June 29, 1948

SUMMARY OF TELEGRAM

GERMANY. We are authorizing General Clay in concert with the British and if possible the French commanders in Germany to meet again with local Soviet officials on the question of currency reform to ascertain whether in any sense this is the real point at issue and what the Soviet intentions with respect to Berlin may be. Meanwhile we have reached a preliminary decision to remain in Berlin, supplying the city by air and exploiting the propaganda advantages of our position, while continuing discussions with the British and French concerning the presentation of a note to Moscow.

Ambassador Douglas reports that the British Cabinet has given unqualified and unanimous support to the policy of remaining in Berlin. Foreign Minister Bevin further believes that we should make the greatest possible effort to mobilize our air strength as a demonstration to all of Europe of our power and technical ability and that we should certainly send a note to Moscow following the meeting of General Clay with the Soviet Commander and after we have mobilized most of our air transport strength.

The French representative in London has expressed the view that the recent Warsaw Communique may well evidence a Soviet desire to reopen four-power talks on Germany. The French therefore believe that the three western powers should promptly consult on this. Bevin has expressed his complete agreement that three-power consultations be held in London as soon as possible.

From Paris Ambassador Caffery reports that the moderate line being taken by the most authoritative writers in the Communist press suggests that the Kremlin does not yet wish to take a completely uncompromising attitude toward the Berlin situation. One source close to Comintern circles has indicated that present Soviet moves are more of the "war of nerves" designed to assure for Moscow a voice in the affairs of western Germany and that they are not necessarily aimed at driving the western powers out of Berlin.