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CENTRAL INTELLIGENCE AGENCY  
WASHINGTON 25, D. C.

24 June 1948

## MEMORANDUM FOR THE PRESIDENT

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.

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.

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4. For reasons elaborated in a previous evaluation, 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 previously stated, 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, 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.

7. In view of these considerations, Central Intelligence Agency 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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