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TELEGRAM INFORMATION REPORT TELEGRAM

CENTRAL INTELLIGENCE AGENCY

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CLASSIFICATION — DISSEMINATION CONTROLS
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E.O. 13526, section 3.3(b)(1)

COUNTRY: USSR/WEST BERLIN REPORT NO. []

SUBJECT: **SOVIET PLANS TO EXPAND TRADE WITH WEST BERLIN** DATE DISTR. 28 AUGUST 1962

PRECEDENCE

DATE OF INFO. [E.O. 13526, section 3.3(b)(1)] REFERENCES IN

PLACE & DATE ACQ. [] E.O. 13526, section 3.3(b)(1)

APPRAISAL 3 FIELD REPORT NO. EGB-21201

THIS IS UNEVALUATED INFORMATION. SOURCE GRADINGS ARE DEFINITIVE. APPRAISAL OF CONTENT IS TENTATIVE.

SOURCE [] E.O. 13526, section 3.3(b)(1)

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A. THE SOVIET UNION NOW PLANS SIGNIFICANTLY TO EXPAND ITS TRADE WITH WEST BERLIN.

B. TO THIS END, THE STM HAS BEEN AUTHORIZED TO UNDERTAKE ACTIVE EFFORTS TO CONTACT WEST BERLIN BUSINESSMEN AND TRY TO NEGOTIATE ARRANGEMENTS FOR TRADE WITH THEM. HERETOFORE, THE STM HAS SERVED SIMPLY AS A "MAILBOX" FOR TRADE BETWEEN WEST BERLIN AND THE SOVIET UNION, IT HAD VERY LITTLE "OPERATIONAL LATITUDE," AND ALL BUT THE MOST INSIGNIFICANT DECISIONS WERE RESERVED TO THE RESPECTIVE FOREIGN TRADE OFFICES IN

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MOSCOW. MOREOVER, THE WALL HAS TENDED EVEN FURTHER TO INHIBIT CONTACT BETWEEN WEST BERLIN BUSINESSMEN AND THE STM.

II

C. BECAUSE OF THESE FACTORS THE STM HAS HAD VERY LITTLE TO DO AS FAR AS WEST BERLIN IS CONCERNED. THE STM IS NOW VERY EAGER TO OBTAIN ALL AVAILABLE STATISTICS AND OTHER DATA ON THE WEST BERLIN ECONOMY WHICH BEAR ON POSSIBILITIES FOR SOVIET TRADE WITH WEST BERLIN. IT ALSO DESIRES THAT THE WORD BE SPREAD TO WEST BERLIN BUSINESSMEN REGARDING PROSPECTS FOR TRADE WITH THE SOVIET UNION.

D. IN DEVELOPING TRADE WITH WEST BERLIN, THE SOVIET UNION IS PRIMARILY INTERESTED IN THE SMALLER AND MEDIUM-SIZED FIRMS RATHER THAN THE LARGE INDUSTRIAL ENTERPRISES.

E.O. 13526, section 3.3(b)(1)

COMMENT: THE STM OFFICIAL HAS BEEN GIVING ARDENT LIP SERVICE TO EXPANDING WEST BERLIN TRADE WITH THE SOVIET UNION FOR MANY MONTHS. NOW, HOWEVER, IT APPEARS THAT BASIC DECISIONS HAVE BEEN REACHED IN MOSCOW FINALLY GIVING THE PROGRAM A GREEN LIGHT. THE SOVIET INTENTIONS ARE OBVIOUSLY TO DEVELOP A DEGREE OF DEPENDENCE OF WEST BERLIN BUSINESS ON TRADE WITH THE SOVIET UNION, THEREBY CREATING A VOCAL GROUP OF WEST BERLINERS, BOTH ENTREPRENEURS AND WORKERS, WHO WOULD BE SUSCEPTIBLE TO SOVIET INFLUENCE AND POLITICAL MANIPULATION. THE CONCENTRATION ON SMALL AND MEDIUM-SIZED FIRMS IS OBVIOUSLY DESIGNED TO GET THE MOST INFLUENCE FOR THE MONEY. FOR EXAMPLE, A DM 100,000

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III

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ORDER COULD WELL REPRESENT 75 PERCENT OF THE TOTAL PRODUCTION OF A SMALL PLANT AND THE WORKERS OF THE PLANT WOULD BE WELL AWARE OF WHO IT WAS THAT KEPT THEM EMPLOYED. ON THE OTHER HAND, SUCH AN ORDER WOULD BE OF NO GREAT SIGNIFICANCE TO AN ENTERPRISE SUCH AS THE SIEMENS COMPLEX IN WEST BERLIN, NOR WOULD THE WORKERS LIKELY BE AWARE FOR WHOM THE ORDER WAS DESTINED, MUCH LESS BE INFLUENCED BY THE FACT. MOREOVER, AS THE LARGE ENTERPRISES IN WEST BERLIN HAVE BRANCHES OR AFFILIATES IN WEST GERMANY, THEY HAVE CONSIDERABLE ECONOMIC FLEXIBILITY AND ARE LESS SUSCEPTIBLE TO LOCAL ECONOMIC PRESSURES./

COMMENT: SHOULD A PROGRAM OF EXPANDED TRADE WITH WEST BERLIN INDEED BE SET IN MOTION, IT IS LIKELY THAT THE SOVIETS WILL SEEK TO CONCLUDE TRADE CONTRACTS WITH WEST BERLIN FIRMS OUTSIDE THE FRAMEWORK OF THE CURRENT SOVIET/WEST GERMAN TRADE AGREEMENT AS A FURTHER ATTEMPT TO SEPARATE WEST BERLIN FROM WEST GERMANY./

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