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STALINE

2 Oct 1948 -

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We met Stalin and Molotov at nine o'clock.

The conference lasted two hours. It began with verbatim presentation of the statement prepared in London and discussion developed from that point along the lines of the instructions given us.

Precis of the conversation in immediately following message. At conclusion Stalin stated that the Soviet Government would agree to a ~~joint~~ ^{joint} ~~statement~~ statement embodying the following points:

- 1) Removal of all transport restrictions, both those between Berlin and Western Zones and on transit traffic to and from Eastern Zone, and simultaneously
- 2) Cancellation of Mark B in Berlin and introduction of Soviet Zone Deutsche Mark in Berlin, and
- 3) ~~Resumption of negotiations on Berlin and~~ ^{Announcement of} Resumption of negotiations on Berlin and four-power meeting to consider other outstanding problems affecting Germany. ~~all of the above to be~~

~~statements.~~

Stalin made a sustained attempt to apply as a further condition the suspension of the execution of the London agreements, going so far as to say that he was prepared to accept an oral statement to this effect which would be considered confidential. When he finally receded from this position, he stated he wished it recorded as the insistent desire of the Soviet Government that the execution of the London decisions with respect to the establishment of a Western German Government be suspended "until such

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TOP SECRET

time as the four powers met and tried to reach an agreement concerning Germany".

We undertook to recommend acceptance of the proposed simultaneous statement and I herewith recommend our agreement. We informed Molotov that as soon as we receive the decision of our governments (either affirmative or negative) we will inform him.

In view of fact that there will be further discussion as to exact wording please give me earliest decision and your preference as to exact wording of proposed announcement if acceptable. Also please allow me as much latitude as possible for details of final wording.

Atmosphere generally much more friendly than I expected and Stalin on four specific occasions stated categorically Soviet Government had no intention of pushing Allied occupation forces out of Berlin although he reaffirmed vigorously Soviet position that by London decisions we had lost juridical right to remain there. On the whole we are all satisfied with the outcome and with the general trend of the conversations.

Stalin and Molotov agree discussions to be retained confidential although brief announcement of meeting will be made. Have taken every possible measure here to prevent leakage.

SMITH