

W.A.H.

6 AUG 1948

MEMORANDUM FOR THE PRESIDENT

The immediate objective of the USSR, in agreeing to enter into negotiations on Germany, is probably to: (a) ease present international tension; and (b) exploit the current dilemma of the western powers by seeking an agreement on terms which would offer the Kremlin certain strategic advantages in return for tactical concessions.

If the Soviet representatives become convinced that the western powers are unwilling to accept minimum Soviet demands, the USSR will probably proceed to utilize the proposed conference: (a) to retard the western program for "containment" of the USSR; (b) to promote dissension among the western powers; and (c) to provide a sounding board for Soviet propaganda which would seek to interpret Soviet willingness to negotiate as proof of Moscow's "peaceful intentions" and the failure to reach agreement as proof of western intransigence.

It is believed that in such negotiations the maximum Soviet objectives would be substantially as follows: (a) deliveries of German plant reparations and reparations from current production; (b) the Soviet concept of demilitarization of Germany; (c) the formation of a national German Government; (d) a peace treaty for Germany; and (e) four-power control of the Ruhr.

Although the USSR would, during the early stages of the discussion, press vigorously for western concessions on all of the foregoing points in order to create for itself the strongest possible bargaining position, it is believed that it would be willing to settle for considerably more modest terms, because of its longer range and more important objective of having a voice in the government of all of Germany as well as in the councils of the Western European nations. Such minimum Soviet terms will

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probably be governed by the following general aims:
(a) to prevent the economic and political stabilization of western Europe, of which western Germany is the key; and (b) to obtain for the Soviet sphere economic benefits from western Germany.

In the pursuit of the two foregoing objectives, the USSR may be expected to insist on the following minimum terms: (a) suspension by the western powers of final establishment of a west German Government; (b) resumption of scheduled reparations deliveries from western Germany through the Inter-Allied Reparations Agency; and (c) some share in the production of western German industry, including some voice in the economic administration of the Ruhr.

In seeking agreement on the foregoing terms, the USSR may be expected to offer a number of concessions designed to conciliate the western powers and pave the way toward German unity. These concessions will involve some relaxation of Soviet controls in eastern Germany and probably will include a re-affirmation of western rights in and access to Berlin. Soviet negotiators, however, will take care to insure that such concessions do not impair the long-term capability of the USSR to dominate eastern Germany, including Berlin.

Western power acceptance of minimum Soviet terms would probably lead to a temporary agreement on Germany. This would give the USSR a breathing spell, enabling it: (a) to improve the economy of Germany's eastern Zone as well as that of eastern Europe; (b) to tighten political controls over the satellite states; (c) to conduct peace-offensive propaganda; and (d) to exploit western power differences in order to weaken the present anti-Soviet western coalition. Western Europe in general would welcome an agreement which afforded a temporary relaxation in present east-west tension, while the USSR may hope to profit by agitation for national unity in Germany.

The US would thus be in effect gambling that the cumulative effects of the ERP and other measures that the western powers may take will more than outweigh the

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consequences of the renewed opportunities that will accrue to the USSR for disrupting western European recovery and for gaining economic benefits. Weighed against a continuation of our present dilemma, however, the gamble would appear to be worthwhile.

R. H. Hillenkoetter
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