lacking in hostility.

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E A S T E R N E U R O P E

YUGOSLAVIA

Eventual reconciliation between Tito and the Kremlin appears to be a diminishing prospect in the face of Tito's determination to keep the initiative by emphatically publicizing his position. Meanwhile, the USSR and the Satellites (except for Albania) continue to maintain the fiction that the dispute is between the Yugoslav Communist Party and the Cominform and not between governments. The door thus is being left open for a bilateral solution between Tito and the Soviet Union. However, there has not yet been any indication of a Kremlin decision on future handling of Tito. In reaching this decision, the Kremlin must face the realization that: (1) the longer the dispute remains unresolved, the more difficult it will be to find a face-saving formula for a rapprochement; and (2) any drastic disciplinary measures against Tito would further endanger the solidarity of the eastern bloc and increase the possibility of an understanding between Tito and the west. Meanwhile, the USSR appears to be making preparations for large-scale rail movements across Hungary. Although these reported preparations may be designed primarily to evacuate Soviet troops and dependents from Hungary, and although Soviet armed intervention in Yugoslavia is unlikely in the immediate future, the fact remains that Hungary is a logical area in which to assemble Soviet troops for an intensive war of nerves against the rebellious Tito.

In taking direct action against the Yugoslav Government, Albania has become the only Satellite to make Tito's defection a governmental as well as a party problem. Albania presumably has taken this strong stand because the Hoxha regime: (1) fears Soviet retaliation more than Yugoslav counteraction; (2) expects Tito's defeat and hopes Albania will thereby gain a more favorable position in the Soviet orbit; (3) resents Yugoslav exploitation of Albania's economy; and (4) wishes to seize this opportunity to end a subservient relationship. Despite the belligerency of Hoxha's attacks on Tito, Yugoslavia is not likely at present to risk the

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YUGOSLAVIA

consequences of an armed attack on Albania. Moreover, so long as Tito's dispute with the Cominform remains unresolved, the possibility increases that Yugoslavia's relations will also deteriorate critically with neighboring Bulgaria and Hungary. Such a development would create additional obstacles to an eventual accommodation between Tito and the Kremlin.

Yugoslav pressure against Greece and Trieste will be considerably lessened as a consequence of Tito's break with the Cominform. In Greece, Tito's recent actions have created obstacles to coordinated support of the Markos regime by Yugoslavia, Bulgaria, and Albania. Also, Tito will be reluctant to divert to Markos scarce war materiel and supplies necessary to strengthen his own position against possible Soviet retaliation. Moreover, because Albania must now rely upon the USSR for its supplies, Albania's contribution to the Markos forces can be expected gradually to decrease or at least become more spasmodic. In Trieste, Yugoslavia has lost the support of the local Communist Party which, despite its former dependence on the Yugoslav Communist Party for directives and funds, is hewing to the Cominform line. Yugoslavia has thus been denied its most effective weapon for economic and political infiltration of Trieste.

The possibility of Yugoslav economic overtures to the west will cause the Kremlin to proceed slowly and cautiously in threatening Tito with economic sanctions. Initially at least, any curtailment of Soviet-Satellite exports to Yugoslavia will be made only on strategic materials, such as munitions and oil, which would directly strengthen Yugoslavia's military potential. Already, shipments of Hungarian exports to Yugoslavia are reported to have been stopped while Rumanian oil destined for Yugoslavia has reportedly been diverted to Bulgaria. Czechoslovakia, which

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YUGOSLAVIA

is currently facing economic difficulties resulting from unsatisfactory trade relations with the other Satellites, may add to the Kremlin's problem by seizing upon the present Yugoslav situation as a pretext for increasing trade with the west, claiming that the reduction of exports to Yugoslavia makes it necessary. Possibly in anticipation of increased Soviet economic pressure, Yugoslavia has recently become more accommodating in economic negotiations with Italy.

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87. Weekly Summary Excerpt, 16 July 1948, International Communism; Establishment of Competing Regimes in Korea

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E A S T E R N E U R O P E

International Communism apparently is entering a "holding operation" phase, the second period of its development following World War II. During this phase, the Kremlin apparently intends to strip all Communist parties down to a hard core of fanatically faithful adherents. The first postwar phase was characterized by Communist attempts to build a broad base of popular support in all countries. Recognizing signs of diminishing returns in this program, the Kremlin is apparently willing to risk the loss of popular support in order to build a stronger core of Communist faithfuls. The disappointing Communist showing in the Italian election and the more recent defection of Yugoslav Communist leaders have undoubtedly indicated to the Kremlin that a tightening of Communist ranks was long overdue. The Cominform attack upon Tito was the signal for all Communist parties to reassess their membership. Although the popular following of local Communist parties will be reduced somewhat, the militant potentialities of the hard-core Communists, especially in Europe, will remain unaffected.

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KOREA

The establishment of two competing "national" regimes in Korea now appears imminent. The National Assembly in South Korea has adopted a constitution and is scheduled to announce the formation of the Republic of Korea in early August; the US plans to recognize this regime as "the national Government of Korea envisaged by the General Assembly resolutions." Concurrently, the hastily reconvened North Korean People's Council, after denouncing US "unilateral" action in South Korea, has promulgated its own Soviet-model constitution and has scheduled elections on 25 August for the establishment of a Democratic Korean People's Republic in which South Korea will ostensibly be represented. The USSR undoubtedly will recognize its North Korean puppet regime as "national" in character and follow its formation with renewed pressure for the withdrawal of all occupation forces. The Soviet aim will be to deprive the US of an opportunity to establish a native security force in South Korea adequate to deal with aggression from the North Korean People's Army.

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88. Daily Summary Excerpt, 17 July 1948, USSR: Reasons for Soviet Replies on Berlin;
China: Soviet Ambassador Urges End of Civil War

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17 JUL 1948

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3. USSR: Reasons for Soviet replies on Berlin--US Military *Army 3179 Secret*
Attache Moscow advances the following probable reasons for the strong Soviet reply to the Western Power notes concerning Berlin: (a) the Politburo reasons that the Western Powers are not prepared to fight over Berlin and no other course will be effective in maintaining the western position; (b) the Kremlin is determined to extend its control in Germany as far as practicable by all means short of war; and (c) the Soviet Union feels the need of making a show of Soviet strength for propaganda purposes following its recent political reverses.

(CIA Comment: CIA concurs with the analysis presented by the US Military Attache.)

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NO CHANGE in Class.

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Auth: DDA MEMO, 4 Apr 77

Date: DDA REG. 77/1783

Date: 5 MAR 1978 BY: 028

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FAR EAST

5. CHINA: Soviet Ambassador urges end of civil war--US Embassy Nanking reports that Soviet Ambassador Roshchin and the Chinese Minister of the Interior recently held a six-hour conversation concerning the civil war, during which the Ambassador urged that the Chinese civil war be brought to an end for the sake of all concerned. The Embassy expresses the opinion that this approach by the Soviet Ambassador suggests: (a) the USSR is concerned that US aid may strengthen the National Government; (b) the Chinese Communists are weaker than they appear to be; and (c) Soviet officials may have relatively little respect for the Chinese Communists, and that the USSR will continue to propose Soviet assistance as mediator in the Chinese civil war.

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(CIA Comment: While CIA is not in a position entirely to discount Embassy Nanking's explanation of the Soviet Ambassador's approach, CIA considers that the following considerations are pertinent: (a) the USSR may estimate that a continuation of hostilities would insure continued US aid and further extension of US influence over Nationalist China; (b) the USSR may reason

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88. (Continued)

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that once hostilities had ceased, Communist political penetration could be accelerated, especially if a coalition government should take over; and (c) the USSR recognizes that it would reap substantial propaganda benefits from a successful Soviet mediation of the civil war.

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89. ORE 45-48 Excerpt, 22 July 1948, The Current Situation in China

ORE 45-48

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THE CURRENT SITUATION IN CHINA

SUMMARY

The position of the present National Government is so precarious that its fall may occur at any time. It is quite likely, however, that it may survive with diminishing power for some time, but soon become only one of several regimes exercising governmental powers independently in Nationalist China. Even with the current US aid program, the present National Government has little prospect of reversing or even checking these trends of disintegration. The increasing instability in Nationalist China will facilitate the extension of Chinese Communist military and political influence.

Within Nationalist China the power and prestige of Chiang Kai-shek is steadily weakening because of the unsuccessful prosecution of the war under his leadership and his apparent unwillingness and inability to accomplish positive reforms. Opposition, both within the Kuomintang and among dissident elements, centered chiefly in Hong Kong, is gathering strength. In addition, deteriorating economic conditions are exerting a cumulative impact on the political structure of the National Government. Furthermore, the military forces of the Chinese Communists have been able to seize the tactical initiative on an increasingly large scale. Even with current US assistance, it is improbable that the Nationalist Army can successfully defend all of its present territories.

In foreign relations, questions concerning the neighboring states of Japan and the USSR are of paramount interest to China for reasons of security. Chinese opinion favors a "hard" peace settlement with Japan so as to prevent the resurgence of that country as a Great Power. It is equally important for China to maintain correct and if possible friendly relations with the USSR, for China unaided cannot match Soviet power. Implementation of US aid to China is complicated by the question of the extent of US controls and supervision, and US insistence upon accompanying economic, political, and military reforms. The USSR thus far has refrained from overt material assistance to the Chinese Communists and continues to recognize the National Government, but it is apparent, nevertheless, that Soviet sympathies lie with the Chinese Communists. Even if US aid should prove effective, this might prove to be only a temporary advantage for the National Government, since it might be offset by Soviet counter-aid to the Chinese Communists.

The prospect for the foreseeable future in China is at best an indefinite and inconclusive prolongation of the civil war, with the authority of the National Government limited to a dwindling area in Central and South China and isolated major cities in north and northeast China, and with political and economic disorder spreading throughout the country except possibly in Communist-held areas. The worst prospect is complete collapse of the National Government, and its replacement by a Chinese

Note: The information in this report is as of 11 June 1948.

The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report.

89. (Continued)

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Communist-controlled regime, under Soviet influence if not under Soviet control, and uncooperative toward the US if not openly hostile. The latter development would result in an extensive loss of US prestige and increased Communist influence throughout the Far East, as well as an intensification of threat to US interests in the Western Pacific area.

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90. Weekly Summary Excerpt, 23 July 1948, Slackening Bulgarian Support for Greek Guerrillas

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BULGARIA

Slackening Bulgarian support for the Greek guerrillas is indicated by Bulgarian press treatment of the fighting in Greece. Instead of front page reports of Markos successes, the press has been carrying small back page paragraphs asserting that Markos is repulsing all attacks. This press treatment lends credence to unconfirmed reports that Bulgaria ceased shipping arms to Markos shortly after the Cominform attack on Tito. If this development can be interpreted as an indication that the USSR has temporarily "written off" the Greek venture, such a Soviet decision would have been prompted by: (1) a desire to conserve Bulgarian and Albanian military strength in case of trouble with Yugoslavia; (2) inability at this time to reconcile conflicting nationalist interests between Greek, Bulgarian, Yugoslav, and Albanian Communists concerning the disposition of Greek Macedonia and Thrace; and (3) the difficulty of achieving guerrilla success without direct intervention which would increase the risk of open conflict with the US. If, however, the guerrillas are able to prevent a decisive Greek Army victory in the Grammos area, the Kremlin may order its Satellitès to increase their support of the Markos regime.

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91. Daily Summary Excerpt, 27 July 1948, Control of Berlin Believed Primary Soviet Objective

46

27 JUL 1948

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GENERAL

1. Control of Berlin believed primary Soviet objective--US
Ambassador Smith in Moscow detects no real evidence of an urgent Soviet desire to negotiate the overall German question and suggests that the USSR is at present primarily interested in liquidating Berlin as a center of western influence. Smith observes, however, that this does not imply that the USSR is abandoning its objectives in western Germany. Smith believes that the USSR might be induced temporarily to forego "the battle for Berlin" if sufficiently attracted by western power concessions on all of Germany.

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(CIA Comment: CIA remains of the opinion that concessions on western Germany are the primary Soviet objectives and considers that unilateral control of Berlin is a secondary aim of the USSR.)

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E A S T E R N E U R O P E

SOVIET UNION

Recent rumors of dissension within the Politburo appear exaggerated. Although differences of opinion regarding Soviet strategy undoubtedly exist among the members of the Soviet ruling body, it is unlikely that these men, who owe their present positions to Stalin, would find it possible to engage in serious disputes so long as Stalin remains the arbiter of Soviet policy. Whatever may be their personal differences and animosities, it seems certain that the members of the Politburo continue to work together as a team and confine their rivalry to jockeying for Stalin's favor or to competing for control of the Party machinery in order to hold the best possible position at Stalin's death. Until recently Andrei Zhdanov, chief Soviet ideological spokesman, seemed to have gained the upper hand over Malenkov in a contest for control of the Communist Party apparatus. Latest indications are that Malenkov has regained his powerful post as a secretary of the Central Committee, which transmits the decisions of the Politburo to lower Party organs. Zhdanov may have to bear the responsibility for the inept handling of the Cominform denunciation of Tito. Malenkov's resurgence may be a rebuke to Zhdanov for his handling of the Yugoslav situation and could foreshadow a lessening in his influence and prestige.

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93. Weekly Summary Excerpt, 6 August 1948, Germany: Far-Reaching Political and Economic Reorganization in the Soviet Zone

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WESTERN EUROPE

GERMANY

A far-reaching political and economic reorganization now is under way in the Soviet Zone. The German Popular Front, the original Soviet-sponsored political organization, is being abandoned in favor of a group of political parties completely loyal to Communism and backed by reliable Communist police. Leaders of the Christian Democrats and Liberal Democrats, both members of the Popular Front, are being liquidated or eliminated. Members of these two parties are being herded into the National Democratic Party and the Farmers' Party, both headed by Moscow-trained German Communists. The Socialist Unity Party (SED), upon which the USSR will rely to control an eastern German Satellite state, is being reduced to a compact organization responsive to Cominform direction. The economy of the eastern zone, with its arrangements for Soviet control and exploitation, now resembles that of the Satellites. The former German Central Administration concerned with economic affairs is being subordinated to the SED-dominated German Economic Commission. Industrial combines, which are responsible to zonal authorities instead of to officials of various states in the zone, will direct nearly all industrial activities. The dominance of state-owned or controlled enterprises will spell the eventual elimination of effective competition from privately-owned business and will simplify central control of the economy. Control in the agrarian field will be effected through the politically-sponsored peasant cooperative movement, which operates to the disadvantage of the independent farmer. When these extensive reforms are completed, integration of the eastern zone economy with that of the western zones can be accomplished only with extreme difficulty.

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E A S T E R N E U R O P E

SOVIET UNION

Although the sudden death of Zhdanov, for whatever cause, removes a key figure from the Soviet directorate of world Communism and at least one obstacle to some form of temporary rapprochement with Tito, it will probably have only a limited effect upon over-all Soviet policy. Zhdanov directed the Cominform denunciation of Tito, and it is possible that the other members of the Politburo may feel that his death gives them an opportunity to correct an ineptly handled situation without loss of face. Although a temporary agreement with Tito is possible, the dispute appears to be based upon fundamental differences which would require a full capitulation on the part of either Tito or the Kremlin.

The loss of Zhdanov creates a serious organizational problem for the Kremlin. He was the only Politburo member with extensive experience in dealing with foreign Communist parties, and he has headed the postwar ideological purification of Soviet arts and sciences. In addition, he had exercised increasing authority in the party organization since the end of World War II. Malenkov appears to be the most likely prospect as Zhdanov's successor both in the party and in the Cominform. The re-emergence of Malenkov as a secretary of the Central Committee in mid-July may have been because of Zhdanov's deteriorating health. Malenkov lacks Zhdanov's experience and prestige among foreign Communist parties, however, and he cannot be expected to fill the breach caused by Zhdanov's death for some time to come.

Although Zhdanov undoubtedly exerted considerable influence on Soviet policy, his death will not bring about any major changes in the policies formulated by the Politburo. In any event, Molotov's position as probable successor to Stalin has been substantially strengthened by the elimination of a capable and ambitious rival.

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95. Weekly Summary Excerpt, 10 September 1948, Poland: Recent Conflict Within the Communist Party

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POLAND

Recent conflict within the Polish Communist Party, as revealed by Wladyslaw Gomulka's removal as a Polish Communist Party leader, represents another rebellion by a nationalistic faction within Satellite Communist parties against Moscow-enforced discipline when the interests of the nation are concerned. The Polish situation might have resulted in another Tito-rift except for the presence of 125,000 Soviet soldiers within Poland, the fact that Poland borders the USSR, and the fact that Poland's Communist Party was a "three-man" show. Great efforts were made within the party to patch up the differences with Gomulka and his public recantation quickly presented an unbroken front to the world. Despite his recantation and his retention as First Vice-Premier and Minister of Recovered Territories, Gomulka is not long for Polish political life.

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SECRET

96. Daily Summary Excerpt, 17 September 1948, China: Growing Nationalist Sentiment for Neutrality

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17 SEP 1948

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FAR EAST

2. CHINA: Growing Nationalist sentiment for neutrality--US
 Embassy Nanking has been informed by "a usually reliable source" that a new clique in the Nationalist Government has the objective of keeping China neutral in the event of an "inevitable" US-USSR war. The Embassy suggests that this information, combined with information that the Chinese Foreign Minister and the Soviet Ambassador have recently held several secret conferences, indicates that a Foreign Office group desires neutrality and is willing to appease the USSR considerably. The Embassy believes, however, that Chiang Kai-shek is basically pro-US in his orientation. The Embassy continues to believe that the USSR is seeking control of all of China via a Communist-Nationalist coalition.

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(CIA Comment: Although current reports from Chinese sources concerning the growth of pro-Soviet sentiment in the National Government probably have a basis of truth, they may be designed primarily to exert pressure for more US aid. CIA believes that the USSR favors a Communist-Nationalist coalition in China, and will attempt to mediate in the Chinese civil war and to establish such a coalition at a time when Chiang Kai-shek has suffered major military reverses or is faced with a new political-economic crisis.)

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97. ORE 60-48 Excerpt, 28 September 1948, Threats to the Security of the United States

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TREATS TO THE SECURITY OF THE UNITED STATES

SUMMARY

1. For the foreseeable future the USSR will be the only power capable of threatening the security of the United States. The Soviet regime, moreover, is essentially and implacably inimical toward the United States.

2. The power of the USSR to endanger the security of the United States is a consequence not only of Soviet strength, but also of the weakness and instability prevalent in Europe and Asia and of weaknesses in the military posture of the United States. The principal restraint on hostile Soviet action is the greater potential strength of the United States.

3. Soviet strengths and weaknesses and specific Soviet capabilities to threaten the United States and US security interests overseas are set forth within (paragraphs 2-17).

4. In general, the probable basic intentions of the Kremlin for the next decade are:

a. To avoid war with the United States, but to exploit to the utmost, within that limitation, the coercive power inherent in the preponderance of Soviet military strength in Eurasia, relying on the disinclination of the United States to resort to war.

b. To build up as rapidly as possible the war potential of the Soviet orbit, in an effort to equal and surpass, eventually, the war potential of the United States.

c. To wage political, economic, and psychological warfare against the United States and its allies, with a view to undermining their potential strength and increasing the relative strength of the USSR: in particular, to prevent or retard the recovery and coalition of Western Europe and the stabilization of the situation in the Near East and Far East.

d. To exploit every opportunity presented by the weakness and instability of neighboring states to expand the area of Soviet domination by political and subversive means.

5. Although the Kremlin is unlikely to resort deliberately to war to gain its ends within the next decade, it would do so if ever it came to consider such a course expedient, particularly if convinced that time was on the side of the United States. In this respect the situation will remain critical pending the successful accomplishment of US efforts to redress the balance of power. Moreover, there is constant danger of war through accident or miscalculation.

6. In any case, the fundamental hostility of the Soviet Government toward the United States and its formidable military power require, in common prudence, that the United States be prepared for the eventuality of war with the USSR.

Note: The intelligence organizations of the Departments of State and Army have concurred in this report. The Air Intelligence Division, Air Intelligence Directorate, Department of the Air Force has also concurred, but see comments in Enclosure A, p. 10. For a dissent by the Office of Naval Intelligence, see Enclosure B, p. 11. The information in this report is as of 13 September 1948.

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2 OCT 1948

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GENERAL

1. Possible Soviet reversal on Palestine--US Embassy Moscow has been informed by an Arab source that Soviet Deputy Foreign Minister Zorin told him that the Soviet position concerning Palestine is now subject to review because the partition plan of 29 November 1947 is not being carried out. The implication, according to source, was that a dramatic Soviet reversal might take place if the UN General Assembly attempted any solution for Palestine other than reaffirmation of its original resolution.

(CIA Comment: CIA does not believe that the USSR will change its support in the General Assembly from the Israelis to the Arabs. CIA believes, however, that the Soviet Union will oppose the adoption of a solution based on the US-UK supported Bernadotte proposals and will insist upon the original UN partition plan.)

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99. Daily Summary Excerpt, 4 October 1948, France: USSR May Finance French Coal Strike

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4 OCT 1948

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EUROPE

3. **FRANCE: USSR may finance French coal strike**--According to US Embassy Paris, the French Interior Ministry has been authentically informed that Communist Party Leader Duclos recently told the French Communist Party: (a) the USSR

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considers it absolutely necessary for the Communists to re-enter the French Government; and (b) the USSR will finance the French Communist Party in order to achieve this aim and possibly will support the French coal strike.

the Communists hope to prolong the coal strike for two or three weeks and thus deliver a severe blow on the eve of winter. the Kremlin has arranged for the halting of shipments of coal from Poland to France during this strike.

(CIA Comment: CIA believes that the Communist strategy of trying to obtain a "Popular Front" Government by inducing economic and political chaos would be materially advanced by Soviet financial aid. It is unlikely, however, that the Center and Right would consent to admit the Communists into such a Government, although some Socialists might be inclined to do so in order to recoup their labor and political losses.)

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100. Daily Summary Excerpt, 9 October 1948, Germany: Preparations for Eastern German Government

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9 OCT 1948
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EUROPE

2. GERMANY: Preparations for eastern German government--

CIA-See

CIA has been informed by a usually reliable source that the Volksrat in Soviet Zone Germany has drawn up a constitution for an "Eastern German Republic" which is to be announced "in the near future." Source reports that Co-chairman Grotewohl of the Socialist Unity Party is considered to be a most likely minister-president of such a government.

(CIA Comment: CIA believes that the USSR will by November have established a German police organization through which it can at any time set up an eastern German government without any real lessening of present Soviet control. The creation of such a government would not necessarily involve a Soviet troop withdrawal. CIA believes that the German figurehead for a Soviet Zone government will be Wilhelm Pieck, not Grotewohl, and that the real Communist leader in Germany will continue to be Walter Ulbricht.)

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101. Daily Summary Excerpt, 11 October 1948, Possible Communist Strategy in Western Europe

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GENERAL

- 1. Possible Communist strategy in western Europe--According to US Ambassador Kirk in Brussels, Belgian authorities view the Communist offensive in France and present Communist preparations for a wave of labor agitation in Belgium as parts of a general, coordinated effort to create social and political instability in western Europe. US Ambassador Caffery in Paris reports the conviction of Interior Minister Moch that "France is now the battlefield chosen by the Kremlin in an attempt to bring western Europe to its knees." The French Interior Ministry believes that chief Communist efforts in France are now centered on the railways in order to prevent the delivery of Saar coal. The Ministry is hopeful, however, that the attitude of non-Communist unions, combined with firm police action, will prevent a major stoppage.

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(CIA Comment: CIA agrees that the Communists are directing a labor offensive against western Europe as a whole. CIA considers that the major drive is being made in France because it is the most vulnerable country, economically and politically.)

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102. Weekly Summary Excerpt, 15 October 1948, The Communist-Inspired Strikes in France

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The Communist-inspired strikes in France are designed primarily as an additional and timely weapon with which to further the Kremlin's primary goal of defeating the European recovery program. Consequently, the fate which befalls the French Communist Party as a result of the strikes is a secondary consideration to the USSR. The current Communist attack in France reflects the Soviet belief that such action, if taken before western aid restores French political and economic stability, would seriously dislocate the French economy and dissipate the beneficial effects of the European recovery program throughout western Europe. However, in choosing France as the first major battleground in its fight against European rehabilitation, the Kremlin has run the risk of precipitating De Gaulle's return to power and of possible outlawing of the Communist Party. Regardless of the outcome of the strike offensive in France, the Communists can be expected to resort to similar direct tactics in other ECA countries.

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103. Weekly Summary Excerpt, 29 October 1948, UN: Soviet Veto on Berlin; Germany: Soviet Action in Eastern Germany

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UNITED NATIONS

Soviet representative Vishinsky's moderate veto statement, made during the voting on the Security Council compromise proposal, suggests that the USSR may be interested in an eventual face-saving solution of the Berlin dispute. Vishinsky barely referred to the contention of the USSR that the UN has no jurisdiction over the Berlin controversy. The Soviet representative defended the veto largely on the grounds that the proposed ending of the blockade and the introduction of the Soviet currency in Berlin were not to be simultaneous. This implicit willingness to accept the UN as a forum for negotiation on Berlin indicates that there is still some possibility that the USSR is interested in finding a compromise solution to the dispute.

The Soviet Union may now be inclined toward conciliation because it recognizes that the Berlin blockade has failed to dissuade the western powers from proceeding with a separate organization for western Germany or to force them out of Berlin. The USSR may even recognize that the present success of the airlift, combined with the firm stand of the western powers, has: (1) raised western prestige in Germany and increased German hostility to the Soviet Union; (2) spurred western plans for rearmament and military coalition; and (3) precipitated the local problem of Berlin into a crisis of world scope, far exceeding Soviet calculations. While awaiting further developments in the UN, the USSR will also look for positive evidence that the airlift can, or cannot, overcome the Berlin winter.

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WESTERN EUROPE

GERMANY

Soviet action in eastern Germany during the past three months indicates that the Kremlin is accelerating preparations which would permit the establishment of an eastern German government capable of assuring Soviet domination with or without the support of Soviet occupation troops. The Communist-dominated Socialist Unity Party (SED) is undergoing a purge which will ultimately replace all members of non-Communist parties and unreliable Communists now holding key positions in the SED with reliable Stalinist Communists. The cadre thus formed will become the instrument for tightening Communist control of the SED, the Volkskongress, and other Communist front organizations. In conjunction with Soviet domination of the German Economic Commission and the Administration of the Interior, the SED will contribute materially to Soviet control of eastern Germany through a Communist minority. Moreover, a disciplined SED will facilitate Soviet-Communist control of the Soviet sector of Berlin following the anticipated split in the Berlin city government after the 5 December western sector elections. In addition, eventual Soviet domination of eastern Germany is being facilitated by efforts to strengthen and reorganize the Administration of the Interior. The Administration, through the SED party structure, is now in practically full control of the zonal government down to a county level; the framework of the Administration thus is strikingly similar to the centralized police system of the Nazi regime. The Administration can now exercise most of the powers of a Ministry of the Interior in a totalitarian state, including control of public prosecutors through the criminal police. Approximately 15,000 specially trained and selected police, under the control of the Administration and quartered in barracks throughout the Soviet Zone, are being equipped

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GERMANY

with carbines and machine guns, and they may eventually be equipped with heavier weapons. In the hope of appealing to German nationalism, this new police force may be headed by Germans formerly identified with the Free German Committee.

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104. Weekly Summary Excerpt, 29 October 1948, Prospects for Invasion of South Korea by the North

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KOREA

An armed invasion of South Korea by the North Korean Peoples' Army is not likely until US troops have been withdrawn from the area or before the Communists

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KOREA

have attempted to "unify" Korea by some sort of coup. Eventual armed conflict between the North and South Korean governments appears probable, however, in the light of such recent events as Soviet withdrawal from North Korea, intensified improvement of North Korean roads leading south, Peoples' Army troop movements to areas nearer the 38th parallel and from Manchuria to North Korea, and combined maneuvers. Communist agents have been directed to intensify disturbances in South Korea in November, ostensibly to facilitate an invasion early in 1949. Although this invasion may not materialize, such disorders as the recent Yosu uprising (in which a Communist-led constabulary unit attacked town police and constabulary officers) would bolster a Soviet claim before the UN that the South Korean regime is unpopular and supported only by the police and the US Army. Proven Communist complicity in such incidents may react against the USSR in the UN, but Communist efforts to initiate riots and strikes will continue in order to pave the way for North Korean control of the entire peninsula following the withdrawal of US forces.

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EASTERN EUROPE

SOVIET UNION

Premier Stalin's recent PRAVDA interview apparently indicates some shift in the Kremlin's estimate of its capabilities for achieving its immediate objectives in the Berlin dispute. The USSR probably still wants a negotiated settlement of the Berlin issue on terms which would permit ultimate Soviet control of Berlin and Communist penetration of western Germany. The Kremlin apparently believes, however, that such terms probably cannot be obtained from the western powers under present circumstances. Stalin's interview may therefore have been intended to prepare the ground, both within the Soviet Union and abroad, for further unilateral action on Germany, possibly including partition and the establishment of an east German state. The Soviet people have never been told of the real gravity of the Berlin situation and therefore need to be prepared for any step as drastic as the renunciation of "co-operation" with the western powers. As Soviet propaganda designed for foreign consumption, the Stalin interview reiterates the allegation that the western powers are responsible for present world tension and warns the West that the USSR may proceed unilaterally in Germany. The uncompromising stiffness of Stalin's remarks therefore suggests that in the absence of a facesaving compromise, the USSR is prepared to accelerate preparations for the formation of an east German state.

Soviet propaganda preparations for the annual celebration of the October Revolution sharply contrast with the extravagant preparations being heralded throughout the world at this time last year. The less than a dozen news items about the anniversary which have appeared may reflect Kremlin preoccupation with the world situation. This year's slogans which will be used to define the Communist "line" during the next twelve months represent little change from the pattern of themes emphasized last year.

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106. Weekly Summary Excerpt, 12 November 1948, China: Decisive Battle Beginning;
Soviet-Satellite Support of Clandestine Air Activity to Palestine

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F A R E A S T

CHINA

The decisive battle for Central China is beginning. At least 16 Communist columns are sweeping down both sides of Hsuehou in a pincer movement which can either destroy that vital Nationalist base or, by isolating it, drive directly against Nanking. The imminent collapse of the ill-trained and dispirited Nationalist forces in the Hsuehou-Nanking area will probably mark the end of all organized Nationalist military resistance. In North China, the present inactivity probably foreshadows a forthcoming Communist attack in the extremely vulnerable Peiping-Tientsin-Kalgan area. The eclipse of the Nationalists in Manchuria is complete, following Nationalist evacuations of Yingkou and Hulutao.

The imminent bankruptcy of the Chinese National Government, presaged by the panicky refusal to accept gold yuan in Shanghai and Nanking, may soon result in the lifting of foreign exchange controls to permit free dealing in US currency and bullion. In Shanghai, the price of rice has reportedly increased 80 times over the ceiling price prevailing last week, and the refusal of farmers to ship food to these cities has heightened the critical food shortages.

The National Government, beset by unprecedented military and economic debacles, continues to exert every effort to avert political collapse on the home front. Regardless of the refusal of several Kuomintang officials to serve on the Cabinet and the suggestions of some Cabinet members that a peace be negotiated with the Communists, Chiang Kai-shek appears determined, at the moment, to continue his fight against the Communists to the bitter end. A satisfactory

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CHINA

solution of the Cabinet crisis is unlikely, however, in view of the hopelessness of the general situation and the unwillingness of prominent Nationalist leaders to accept responsibility for forming a new Cabinet.

A tremendously increased Soviet war potential in the Far East may result eventually from Communist control of Manchuria and north China. With the Communists controlling these areas, including Shanghai, the USSR would have a "strong voice" in the operation of both the extensive harbor facilities and the transportation net in this vast area. This greatly increased transportation potential, if developed by an aggressive rehabilitation program, could permit the USSR to undertake an ambitious industrial expansion in north China and Manchuria. Such an expansion in these areas would provide the USSR with an agrarian-industrial base capable of supporting a far more formidable military force in active combat than it can presently maintain there. The creation of a major industrial complex in Manchuria would enable a large Soviet military force to live almost entirely off local production and to depend upon the limited capacity of the vulnerable trans-Siberian railroad only for highly critical items. The self-sufficiency of any Soviet military establishment in the Far East would be further augmented by the utilization of the warm water ports along the north China coast. Shanghai has extensive dry dock and repair facilities which could be rapidly converted to the production of both merchant and naval vessels.

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**SOVIET-SATELLITE SUPPORT OF
CLANDESTINE AIR ACTIVITY TO PALESTINE**

Allegations of direct Soviet support of the Israeli military machine were contained in public charges recently made by a former pilot of the Israeli Air Transport Command. The pilot's statement, much of which is supported by evidence already available, gives a detailed account of the organization of the Israeli Air Force and the Israeli Air Transport Command and describes the methods used in secretly flying considerable quantities of aircraft and munitions from Europe into Palestine. The pilot's specific charges of direct Soviet support, however, cannot be substantiated at this time. His testimony confirms reports that Prague has been a major center for the procurement of airplanes and munitions for shipment to Israel. Coordinated government direction of these procurement and shipment activities is clearly indicated by the number of Czechoslovak government agencies already implicated. These agencies include: (1) Czechoslovak consuls who have been instructed to issue visas for Israelis and foreign volunteers enroute to Czechoslovakia for training; (2) the Czechoslovak Air Force which has conducted the pilot training program, issued Czechoslovak uniforms to the trainees, and placed military airfields at the disposal of foreign aircraft operators engaged in arms-running to Palestine; and (3) the Czechoslovak Communist security police who have protected these various activities to insure secrecy and prevent local interference. Moreover, the Communist Party in Czechoslovakia has organized a corporation, with Israelis holding a minority interest, for the express purpose of facilitating the sale and delivery of Czechoslovak munitions to Israel.

Although there is no indication of the precise role played by the USSR in the Czechoslovak arms traffic, these activities could have been undertaken only with the approval

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of the Soviet Union. The sale of arms and munitions to the Israelis certainly has served the Soviet desire to protract the conflict in the Near East. (Czechoslovakia has contracted to supply arms and munitions to Arab states as well as Israel.) At the same time, Czechoslovakia has been provided with much-needed hard currency. The same dual purpose probably inspired Yugoslavia to provide an airfield in southern Yugoslavia for clandestine air operations to Israel.

There is some evidence that Soviet and Czechoslovak enthusiasm for the support of Israel is diminishing. Israeli representatives in Prague have reported to the US Embassy that the Czechoslovak Government: (1) intends to discontinue the training of Israeli pilots and the recruitment of volunteers to serve in Israel; (2) is now exercising more rigid control over the movement of Jewish refugees through the country; and (3) is investigating the offices of the American Joint Distribution Committee which handles for Israel the distribution of Jewish DP's. [

] The USSR and Czechoslovakia may simply believe that greater caution is needed in order to forestall charges of violating UN truce obligations. On the other hand, the USSR may be convinced that the Israelis have won their fight and that Soviet purposes will be better served by a closer balance of military power between Israel and the Arab states.

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107. ORE 49-48 Excerpt, 18 November 1948, The Trend of Soviet-Yugoslav Relations

ORE 49-48

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THE TREND OF SOVIET-YUGOSLAV RELATIONS

SUMMARY

Tito's defiance of the Cominform has precipitated the first major rift in the USSR's satellite empire and has struck at the very core of the Stalinist concept of Soviet expansion through world Communism; for, if the Kremlin should decide as a result of the Tito affair that local Communist parties cannot be relied upon as effective instruments for maintaining Soviet control over its Satellites, the Soviet leaders must then re-examine their present techniques. The primary results of such a re-examination will probably be (1) to purge thoroughly all Communist Party leadership of unreliable elements and (2) to take strong measures aimed at neutralizing the widespread anti-Soviet antagonism of the Eastern European peoples.

Early reconciliation between Tito and the Cominform is unlikely. Tito will be wary of a reconciliation because the present Soviet regime will never forgive his kind of heresy and will, despite any temporary rapprochement, inexorably seek his overthrow. Moreover, the Kremlin cannot afford the loss of face and denial of its infallibility which would result from admitting that Tito had been even partially right. Meanwhile, the Kremlin appears to be presently unable to institute effective disciplinary measures against Tito short of armed invasion, and Tito will seek to avoid any steps which might provoke the USSR into taking such action. Consequently, neither Stalin nor Tito will risk an immediate complete break between the two countries in the hope that developments will eventually produce some satisfactory solution of the present impasse. An accommodation between the two countries, however, will become increasingly difficult. As each state takes steps to consolidate its position, the differences between them will assume greater ideological as well as practical intensity.

Despite this gradual widening of the breach between Yugoslavia and the USSR, a Kremlin decision to use its potential to overthrow Tito by force would be motivated less by Yugoslav actions than by international developments. The possibility of direct Soviet action might increase if international tension increases the possibility of war, or the USSR deliberately launches World War III.

Note: The information herein is as of 5 November 1948.
The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report.

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THE KREMLIN "PEACE OFFENSIVE"

Despite the recently headlined Kremlin "peace offensive," continued Soviet-Communist pressures and expansion in various parts of the world indicate that any "softening" by the Soviet Union should be regarded only as a temporary tactical adjustment and not as a prelude to a sweeping revision of Soviet policy toward the west. The USSR apparently now intends to exploit the US refusal to engage in bilateral negotiations on Germany as a further example of US insincerity in the quest for world peace.

Western Europe Soviet pressure continues unabated in western Europe. In France, the Communist-dominated General Confederation of Labor, which called the still unsettled coal strike and which is campaigning for rotation strikes in other industries, admitted publicly that groups of miners in the USSR and its Satellites were providing funds to finance idle strikers. In the western zones of Germany, the Communists are organizing youth and factory cells in preparation for increased agitation. In Austria, Soviet occupation authorities recently sought to counteract slowly improving economic conditions by demanding another allotment of locomotives and rolling stock as war booty. This action, combined with recent Soviet success in intimidating Austrian officials by arresting a number of Austrian citizens, may lead Austria to waver in its cooperation with the western powers.

Near East The return of Soviet Ambassador Sadchikov to Tehran may presage a renewed campaign against the US arms program and US military missions in Iran. The latest incident in the Soviet "war of nerves" is the occupation by the USSR of a strip of territory claimed by Iran and located along the Soviet border east of the Caspian Sea. Soviet pressure

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"PEACE OFFENSIVE"

will probably be restricted to demands for an oil concession in Iran and repeated charges that US military aid violates the 1921 Soviet-Iranian Treaty of Friendship.

Japan As a part of expanding operations in the Far East, the USSR has increased its activity and interest in Japanese affairs. Molotov's recent reiteration of Kremlin interest in the early conclusion of a Japanese peace treaty may be the beginning of a propaganda campaign designed to harass US occupation authorities. In late September, the USSR again requested that "those powers most interested" be authorized by the Far Eastern Commission to exercise international controls over Japanese industry which would extend beyond those established by a formal peace treaty. The Soviet member of the Allied Council for Japan has also been sharply critical of both the Japanese Government and SCAP during the past three months. As one measure of Soviet intent in the Far East, radio transmitting facilities of several Siberian broadcasting stations beaming propaganda to Japan have been strengthened so that virtually any standard Japanese radio set can pick up the signal.

China Advance propaganda announcements by prominent Chinese Communists suggest that the USSR is preparing the way for more active participation in Chinese affairs. In the most recent announcement, Liu Shao-chi, member of the Chinese Communist Central Committee, attempted in a radio commentary to prove that Chinese patriotism was not incompatible with "proletarian internationalism." Although the philosophical subtleties of Liu's reasoning will largely escape the rank and file of Chinese Communists, this public acknowledgment of Soviet primacy in the conduct of local Communist Party affairs probably represents the beginning of a Soviet-sponsored "educational" campaign to prepare the Chinese for a dominating role by the USSR in China.

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109. Intelligence Memorandum 76 Excerpt, 19 November 1948, Economic Trends in the USSR

Excerpt

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CENTRAL INTELLIGENCE AGENCY

19 November 1948

INTELLIGENCE MEMORANDUM NO. 76

SUBJECT: Economic Trends in the USSR

The economy of the USSR has improved rapidly since 1945 but production is still slightly below the 1940 level. In terms of ruble values the Soviet Union is meeting the objectives of the fourth Five-Year Plan, but in terms of physical units of production many key industries are failing to attain their goals. Despite the recent Soviet announcement that during the first nine months of 1948 total production exceeded the average 1940 level by 14 percent, an analysis of the various industrial and agricultural components that make up this production index reveals a less favorable picture of Soviet Economic revival.

It must be emphasized that this is an over-all production figure which fails to reveal the lack of essential uniformity in production increases throughout the numerous segments of the economic complex. Some branches of industry have exceeded their norms while others have fallen short. The failure of some segments of industry to meet the plan requirements has far-reaching effects in a planned economy. Under the current Five-Year Plan, those main groups which have failed to reach 1940 production levels include: steel, transportation, agriculture, heavy construction, machine tools, and basic heavy machinery. The failure of these important branches to regain their 1940 levels presents serious difficulties to the Soviet planners and detracts from the sizeable advances over 1940 made by such industries as chemicals, petroleum, coal, aluminum, and electric power.

Further factors which should be taken into account in evaluating the general production increase are as follows:

a. A disproportionately large part of production must constantly be assigned to maintenance and repair of inefficient plants and low-quality equipment.

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b. A part of the increase in production must be attributed to the addition of industry and resources in newly acquired territory.

c. A sizeable part of additions to industrial capacity resulted from reparations, war booty, and exploitation of Satellites. To this must be added the productive and technical ability of engineers, technicians, skilled and semi-skilled labor in POW camps, and those groups brought in from occupied and acquired areas.

Economic recovery to the 1940 levels, then, is not as complete as the Soviets imply. It must be emphasized, however, that their state-controlled economy requires relatively little change in mobilization for war and has forced consumer goods production to the barest minimum both in time of war and of peace. This permits greater emphasis on capital goods production than is possible in capitalist countries and basically strengthens their economy.

In international economic relations, the Kremlin is currently intensifying its efforts to acquire specific items of industrial equipment and raw materials from the West, partially as the result of the combined Soviet-Satellite inability to make up these deficiencies within Eastern Europe. The ability of the Soviet countries to obtain those items will depend in part upon (1) the extent and effectiveness of export controls and (2) trade concessions that must be made in the interests of Western European recovery.

While economic considerations alone do not determine Soviet foreign policy, the state of the Soviet economy currently acts as a deterrent on the implementation of Soviet aggressive designs. The above analysis of Soviet economy, therefore, tends to substantiate the belief that Soviet efforts will continue to be concentrated upon (1) consolidation of control over the Eastern European Satellites and over occupied Germany and Austria; and (2) furthering of Moscow-dominated Communist expansion through the activities of native Communist parties. The current rate of improvement in the Soviet economy will not in itself warrant substantial changes in the timetable of Soviet policy implementation.

Selected fields of the Soviet economy are commented on in Enclosure A.

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110. Weekly Summary Excerpt, 26 November 1948, France: Soviet Pressure; Communist Labor

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FRANCE

Soviet Pressure The Soviet Union continues to exploit French defeatism and fears of a resurgent Germany. Apparently convinced that France is the weakest link in western European defensive planning, the USSR has: (1) chosen France as the place to concentrate Communist attacks upon the European recovery program; (2) stepped up its propaganda campaign against western plans for Germany and the Ruhr; (3) implied that the Spanish Pyrenees, rather than the Rhine, would be the US "frontier" in Europe; and (4) indirectly proposed, on a governmental level, that France renounce the western bloc in order to insure world peace and French security. At a time when France's internal problems portend the fall of the Queuille Government and the rise of De Gaulle, the Kremlin can be expected to continue its cynical exploitation of French fears and prejudices which has already caused many Frenchmen of varying political convictions to consider critically the implications of France's alignment with the west.

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E A S T E R N E U R O P E

Communist Labor Soviet determination to throw the full, world-wide resources of Communist labor against the European recovery program is manifested by Soviet support of the striking French coal miners. The Communist-controlled Secretariat of the World Federation of Trade Unions (WFTU) has called for "tangible demonstrations" in support of the French miners. Simultaneously, the Soviet, Polish, Czechoslovak, Yugoslav, and Rumanian labor movements have contributed 90,000,000 francs (about \$288,000). This unprecedented public aid, which actually is insignificant in comparison to the total clandestine Soviet support of the French strike, clearly demonstrates the all-inclusiveness of the Soviet effort to sabotage the European recovery program. The WFTU appeal, directed primarily to western labor, may draw minor contributions from left-wing labor groups in Italy, the UK, and the US. However, the appeal will be flatly rejected by British and US national labor organizations which support the European recovery program and will hasten their formal withdrawal from WFTU.

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THE BERLIN DISPUTE

Despite the Soviet Union's acceptance of the proposal by the UN neutrals to continue negotiations on the Berlin currency question, Soviet establishment of a regime for east Berlin, by completing the political and administrative division of the city, has greatly increased the obstacles to a settlement of both the Berlin dispute and the entire German question. The USSR has utilized the UN negotiations to gain time for consolidating the Soviet position in Berlin and eastern Germany. Moreover, by exerting greater pressure upon the western powers to withdraw from Berlin, the USSR has now relegated the currency question to relative insignificance in comparison to the far more explosive problem inherent in the establishment of two separate governments in Berlin.

"Rump" Government Establishment of a Communist "rump" government in Berlin represents a Soviet attempt to counter the 5 December elections in the western sectors and to block UN interference in city affairs. This latest move has placed the Kremlin in the position of being able to make "paper" concessions to the west on four-power currency control for Berlin with the knowledge that such concessions can only be implemented through a centralized administration in the city. Thus, even if agreement on currency is reached, these recent Soviet moves will make it necessary for any future conference on the Berlin dispute to deal with the problem of city government. In such a conference, the USSR might demand a consolidation of the two separate city governments. Any resulting "compromise" government would: (1) provide the USSR with Communist representation in key positions, far out of proportion to that which could reasonably be expected in an open general election; (2) increase Communist ability to impair the functioning of the Berlin government; and (3) strengthen the Soviet potential for undermining the position of the western powers in Berlin.

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Economic Consequences The immediate effect in Berlin of the creation of a separate Communist government will be to intensify the political and economic impasse by making normal city government virtually inoperable. Following the 5 December elections in the western sectors of the city, the USSR may complete the economic split of the city by carrying out its already publicized threats to take measures which would: (1) require workers living in the Soviet sector and working in the western sectors or vice versa to change either their place of residence or their place of employment; (2) force some of the industrial and commercial enterprises in the west sectors to stop production while municipal gas lines, water mains, and sewers, now functioning as a city-wide unit, were being reconstructed to fit sector boundaries; (3) seriously impair maintenance and operation of surface transportation; (4) cut off electricity for the S-Bahn intercity trains in western sectors; (5) stop subways and elevated trains at zonal boundaries; and (6) disrupt telephone, telegraph, and postal services while they were being re-established on an east-west zonal basis.

Tightening Blockade In addition to possible Soviet actions which would completely cut off still functioning municipal services from the western sectors of Berlin, recent re-groupings of the Brandenburg land police suggest that the USSR may throw a cordon around the western sectors of the city. Hitherto, a considerable unofficial barter of goods and a lively traffic in illicit items between the western sectors of Berlin and Soviet-occupied territory have materially relieved the needs of the western sector population. Although the Soviet noose around Berlin has been deliberately left loose because of trade advantages derived by the USSR, energetic police action could substantially reduce those important commercial operations. If this tightened blockade is imposed and effectively implemented, a material increase in the airlift will be necessary in order to maintain the present level of health and economic welfare of western sector residents.

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F A R E A S T

C H I N A

Communist Policy Recent statements from authoritative Chinese Communist sources emphasize the strong ideological affinity existing between the USSR and the Chinese Communist Party (CCP) and indicate

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CHINA

that Soviet leadership, especially in foreign affairs, will probably be faithfully followed by any Communist-dominated government in China. This pro-Soviet orientation has been revealed by: (1) recent Chinese Communist statements echoing the Soviet view that "the world is divided into two camps"; and (2) the CCP Central Committee endorsement in July of the Cominform condemnation of Tito. Chinese Communist propaganda has been accusing the "US State Department and US espionage organizations" of jointly plotting to "destroy the national liberation movement" in China. Thus a convenient pretext is being fabricated for possible future suppression or liquidation of those Chinese Communists unwilling to follow the Stalinist line.

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112. Weekly Summary Excerpt, 17 December 1948, Soviet Union: Israeli Policy

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SOVIET UNION

Israeli Policy Although the Kremlin is unlikely to alter its basic policy toward Israel before the 25 January Israeli elections, the recent marked change in Czechoslovakia's earlier friendly attitude toward Israel may reflect an impending change in Soviet tactics in the Near East. Czechoslovak authorities have cancelled the Israeli military training program and the Government has allegedly forbidden unscheduled

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SOVIET UNION

air flights to Israel. This latter move, by curtailing clandestine arms shipments, represents an obvious financial loss to Czechoslovakia and was probably dictated by the Soviet Union. The USSR may estimate that the establishment of Israel as a disruptive force in the Arab world has now been accomplished and that further military aid to a country of basically pro-western sympathies would ultimately prove prejudicial to Soviet interests in the Near East. Nevertheless, the Soviet Union, in the faint hope that Israel's pro-western alignment may change after the 25 January Israeli elections, has not yet altered its basic policy of politically supporting Israel.

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