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CENTRAL INTELLIGENCE AGENCY
WASHINGTON 25, D. C.

W.S.L.

10 December 1948

MEMORANDUM FOR THE PRESIDENT

The recent action of the USSR in recognizing an east Berlin government is representative of the shift which has taken place in the Kremlin's estimate concerning its capabilities in the Berlin dispute. Originally, it appeared that the Soviet blockade of Berlin was designed primarily to gain western power concessions regarding western Germany and secondarily to force the US, the UK, and France to evacuate Berlin. The refusal of the western powers to negotiate under duress has apparently convinced the Kremlin that its chance of gaining the primary objective is remote. Soviet strategy is now concentrating upon the secondary objective, with a view to forcing the West either to evacuate the city or to negotiate on terms which will make the western position in Berlin ineffective and eventually untenable.

Stringent blockade In pursuit of this objective, the USSR may now impose a more stringent blockade of the western sectors of Berlin. The USSR can cite the recent "illegal" elections in the western sectors, or the possible introduction of the western mark as the sole legal currency in the western sectors, as an excuse to throw a cordon around the western area and thus enforce a blockade much more effective than the present one. The successful sealing-off of the western sectors of the city, combined with the establishment of the east Berlin government, would seriously damage both the political and the economic position of the western powers in Berlin.

Political effects In the political realm, the effect of this double action would be to: (1) destroy all pretense that Berlin is a unified city, thereby making UN agreements on overall Berlin affairs all but impossible to implement; (2) hamper the administration of Berlin's western sectors by cutting off the operation of public utilities and services on a city-wide basis; (3) dispirit pro-western elements in both the east and west sectors; (4) diminish Berlin's accessibility as a political sanctuary for anti-Communist Germans and Soviet deserters; and (5) reduce the capabilities of the western powers for supporting anti-Communist factions in the Soviet Zone.

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Economic effects The economic effects of this action would be to: (1) drastically reduce commerce between the east and west sectors, which now permits the blockaded Berliners to maintain a minimum business activity, thereby making it necessary to considerably expand the airlift; (2) increase physical hardship and curtail business activity through the probable stoppage of public utilities now supplied from the Soviet sector of the city; (3) cut off thousands of Berliners who live in one sector and work in the other from free movement to and from their work; and (4) force the western powers to make the western mark practically the sole currency for their sectors of Berlin in order to support the trade formerly conducted in eastern marks and to overcome the currency shortage.

Soviet position The intensification of the Soviet blockade of Berlin, combined with the establishment of the Soviet sector government, will considerably bolster the bargaining position of the USSR. In response to future UN recommendations, the USSR may insist, as a condition to further negotiations, either that UN action is applicable only to the western sectors of Berlin or that the Soviet-controlled regime of eastern Berlin must be recognized as the sole legal government for the city. More likely to seem an appealing solution to the neutral nations in the UN, however, would be a claim by the USSR that the Soviet-dominated administration of eastern Berlin must be merged into any Berlin government. Acceptance of this claim would permit the USSR to regain an indirect control over key positions in the western city government, leading to a probable future assumption of complete administrative power. Such control would enable the USSR ultimately to realize its objectives in the Berlin dispute.



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