Withheld from public disclosure as provided for in 50 U.S.C. 403(g) section 6, the Central Intelligence Agency Act of 1949.
A report on the Soviet Embassy's views was presented during the week of 20 August 62.

2. This report said the Soviet Government's position vis-a-vis its allies and the Allied powers had changed since the USSR's most recent space successes. This change was important in regard to the German question since the prestige gained from the space achievements enabled the Soviet Union to wait since there was no longer any pressure to move quickly. These circumstances did not mean the Soviets would wait indefinitely. If, however, the Western powers indicated a willingness to participate in "true negotiations" the USSR was prepared "to go along." World, and West Germany in particular, should realize there are now only two real powers, the U.S. and the Soviet Union. Thought that close cooperation among the Western European nations could make them equal to these two powers in scientific and military achievement was ridiculous. With all their resources and technical knowledge, the Western European countries were too far behind the two powers.

3. Therefore Western Europe would be wiser to seek good relations with the two great powers and at the same time to try to promote a Soviet-American rapprochement. With the present power...
RELATIONSHIPS, THE GERMAN PEOPLE CAN ONLY BE ASSURED A SECURE FUTURE
IF THE INTERNATIONAL CLIMATE IS IMPROVED. SOVIET UNION FINDS IT
INCOMPREHENSIBLE THAT THE WEST GERMAN GOVERNMENT IS SO OPPOSED TO PEACE
TREATY DISCUSSIONS SINCE THESE WERE OBVIOUSLY THE ONLY
WAY TO MAKE ANY PROGRESS ON THE GERMAN QUESTION. SOVIET UNION WAS NOT
PRESSED FOR A PEACE TREATY, AND ALL SHE HOPED TO GAIN WAS PEACEFUL
RELATIONS. SUCH RELATIONS WOULD CLEAR THE WAY FOR A SOLUTION OF THE BERLIN
PROBLEM, WHICH COULD NO LONGER BE TREATED AS NEGLIGIBLE SINCE
TENSIONS ARE MOUNTING AND THE TWO POWER BLOCS ARE IN DIRECT
CONFRONTATION. A SOLUTION OF THE BERLIN PROBLEM OBVIOUSLY MUST
BE FOUND SINCE POPULAR CONFIDENCE WAS CLEARLY DIMINISHING AT A
RAPID RATE. "WALL" PROBLEM COULD ALSO BE SOLVED ONCE THE SITUATION
IN WEST BERLIN HAD BEEN CHANGED AND THE NEED TO PROTECT EAST GERMANY
AGAINST PROVOCATIONS NO LONGER EXISTED.

E.O. 13526, section 3.3(b)(1)
THE SOVIET UNION, WITH HER PRESTIGE TREMENDOUSLY ENHANCED BY THE SPACE FEAT, WAS UNDER NO PRESSURE, EITHER INTERNAL OR FROM THE OTHER BLOC COUNTRIES, TO PRODUCE SOME VICTORY IN BERLIN OR A FIRM SOLUTION FOR BERLIN. IF THE AMERICANS WERE WILLING OR ALLOWED BY THEIR ALLIES TO ENTER INTO REAL NEGOTIATIONS, THE SOVIET UNION WOULD BE PREPARED TO START TALKS AGAIN, EVEN THOUGH THEY MIGHT LAST FOR SOME TIME. ON THE OTHER HAND, THE WEST GERMAN GOVERNMENT'S OBVIOUS UNWILLINGNESS TO ACCEPT SUCH NEGOTIATIONS LET ALONE PARTICIPATE IN THEM IN ANY WAY, COULD ONLY MAKE MATTERS MORE DIFFICULT.

SINCE THE SOVIET UNION WAS BEGINNING TO DOUBT WHETHER IT WOULD BE POSSIBLE TO HOLD FRUITFUL TALKS UNDER THE THREAT THAT ANY AGREEMENT WOULD BE SUBJECT TO THE FEDERAL REPUBLIC'S VETO AT THE LAST MINUTE,

SOVIET PREMIER NIKITA KHURSHCHEV FELT THE PRESENT IMPASSE COULD PROBABLY ONLY BE OVERCOME WITH ANOTHER MEETING WITH PRESIDENT KENNEDY.
The Soviet Union had offered to engage in peace negotiations designed to put her relations with both Germanies on a more solid basis. It was not, however, the Soviet Union that would profit most from this but rather the German people and West Germany. Since the Berlin situation was becoming critical and the Western powers showed no willingness to improve it, the Soviet Union believed the peace was now really endangered and would have to bring the problem before the U.N., and demand that the Western troops be removed from the "powder keg." It was hard to understand why the West German people did not realize that the Western powers kept their troops in Berlin only in order to maintain their grip on Germany and thus to bind the Federal Republic to a European Community precluding reunification for all time. West Berlin people would suffer most from this policy. If the West German government should be unwilling to discuss possibilities with the Soviet Union, the latter would have no choice but to make whatever arrangements possible with the nations in power in Germany.

7. Field Dissem: State (AMB), Army, Air.

End of Message