


~~TOP SECRET~~OPERATIONS COORDINATING BOARD  
Washington 25, D. C.

April 11, 1955

MEMORANDUM FOR: Mr. James S. Lay, Jr.  
Executive Secretary  
National Security Council

SUBJECT: Progress Report on NSC 164/1 (Austria)

The attached Progress Report by the Operations Coordinating Board on NSC 164/1, "U. S. Objectives and Policies with Respect to Austria," covering the period from August 25, 1954 through April 6, 1955, was concurred in by the Board on April 6, 1955 for transmittal to the National Security Council.



Charles E. Johnson  
Acting Executive Officer

## Attachment:

Progress Report on NSC 164/1  
(Austria), dated 4/6/55.~~TOP SECRET~~

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COPY NO. 16  
~~Progress Report on~~  
NSC 164/1  
April 11, 1955

# NATIONAL SECURITY COUNCIL

PROGRESS REPORT

on

U. S. OBJECTIVES AND POLICIES WITH RESPECT TO AUSTRIA

by

THE OPERATIONS COORDINATING BOARD

**ATTENTION**

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~~TOP SECRET~~OPERATIONS COORDINATING BOARD  
Washington 25, D. C.

April 8, 1955

PROGRESS REPORT ON NSC 164/1  
U.S. OBJECTIVES AND POLICIES WITH RESPECT TO AUSTRIA

(Policy Approved by the President, October 14, 1953)

(Period Covered August 25, 1954 - April 6, 1955)

A. SUMMARY OF MAJOR ACTIONS AND DECISIONS

1. Despite a renewed Western offer to conclude an Austrian Treaty on the basis of the Soviet texts of the previously unagreed Articles, the negotiations remain stalemated. The Mendes-France UN proposal to extend the date for the evacuation of troops to two years after ratification of a treaty was made without concurrence of the U.S. or British, who considered it ill-advised, and it was promptly rejected by the Soviets. An analysis of the Molotov speech of February 8 indicates little basis for hope that the Soviets are prepared to conclude an acceptable treaty now. However, there are indications that the Soviets wish to seem more reasonable and to bring about renewed negotiations as evidenced by conversations between the Austrian Ambassador and the Soviet Foreign Minister, and the invitation of Chancellor Raab to Moscow.

2. The Austrians have kept the US currently informed of developments in connection with Chancellor Raab's visit to Moscow on April 11th to discuss the Austrian treaty, but it is not certain that the full story has been disclosed. The Soviet demands as yet unspecified seem to be: (1) some form of international guarantee against Anschluss; (2) four-Power guarantee of an Austrian undertaking not to join any alliances or allow foreign troops or bases on its territory, and (3) some new time limit for the withdrawal of occupation forces. In order to protect the US position the Secretary of State has made the US position clear to the Austrian Ambassador prior to the latter's departure for Vienna to consult with the Chancellor preparatory to his visit to Moscow. The US, the UK and France agreed on the terms of a tripartite public statement on the treaty, and this statement was issued to the press on April 5 after having been shown to Chancellor Raab. The statement emphasized the desire of the three powers for a treaty, that questions relating to the treaty are of concern to all four responsible powers, and suggested that if the Soviets should offer valid proposals the four Ambassadors in Vienna could discuss the problem.

3. A tripartite report was submitted to the United Nations General Assembly on November 19, 1954, outlining Western efforts to conclude a treaty and the manner in which the Soviets have blocked these efforts.

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4. Chancellor Raab's visit to the United States last Fall served to impress him with US strength and vitality and to make even more binding the ties which unite Austria with the West, with particular reference to Austrian support of our treaty position and future covert military relations.

5. All US and Western efforts in the Allied Council to remove four-Power impediments and expand the jurisdiction of the Austrian Government have been rejected by the Soviets.

6. In unilateral efforts to relieve Austria's occupation burdens, to further Austria's economic progress, to meet emergencies, and as good will gestures to strengthen our friendly relations with Austria, (1) the US completed deliveries of corn as part of our flood relief program; (2) the US, through the army and activities of US voluntary agencies contributed food and food packages to needy Austrians at Christmas; (3) a revised agreement is being negotiated under which substantially increased rates will be paid for transportation used by the US in Austria; (4) in October the Camp Roeder housing project at Salzburg, accommodating 444 family units, was completed at a cost of \$3,000,000, thus permitting the return of a substantial additional amount of requisitioned housing to the Austrians; (5) construction will commence in the Spring of dependent housing in Vienna under a \$1,000,000 appropriation to permit the return of additional requisitioned housing to Austrian control; and (6) \$200,000 has been approved for FY 1955 Technical Exchange and Productivity projects.

7. The US, in the mutual interests of the US and Austria, is negotiating with the Austrian Government a 100,000-ton coal program and a PL 480, Title I program for Austria which will probably amount to approximately \$6.3 million. It is anticipated that at least one-fourth of the local currency accruing under the latter program would be available for Austrian uses as a loan, although this is still under negotiation.

8. The US converted its Vienna newspaper, the Wiener Kurier, from a daily to a weekly.

9. US assistance in negotiations between the Austrian Government and US and British-owned oil companies has resulted in informal agreement which it is expected will soon be formalized. Under the anticipated agreement drilling for oil in the Western zones of Austria is expected to begin at an early date.

10. The International Bank has under active consideration a loan of approximately \$10 million to assist in the further expansion of Austria's hydroelectric power facilities.

11. Coincident with Soviet efforts to prevent ratification of the Paris agreements, Soviet pressures in Austria have increased in recent months. These pressures have been evidenced by kidnappings, threats, installation of roadblocks, increased Soviet interference in Austrian affairs, confiscation of newspapers, etc. The Soviets called an extraordinary meeting of the Allied Council on December 21 in order to charge that the US is violating four-Power agreements by maintaining

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troops in the French zone and alleged the use of Western Austria for purposes of "the North Atlantic bloc". These charges were repudiated. Communist propaganda also charges remilitarization of Western Austria and its incorporation in the "NATO operations area".

12. Further efforts to reach agreement on specific plans for the emergency utilization of Austrian manpower have been unsuccessful but are being held in abeyance due to uncertainties about US plans for its forces in Austria and the danger the Austrians see in leaks that would provide further Soviet excuses for not granting a treaty.

13. USIA continued to provide information to selected recipients and audiences through personal contact, press and publications, films, radio, exhibits, book translations, presentations, etc. Special emphasis was placed on the peaceful uses of atomic energy, and cooperation with Austrian organizations was intensified.

14. In December Austria raised to 82.4 per cent the level of imports from EPU area which are not subject to quantitative restrictions. Tourist allowances have been increased and imports and exports of Austrian currency liberalized.

15. Arrangements are being made for US participation in the Spring and Fall Vienna Trade Fairs.

B. EVALUATION OF PROGRESS IN IMPLEMENTING NSC POLICIES AND OBJECTIVES

16. Despite the lack of progress toward the fulfillment of our major objective in Austria, i.e., conclusion of a treaty and the re-establishment of Austria's independence, NSC 164/1 remains effective, timely and capable of continuing implementation. The intransigence of Soviet policy is the sole impediment to the achievement of this objective and, under the circumstances, maintenance of the US position is preferable to offering additional concessions which even if made, would provide no assurance that the Soviets would evacuate Austria. It is hoped that developments outside Austria, such as ratification of the Paris accords, will in time provide more favorable conditions for negotiations on the Austrian Treaty. There may be eventualities requiring additional policy formulation but these eventualities are not now clearly apparent (see paragraphs 1, 17 and 18).

C. EMERGING PROBLEMS AND FUTURE ACTIONS

17. Future treaty negotiations remain a major problem. Developments since Berlin have not required any change in the US position which will be maintained in the absence of future developments requiring a modification. Indications have been received of Soviet desire for renewed negotiations on an Austrian Treaty prior to ratification of the Paris agreements, but the Soviets have failed thus far to give any positive indication that they are in fact prepared to conclude a treaty now on any acceptable basis. Current Soviet emphasis is on guarantees against Anschluss, which probably means, in their view, indefinite

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demilitarization and neutralization of Germany but could, remote as the possibility may seem, mean some four-Power guarantee regarding Austrian neutrality and integrity.

18. Increased Soviet pressures and mounting propaganda in Austria are believed to be part of the Soviet world-wide propaganda effort to further Soviet broad objectives and, in particular, to prevent ratification of the Paris agreements and German rearmament. There is no evidence that the Soviets plan to take positive action in Austria and the best judgment of Austrian and Western observers is that Soviet action will not go beyond additional harrasing action against the Austrian people with the possibility of more stringent occupational controls in the Soviet zone. The Soviets could, however, at any time of their own choosing either before or after ratification of the Paris agreements, partition Austria along East-West lines, blockade Vienna, or both. The West possesses no legal means of preventing such Soviet actions should Soviet policy dictate such a course. While not anticipating drastic Soviet action of this character, the US, in consultation with the British and French are, nevertheless, reviewing existing plans to meet these contingencies and studies are being continued with a view to developing any additional planning which the situation may require.

19. Notwithstanding the progress being made in strengthening the Austrian gendarmerie (an increase of 800 during the period to a total of 6500 out of 8500 planned), Austrian reluctance to formulate specific plans for emergency mobilization and training, coupled with the small British and practically non-existent French forces available and the possibility of reductions in US strength in Austria, give rise to increasing concern as to the practicability of existing Western defense plans for Austria, the maintenance of the US position in the area and the protection and support of the southern flank of NATO.

20. A comparison of the periods of September-January, 1953-1954 and 1954-1955 indicates a deterioration of the Austrian EPU position of more than \$90 million, i.e., a change from a surplus of nearly \$50 million in the former period to a deficit of more than \$40 million in the latter. The first and most obvious cause of this change appears to have been a sharp rise in imports probably for rebuilding of business inventories, as well as temporary initial effects of liberalization. Secondary - and as yet unmeasured - causes may have been a decline in net invisible receipts and possibly some capital flight.

While internal price levels have been relatively steady in Austria in recent months, both bank credit and industrial production have risen to new high levels. If the EPU position has deteriorated as a result of "one time" additions to inventories, it is not likely to cause any serious problem in view of the healthy state of Austrian foreign exchange reserves. If, on the other hand, evidence accumulates that the deterioration stems from a renewal of inflationary pressures via high rates of public and private investment, increasing bank credit, and government deficit financing, then a problem is likely to emerge whose solution will require a tightening of internal fiscal policies.

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21. The prospect of West German sovereignty has sharpened our interest in the possibility of formally disposing of German assets in Austria prior to a treaty. Under the draft treaty the three Western powers would turn over the German assets in Western Austria to the Austrian Government (many of these assets are vital to the Austrian economy) and in the meantime these assets are operated by the Austrians under trustee arrangements. It seems desirable to bring about a settlement between Western Germany and Austria while the Western powers are still in a position to assist the Austrians in obtaining a satisfactory settlement, a view which we believe the Austrian Government shares. The matter is under current tripartite study.

22. A problem of current importance concerns the effects on existing and future relations between Austria and West Germany of the coming into effect of the Paris agreements. Under four-Power agreements diplomatic and consular relations between the two countries may be established only with the approval of the Allied Council. This raises the question of whether the Soviets may seek as a quid pro quo four-Power approval for the establishment of similar relations between Austria and East Germany. The matter is currently receiving attention by the US, British and French Government.

D. AGENCIES PARTICIPATING IN THE IMPLEMENTATION OF THE POLICY

23. In addition to the regular agencies represented on the OCB, the Department of Commerce has primary responsibility for US participation in the Vienna Fall Trade Fair and the Department of Agriculture is working closely with the other interested agencies on the PL 480 program.

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