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**Central Intelligence Agency Report, "Consequences
of a Breakdown in Four-Power Negotiations on
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Summary:

Summarizes Soviet objectives and strategies in entering into Four-Power discussions about Berlin and Germany.

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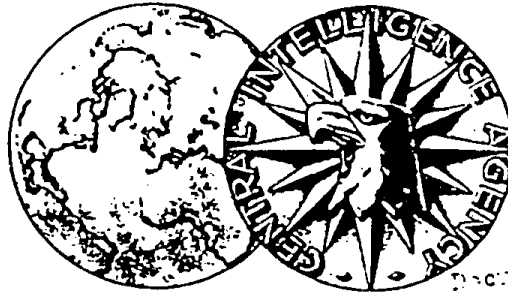
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CONSEQUENCES OF A BREAKDOWN IN FOUR-POWER NEGOTIATIONS ON GERMANY

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CONSEQUENCES OF A BREAKDOWN IN FOUR-POWER NEGOTIATIONS ON GERMANY

SUMMARY

It is believed that the Soviet objective, in entering into Four-Power discussions, was to exploit the precarious position of the Western Powers in Berlin in order to gain for the USSR certain concessions regarding Berlin and western Germany. Under these circumstances, a breakdown of negotiations would reflect a Soviet conviction that Western firmness had rendered this plan impracticable, and that the Kremlin must pursue its aims by other means. The USSR would therefore seek to obtain its goals by: (1) undermining the Western position in Berlin to the end that the Western powers would ultimately withdraw; (2) further integrating Berlin and eastern Germany with the Soviet bloc; (3) retarding the stabilization of western Germany, using Berlin when possible as a pressure point; and (4) obstructing Western European stabilization.

In the event of a breakdown of the present East-West negotiations on Germany, Soviet aims as regards Berlin would be to (1) force a Western withdrawal, and (2) hasten Soviet political and economic domination of the city. The Kremlin would attempt to force a Western withdrawal by unlimited pressure against the Western occupation authorities in Berlin as well as the western sector Germans. A program of this kind would include Soviet interference with the Western airlift, coupled with an attempt completely to disorganize normal life within the western sectors.

The USSR would take further steps to integrate the politics and economy of eastern Germany with those of the Soviet bloc. When the Kremlin felt that such a step was needed to advance Soviet policy in Germany, it might take measures to establish a "national" government in eastern Germany and follow it up by Soviet and Satellite diplomatic recognition. To enhance the prestige of the Soviet-sponsored regime throughout Germany the Kremlin might back the creation of a Soviet-controlled German army, return additional German prisoners-of-war to eastern Germany, and to a limited extent increase the availability of consumer goods in eastern Germany. When the Kremlin was assured of the reliability of its German regime, it might sign a separate peace treaty with the East German government and hint at the withdrawal of Soviet occupation troops. The latter move would be largely a propaganda effort to bring pressure to bear on the Western Powers for the withdrawal of Western occupation troops.

In western Germany, the USSR would intensify attempts to disrupt stability, and thus reduce western Germany's important contribution to European recovery. Such attempts would include intensified support of industrial strife.

Note: The intelligence organizations of the Departments of State, Army, and the Air Force have concurred in this report. The Office of Naval Intelligence dissents with the fourth paragraph on p. 2 in that it believes the following sentence should be added thereto: "However, consideration might well be given to the effects of a planned evacuation on Western initiative instead of being subjected to the ignominy of withdrawing from an untenable position." The information in this report is as of 2 September 1948.

In a widespread propaganda campaign designed for western German consumption, the Kremlin would stress further the urgent need for social and economic reform in western Germany, and agitate in favor of German national unity.

Soviet tactics outside of Germany in the event of a breakdown of East-West talks on Germany would consist of a combination of intensified antiwestern propaganda and pressure tactics. The USSR might institute a blockade of Vienna in addition to that already in effect in Berlin. A simultaneous blockade of the two capitals during the winter months would render effective airlifts to both capitals problematical. Regardless of developments in Berlin or Vienna, the Kremlin might increase pressure on the Middle or Far East. The increased uncertainty raised in Europe by Western evacuation of either city, however, would influence the Kremlin to continue to focus its attention on Europe as a target of prime importance.

Should Four-Power negotiations on Germany fail, the following are among the courses of action open to the Western Powers with a direct bearing on the Berlin impasse: (1) remain in Berlin and maintain the Western airlift operations; (2) refer the Berlin issue to the United Nations; (3) remain in Berlin and accept the Soviet offer of food and fuel for the entire city; (4) evacuate Berlin by predetermined plan; or (5) attempt to break the Soviet blockade by means of armed convoys.

Any of the courses predicated on the Western Powers' remaining in Berlin is likely in the long run to prove ineffective. The Western position in the city would increasingly deteriorate, and ultimate Western withdrawal would probably become necessary. Regardless of the set of circumstances leading to it, Western withdrawal from Berlin would seriously damage Western, and especially US, prestige throughout the world. Such action could also bring about increased Soviet pressure in western Germany and elsewhere.

Whether or not the Western Powers can remain in Berlin, they could adopt certain measures designed to stabilize further the western world and at the same time exert pressure upon the Soviet bloc. The US could augment its present efforts to strengthen and unify Western Europe politically, economically, and militarily. Meanwhile, the Western Powers could attempt the stabilization of western Germany through the establishment of a provisional West German government. Some economic pressure could be exerted on the Soviet bloc through continued blocking of reparations deliveries from western Germany to the East, by restrictions on Soviet transport through the western world, and possibly by curtailment of East-West trade. The Western Powers, however, would be reluctant to carry on economic warfare against the Soviet bloc because of the adverse effects of such action on the western economies. Western Europe would support steps to contain Communism internally and would seek to weaken the Soviet bloc through intensified anti-Communist propaganda and support of anti-Soviet elements within the USSR and its Satellites so long as these actions did not appear likely to provoke hostilities with the USSR.

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CONSEQUENCES OF A BREAKDOWN IN FOUR-POWER
NEGOTIATIONS ON GERMANY

1. COURSES OF ACTION AVAILABLE TO THE USSR.

a. Increased Soviet Pressure Tactics in Berlin.

(1) The policy of the USSR is directed toward: (1) undermining the Western Power position in Berlin leading to ultimate Western withdrawal from the city; (2) further integrating Berlin and eastern Germany with the Soviet bloc; (3) retarding the stabilization of western Germany, using Berlin when possible as a pressure point; and (4) obstructing Western European stabilization.

(2) The USSR would attempt to accomplish these objectives insofar as Berlin is concerned through the following means:

(a) Interference with Western airlift operations and continuation of land blockade measures. The USSR would try to decrease the effectiveness of the Western airlift by interfering with flights and possibly attempting to reduce the number of air corridors available to the Western Powers.

(b) Further strangulation of western sector economy by continued non-recognition of western "B" marks, increased currency manipulation, and an intensified economic blockade of the western sectors.

(c) Formation of a separate Berlin administration. After further disrupting the legally elected Berlin Government, Soviet authorities would establish a Communist-dominated municipal government and declare it to be the only legal administration.

(d) Organization and support of strikes, demonstrations, and riots directed against the Western Powers in Berlin. During the winter months, with inadequate supplies and widespread unemployment in the western sectors, such tactics would render the Western position extremely precarious.

(e) Increased terrorist activities against those segments of the Berlin population actively cooperating with the Western Powers. Berliners taking part in the western sector government would be under constant threat of seizure by Soviet authorities. The German police and security administration of the western sectors would be marked for special attention by Communist "Action Committees." Such terrorist activities might also be directed against Western Allied personnel in Berlin.

(f) Further Soviet offers of food and coal rations to the Berlin population. Such offers made during the winter months could have an increasing effect in weakening German support of the Western Powers should the Western air supply prove inadequate.

(g) Increased interference with public utilities supplying the western sectors of Berlin.

(h) Interference with wire and radio communications between Berlin and the western zones.

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(3) The reaction in western Germany and in Western Europe to the foregoing Soviet tactics would, except among Communist sympathizers, be highly unfavorable to the USSR and would tend to weld the Brussels Pact powers more closely. As the situation in Berlin deteriorates, Western Europe generally would support a firm stand against the USSR; but would continue efforts to prevent the situation from becoming a *casus belli*.

b. Soviet Action Affecting the Soviet Zone of Germany.

(1) With the failure of East-West negotiations on Germany, the USSR would probably consider that the division of Germany, and indirectly of Europe as a whole, had become final. Consequently the USSR would undertake measures to integrate even more closely than at present the politics and economy of eastern Germany into the Soviet bloc.

(2) The Kremlin could take steps leading to the establishment of an East German Government. Such a government would rest exclusively in the hands of German leaders enjoying the confidence of the Kremlin, since the latter would wish to exploit German nationalism without permitting it to endanger Soviet objectives. Concurrently, trade agreements between the German state and the various members of the Soviet bloc would be expanded, thus further cementing eastern Germany's economy to that of Eastern Europe.

(3) The effect on Western Europe of a definitive split of Germany and of Europe as a whole would be to retard economic recovery under ERP and to intensify a dangerous and unwelcomed political cleavage which would constitute a menace to further peaceful developments. The immediate adverse effect on Western European morale could be partially countered by an intensification of US economic and military assistance.

(4) When the Soviet Union had decided upon the formal establishment of an East German Government, Soviet and Satellite diplomatic recognition would follow, along with the declaration that such a government was the only legal one for all of Germany. The USSR would institute additional positive measures in an attempt to enhance the popularity of the newly created East German Government, such as (1) sponsoring the formation of a Soviet-controlled German army; (2) expediting the return from the USSR of German prisoners-of-war, particularly those from eastern Germany; (3) increasing consumer goods availability in eastern Germany; and (4) encouraging German hopes for a return of territory given to Poland. Western Germans, resenting the splitting of their country, might become susceptible to Soviet overtures if unification seemed possible. Reaction in Western Europe to the split of Germany and creation of an East German state would be divided between those countries which fear a strong united Germany, and those desirous of a strong united Germany as a bastion against Communist expansion.

(5) In a further effort to build up its prestige in eastern Germany, embarrass the Western Powers, and facilitate the spread of Communism in western Germany, the Kremlin might decide to (1) sign a separate peace treaty with the East German government and (2) hint at the withdrawal of Soviet occupation forces from Germany.

Such moves would be made only after the Soviets had infiltrated all levels of the government, army, and party apparatus with loyal Communist leadership and reserved sufficient power to continue a tight behind-the-scene control and direction of the new state.

(6) Although the signing of a separate peace treaty would not necessarily imply Soviet willingness to withdraw its occupation forces, such a move might be proposed by the Kremlin in the hope that the resulting pressure would eventually induce the Western Powers to withdraw their occupation forces and thus facilitate Communist penetration into western Germany. This proposition would be generally supported in western Germany but would be rejected by Western Europe, which prefers to maintain the occupation of Germany until the perils of either Communist domination or of resurgent German nationalism have been averted.

c. Soviet Pressure on Western Germany.

(1) With the termination of East-West discussions on Germany the USSR would bend every effort to disrupt the political and economic stabilization of western Germany and thereby nullify the latter's increasingly important contribution to European recovery. Prevented from accomplishing the foregoing aim overtly, the Kremlin would intensify attempts to attain the same end by subversion and propaganda. This tactic would increase cooperation among the Western Powers against the Soviet threat and would precipitate strong counter-measures by the occupation authorities.

(2) Leading the Soviet campaign of subversion and propaganda in western Germany would be a very small but militant German Communist Party. The western German Communists would, either directly or by the use of trade union "fronts", attempt to sabotage production in key industries by means of strikes and riots. The industrially important Ruhr would be a prime target in the Kremlin strategy.

(3) The Communist propaganda machine in western Germany would continue to exploit every actual and imaginary grievance of the population. A profitable means of Communist propaganda exploitation would be that of championing popular social and economic reforms. With a weak German economy, and with inflation, lack of consumer goods, and unemployment existing as unpleasant realities in western Germany, Communist propaganda would have no scarcity of subject matter.

(4) The uncertain popularity in western Germany of the present Western plan to set up a separate decentralized western government has been indicated by its lack of strong support among German political leaders and the population in general. Communist propaganda could be expected to dwell on the theme that the Soviet Union had consistently championed establishment of a "democratic, peace-loving government for *all* Germany" only to have this plan blocked by the Western Powers. The Communists furthermore would hardly allow the German people to forget that it was the Soviet Union which advocated signing a peace treaty with Germany to be followed within a year by troop withdrawals. By declaring any government established in eastern Germany to be the only legitimate government for all Germany, Soviet propaganda would hope to keep alive for German nationalism the prospect of a revived "Greater Germany." The stress on centralization of economic and political control and conse-

quent greater efficiency of a Soviet-sponsored East German Government would likewise appeal to the orderly German mind. Such a move would be most unwelcome to Western Europe, and would result in strong counter-measures to check Soviet-inspired subversive forces and propaganda designed to revive nationalism.

d. Soviet Pressure outside of Germany.

(1) The Kremlin would use any UN deliberations on Germany to intensify the Soviet and Satellite propaganda attack against Western plans for establishing a West German Government and to carry on an all-out campaign in the UN, laying the blame for all phases of the present German crisis on the Western Powers. Soviet propaganda would have a limited effect in Western Europe unless it coincided with a period of economic or political unrest.

(2) In an effort to disrupt Western plans for relieving the siege of Berlin further, the Kremlin might create a diversionary tactic by instituting a blockade of Vienna. Such a maneuver would be designed to dissipate US moral and material support, and could disrupt the effectiveness of the Western airlift operations. A successful Soviet effort of this kind resulting in the abandonment of Vienna as well as Berlin by the Western Powers would lead inevitably to the partitioning of Austria and Germany.

(3) Regardless of developments in Berlin or Vienna, the Kremlin might increase pressure on the Middle or Far East. Soviet reasons for such a maneuver might be based on the following considerations: (1) temporary inability to make further inroads into Western Europe by means short of war; (2) diversion of US attention from European problems and dissipation of US aid efforts over a wider area; (3) concern over the increased danger of war inherent in further Soviet efforts in Europe; and (4) maintenance of over-all pressure in order to promote world Communism. Western European reaction to increased Soviet pressure outside of Europe would be one of temporary relief accompanied by concern for such steps as the Western Allies might take to check Soviet aggression elsewhere. The increased uncertainty raised in Europe by Western evacuation of either Berlin or Vienna, however, would influence the Kremlin to continue to focus its attention on Europe as a target of prime importance.

2. SOME POSSIBLE COURSES OF ACTION OPEN TO THE WESTERN POWERS.

a. Directly Affecting the Situation in Berlin.

(1) The US, the UK, and France could remain in Berlin temporarily and maintain their position by continuing the present airlift in order to supply food, as well as fuel for essential utilities and institutions. This airlift could not, however, sustain Western Berlin industry. Provided substantial increase in the airlift is not required, the Western position could be maintained during the winter months. At the same time, a strong city administration for the western sectors with its own currency would have to be established. In general, the immediate reaction to the Western effort to remain in Berlin would be good, not only in the western sectors of Berlin and the western zones of Germany, but also in all of the Western European countries. It could be construed by all as an indication of Western, and particularly US, determination to stop the further advance of Soviet power in Europe without resort to war.

(2) The Western Powers could refer the Berlin impasse to either the United Nations Security Council or General Assembly. Recommendations for settlement of the dispute in the Security Council could, however, be blocked by the USSR, and any positive action taken by the Council would be subject to Soviet veto. In the General Assembly, the Western Powers could count on considerable support and might be able to obtain a resolution recognizing the legality of their position in Berlin and their right of access to their sectors through the Soviet Zone. While reference to the United Nations would not settle the matter, it would at least impress upon the world that all peaceful means of settlement had been exhausted and would tend to strengthen the Western Power legal and moral position. This step would be mildly popular in Western Europe as being unprovocative and unlikely to lead to war.

(3) The Western Powers could remain in Berlin and accept the Soviet offer to supply the entire city with food and fuel, thereby in effect relinquishing political and economic control over the western sectors and thus abandoning to Soviet retaliation those Berliners who had supported the west. The ultimate reaction in Berlin, western Germany, and Western Europe generally would be little better than that which would follow Western Power evacuation of the city.

(4) The Western Powers could carry out a planned evacuation of Berlin. The evacuation of the city would probably lead to increased Soviet pressure in western Germany and elsewhere. Evacuation would also definitively split Germany between East and West and would lead to further integration of the Soviet Zone into the Soviet sphere. Because Berlin symbolizes an issue between the Western Powers and the USSR far transcending the concrete value of the city to either side, the prestige of the Western Powers and especially that of the US would be seriously damaged throughout the world. The effect of this sharp defeat of the West could be somewhat mitigated by strong US measures, such as a greatly expanded armament program and military guarantees to the Brussels Pact powers which would include a greatly increased US military aid program.

(5) The Western Powers could attempt to lift the blockade by forcing armed convoys of food, fuel, and raw materials into the city. Aside from the fact that such a course of action involves the risk of immediate war, the procedure could not be maintained in the face of Soviet counter-measures short of war, such as the demolition of bridges, the destruction of road beds, and the mining of bottlenecks, road shoulders, and bridge approaches. It is extremely doubtful that the UK would agree to the use of armed convoys, and it is almost certain that the French would not. In general, Western Europe is not likely to support this step as an attempt to solve the Berlin impasse.

b. Indirectly Affecting the Situation in Berlin, but Directly Affecting other Areas.

(1) The US could take further steps to strengthen and unify the Western powers politically, economically, and militarily. Such a move would eventually improve the position of the Western bloc vis-à-vis the Soviet bloc; it would also increase the risk of war to the extent that the USSR considered it a threat to the security of the Soviet bloc. The move would be popular among the Western nations insofar as it

improved their economy, political stability, and military force, although the increased danger of war would be apparent to them.

(2) The Western Powers could cut off trade with the Soviet bloc. While this course of action would have an adverse effect on the economy of the USSR and its Satellites, which need western manufactures, it would also have an adverse effect on Western European economy. It would be strenuously resisted by Western Europe even as a temporary measure, since Western European economy and particularly the success of the ERP depends to a considerable extent on trade with the East. Its permanent stoppage would have serious repercussions on the stability of all the Western Powers. A severance of trade would be disapproved in the West also as increasing the risk of war.

(3) The US, the UK, and France could refuse to resume reparations shipments to the USSR from the western zones of Germany. This step would have an adverse effect on the economy of the eastern bloc. Western Germany would welcome such action as signifying the gradual termination of industrial dismantling.

(4) The Western Powers could give the Germans in their zones increased authority and freedom. The final establishment of a provisional government for western Germany would produce a decidedly adverse effect on the USSR, regardless of the status of Berlin. It is unlikely, however, that the Soviet Union would immediately react by establishing an East German state. Temporarily, the Kremlin would probably continue to press for German unity and a German national government in the belief that the Soviet position in eastern Germany is essentially unshakable, and in the hope that western Germany could be penetrated and eventually controlled by Soviet exploitation of the powerful German urge for unity. Should these tactics indicate little prospect of success, the USSR would then probably form an East German state. In order to gain additional concessions from the West and in the hope of achieving a united Germany, the Germans would seek to play off the East against the West. This would furnish the USSR with increased opportunities to influence developments in western Germany. In Western Europe, the UK, Spain, and Italy would favor the establishment of a West German state as a bulwark against Communism; France and, to a lesser degree, the Benelux countries, all of which have a strongly developed fear of the resurgence of a strong Germany, would demand many concessions and guarantees before participating in such a move.

(5) The Western Powers could intensify their anti-Communist and anti-Soviet propaganda, at the same time curbing the activities of the indigenous Communist parties, and supporting clandestine anti-Communist and anti-Soviet groups in the Soviet sphere. These measures would tend to drive the Communist parties underground in Western Europe. This would have important political repercussions in France and Italy where the Communist parties enjoy substantial political support, and would probably lead to outbreaks of violence in both countries. Such a program would be widely applauded in Spain and western Germany as a constructive and important move. Except for the two latter countries and Portugal, Western Europe is likely to approve only such measures to combat Communism as represent firmness rather than provocation.