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POSSIBLE DEVELOPMENTS IN SOVIET POLICY TOWARD AUSTRIA

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POSSIBLE DEVELOPMENTS IN SOVIET POLICY TOWARD AUSTRIA

SUMMARY

The major points of Soviet-Western disagreement concerning an Austrian treaty include: (a) Yugoslav territorial and reparation claims, (b) the lump sum to be paid by the Austrian Government to the USSR for German external assets returned to Austria, and (c) the amount and type of properties to be transferred to the USSR as German external assets.

While no specific supporting evidence is available, it is believed that a more conciliatory Soviet attitude might develop when Austrian treaty discussions are renewed in February. The following factors may prompt the Kremlin to adopt such an approach:

1. In view of Marshal Tito's break with the Cominform, the USSR may, in effect, withdraw Soviet support of the Yugoslav claims at the Big Four level, possibly by proposing that this problem be left to bilateral settlement between Austria and Yugoslavia.

2. In view of past Soviet exploitation of eastern Austria and the fact that further gains under present conditions are unlikely, the USSR may now be willing to compromise on a smaller lump sum for German assets than was originally demanded.

3. In spite of the grave risk involved, the Kremlin may consider that quadripartite withdrawal might improve chances of Communist infiltration into Austria, leading to the establishment of a new regime with greater Communist representation and power.

4. Achievement of an Austrian treaty could be used as the basis for a renewed "peace campaign" by Soviet propagandists.

Even if the forthcoming discussions fail to produce an Austrian treaty, it is doubtful that the USSR will resort to a blockade of Vienna similar to that of Berlin. Such action, while it would probably succeed in forcing the Western Powers and the Austrian Government from Vienna, would entail a risk of war which the Kremlin is not believed willing to assume at the present time. Furthermore, the resulting partition of Austria would be disadvantageous to Soviet economic interests.

Regardless of any tactical moves the Soviets may make with or without a treaty, their ultimate objective will continue to be the establishment of a Soviet-dominated government in Austria, and the integration of that country into the satellite political and economic bloc.

Note: The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report. The information herein is as of 13 January 1949.

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It is believed that since the suspension of negotiations on the Austrian treaty in May 1948 conditions have changed sufficiently to make a conciliatory attitude on the part of the Soviet Union a distinct likelihood. From a Soviet view it may now appear that advantages to be gained from continued occupation are outweighed by those that would accrue from the conclusion of a treaty.

When the discussions on the Austrian treaty were last suspended, the delegates of the Four Powers had reached tentative agreement on a number of articles of the draft treaty. The major points of disagreement were: (a) Yugoslav territorial and reparation claims, (b) the lump sum to be paid by the Austrian Government to the USSR for German external assets restored to Austria, and (c) the amount and type of properties to be turned over to the USSR as German external assets and the conditions under which they will be exploited. It is believed that a more conciliatory attitude by the Kremlin may now develop, chiefly for the following reasons:

1. In view of the Tito-Cominform rift, the USSR may now be willing to drop support of the Yugoslav claims. In order to strengthen its bargaining and propaganda position, the Soviet Union will probably support the Yugoslav claims initially, but it may be expected to modify its position as negotiations progress, possibly by proposing that this problem be left to bilateral settlement between Austria and Yugoslavia. (The situation may, of course, be complicated by Soviet suspicions of a US-Yugoslav "deal", involving economic concessions to Yugoslavia, and Soviet reluctance to give added impetus to Tito's pro-Western trend.)

2. With regard to the problem of German assets, inasmuch as the Soviet Government has already intensively exploited eastern Austrian economy and can expect little further gain under present conditions, it now may be willing to compromise upon a smaller lump sum for German assets than that originally demanded. It may calculate, furthermore, that the economic rehabilitation of an independent Austria could serve as a bridge over which Western trade would pass to the East, thereby strengthening the potential of Soviet economy.

3. In spite of the grave risk involved of losing Austria completely, the Kremlin may consider that a quadripartite withdrawal might improve chances of Communist infiltration into Austria and eventually lead to the establishment of a new regime in which the Communists would have greater representation and power.

4. The achievement of a compromise on Austria would enable the Kremlin to start a new propaganda campaign in which it would try to prove its "peace intentions", again emphasizing responsibility of the Western Allies for the German impasse.

The USSR, however, will continue to press for restrictions on Austrian armament and limitations on the Austrian economy. It will also attempt to prevent the establishment of an independent Austrian Government capable of dealing effectively with

internal disorder and to press for extraterritorial status for those Soviet corporations which would accrue to the USSR in the treaty terms.

Regardless of any tactical moves the Soviets may make with or without a treaty, their ultimate objective will continue to be the establishment of a Soviet-dominated government in Austria, and the integration of that country into the satellite political and economic bloc. The real problem is the means of achieving this end, preferably, in this case, without resort to force.

Thus, as long as the possibility of achieving a settlement on the Austrian treaty exists, the Kremlin will probably avoid any strong action which would disrupt the present quadripartite administration or the basic authority of the Austrian Government. Even though no agreement were reached, however, it is doubtful that the USSR would decide upon partition of Austria, but would rather confine its activities to consolidation of its hold on eastern Austria, increasing interference in internal affairs preferential to Soviet interests, delaying Austrian economic recovery, and more actively supporting the Austrian Communists.

A blockade of Vienna, similar to that of Berlin, is a Soviet capability and may not be entirely discounted. It is, however, considered unlikely. Such a blockade would mean partition of Austria, withdrawal of the Austrian Government to the western zones, and probable withdrawal of the US, UK, and France from Vienna; it would imply denunciation of the Moscow Declaration of November 1943; it would split Austria economically, probably to the benefit of the West, and would open the USSR to more severe UN censure than did the Berlin blockade. To offset such disadvantages, the USSR could hope for little more than somewhat diminished confidence among Western European nations in US protection with the possible consequent growth of unilateralism rather than cooperation in US defense plans; and slightly enhanced Soviet prestige among the Satellites. Finally, the Kremlin would be reluctant at this time to take the risk of war entailed in a blockade of Vienna.

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