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29 August 1950

SUMMARIES OF TRENDS AND DEVELOPMENTS

USSR

1. Communist China's note to the UN Security Council, charging the US with aggression against Formosa represents the latest Soviet maneuver to weaken the non-Communist front in the UN and to obstruct SC action on Korea. The Chinese Communist charge is a logical development of Soviet propagandistic efforts, within and outside of the SC, to label the US, particularly for Asiatic eyes, as an aggressor.

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2. There has been no important increase recently in Communist activity in West Germany except in the field of propaganda. Soviet agents (approximately 1500) in West Germany probably have agitation and espionage, rather than sabotage, missions.

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3. One shipment of American molybdenum is known to have reached the USSR thru an illegal transshipment. A second shipment of American molybdenum plus a shipment of French cobalt may also reach the USSR by similar channels.

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4. The USSR and Burma have agreed to exchange ambassadors, according to a Foreign Office announcement in Rangoon on 22 August. The two countries extended mutual recognition on 18 February 1948 and Burma initiated negotiations for the exchange of representatives at least as early

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as December 1949. Both the USSR and Communist China apparently withheld closer relations with the Burmese Government until it became evident that the Burmese Communists were not powerful enough to establish a government which might be safely recognized. A Soviet mission in Rangoon can be expected to encourage and exploit Burma's policy of "neutrality," its suspicion of the West, and the leftist tendencies of influential non-Communist Burmese leaders, both within and outside of the present Government.

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EASTERN EUROPE  
GENERAL

5. A by-product of World War II and the present alignments of Western Europe with the United States has been the emergence of the Communist countries as the chief traffickers in weapons.

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CZECHOSLOVAKIA

6. Sweden has suspended shipments of vital ferro-alloy to Czechoslovakia to force Czech adherence to terms of 1950 trade agreement.

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FINLAND

7. A new Social Democrat-sponsored Finnish wage offensive led off this week with a strike in the Metal Workers' Union. Strikes by other unions, including the vital Lumber Workers' Union, are scheduled to follow on 2 September. The

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Social Democrats probably saw in the Government's institution of price controls on 1 August an opportunity for the Communists to claim that the Government, by delaying increases in the cost of living index, was attempting to prevent wage increases. The Social Democrats have thus moved first to keep the initiative in wage demands out of the hands of the Communists.

Very probable additional Social Democratic motives were to make the Kekkonen Government appear incompetent and to raise their own stock among the workers in preparation for the communal elections of 1-2 October. During the period of pre-strike negotiations between government and labor, Kekkonen informed the Diet and the Government would reimpose wage control at the level created by the Fagerholm agreement, if a peaceful settlement to the wage disputes could not be reached. The bourgeois majority in the Diet gave the Cabinet a vote of confidence on this statement with the Social Democrats and Communists voting solidly in opposition.

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YUGOSLAVIA

8. Prospects of a Yugoslav-Greek rapprochement are little improved, but there has been a definite amelioration of Yugoslav relations with both Italy and Austria.

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INTERNATIONAL COMMUNISM-  
PROPAGANDA ANALYSIS

9. The World Student Congress of the International Union of Students just concluded in Prague virtually ignored functional issues of primary interest to students and, instead, confined itself to an endorsement of the "peace" campaign, condemnation of US aggression in Korea, and a demand that the

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UN Security Council immediately undertake a peaceful settlement of the Korean question.

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10. The Presidium of the World Committee of Peace Partisans announced at the conclusion of its Prague meeting that the Second World Congress of Peace Partisans would meet in Britain from November 13 to 19. The Congress, originally planned for Italy, had already been shifted once, to Warsaw, where it was scheduled to meet from October 16 to 21.

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EASTERN EUROPE

U S S R

Chinese Communist charges of US aggression designed to confuse Korean issue

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Communist China's note to the UN Security Council, charging the US with aggression against Formosa, represents the latest Soviet maneuver to weaken the non-Communist front in the UN and to obstruct Security Council action on Korea. The Chinese Communist charge is a logical development of Soviet propagandistic efforts, within and outside of the Security Council, to label the US, particularly for Asiatic eyes, as an aggressor. The latest Peiping protest that US and British planes have bombed Chinese territory is apparently intended further to substantiate Soviet allegations of US aggression.

The USSR probably hopes by bringing the issue of Formosa before the Security Council at this time to: (1) confuse the issue of Communist aggression in Korea; (2) drive a wedge between the US and Asiatic powers by attempting to

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fan the flames of Asian suspicions and resentment of Western imperialism and colonialism; (3) weaken the unanimity between the US on the one hand, and the UK and France who have not favored the US stand on Formosa; (4) Focus upon the US the blame for possible Chinese frustration arising from the obstruction of their plans to invade Formosa.

The introduction of the Chinese issue at this time is a further indication that USSR has no intention of resuming its boycott at the end of the month. Since its presidency expires then, the USSR probably intends to employ the Chinese demand as a new pretext to obstruct Security Council action on Korea. If it can succeed in broadening the UN discussions to include Formosa as well as Korea, the USSR may hope to effect a compromise settlement of the Korean problem on the basis of Western concessions regarding Formosa. (CONFIDENTIAL)

No important Soviet-GDR action has accompanied increased propaganda hostility to West Germany

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Although references to West Germany in the recent speeches of East German officials retain the high degree of hostility introduced at the Socialist Unity Party Congress, there has been no important increase in Communist activity in West Germany except in the field of propaganda. Communist reaction to increased Allied and West German restrictions (suppression of Communist newspapers, more numerous arrests, and banning of demonstrations) has been limited to propaganda and unsuccessful attempts to organize local strikes. A few West German policemen, however, have been injured in clashes with "peace demonstrators," and the Communists continue to insist that they will hold a Free German Youth rally of 100,000 in Dortmund in late September. (The rally has been banned by the local authorities). The Communists, who are reportedly transferring newspaper files and printing machine ownership titles to party members in order to evade possible seizure, are apparently preparing for illegal publishing activities.

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There has been a recent increase in the number of Soviet and East German agents entering West Germany. It is estimated that there are now approximately 1500 agents operating in the German Federal Republic. They are believed to have agitation and espionage, rather than sabotage, missions. Reportedly, they are to place special emphasis on increasing fear in West Germany and on the collection of economic intelligence. While these agents increase the Communist capability for sabotage, the Communists are unlikely to embark on a widespread sabotage campaign in the near future. They are undoubtedly aware that widespread sabotage could be undertaken only once and at the cost of the destruction or serious crippling of their entire subversive machine by Allied and West German retaliatory action. (SECRET)

Thru illegal transshipments,  
cobalt and molybdenum may reach USSR

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The French have issued an export license for an order of 5,080 kgs. of cobalt metal by a British firm and intended to be shipped to Eastern Europe. This same firm succeeded in transshipping 144 barrels of American molybdenum to the USSR in May 1950. It has also been reliably reported that a Brussels firm is trying to arrange a second transshipment of 200 tons of American molybdenum through Switzerland to the Soviets.

Molybdenum and cobalt are two of the USSR's most scarce industrial raw materials. The transshipment of the molybdenum in May is most serious; the acquisition of these metals represents a significant addition to the Soviet potential for war. (SECRET)

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EASTERN EUROPEGENERALCommunists exploiting international arms traffic

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A by-product of World War II and the present alignments of Western Europe with the United States has been the emergence of the Communist countries as the chief traffickers in weapons. Insufficient capacity in France, embargoes by Switzerland and Sweden on weapons, prohibitions in Germany and Italy, and strict regulations by the US and UK, have left Soviet Orbit sources, particularly Czechoslovakia, the only producers willing to sell armaments on reasonable terms to all comers with no questions asked. Furthermore, the Soviet hand has been visible in the clandestine export of surplus arms and stocks of older models from other sources.

In addition to fomenting political unrest, arms and munitions make an excellent exchange item by supplying the Soviet Bloc with readily convertible currencies. Principal buyers have been dissident groups or small neutral countries in the more backward parts of the world, such as Ethiopia, Israel, Venezuela, Ecuador, and Egypt.

The high rate and improved quality of military production in Czechoslovakia and other Orbit countries provides a constant stock of material for ready sale. The effects of Orbit military supplies have already been evidenced in the conflicts of the Middle East and the increasing tension between Pakistan and Afghanistan. (SECRET)

CZECHOSLOVAKIASweden discontinues ferro-alloy shipments to Czechoslovakia

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Shipments of ferro-alloys to Czechoslovakia have

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been suspended by Sweden because of the Czech's failure to import the amount of nonessential goods scheduled under the annual trade agreement signed 1 February 1950. Under this pact Sweden is to deliver 50 tons of ferro-vanadium, 400 tons of ferro-tungsten, 280 tons of ferro-chromium and 120 tons of ferro-silicon, all of vital importance to the Czech iron and steel industry.

The Swedish action is similar to that which occurred in the fall of 1949 when shipments of high grade iron ore were halted temporarily until the Czechs increased non-essential imports. The selection of ferro-alloys, rather than iron ore or ball bearings, as a lever to force Czechoslovakian adherence to the trade agreement is probably due to the increased supply of Soviet ore to the Czech industry and to the growing competitive Western European shipments of ball bearings. Czechoslovakia undoubtedly will increase non-essential imports to meet Swedish demands, because the Czech iron and steel industry must have a constant supply of Swedish ferro-alloys.  
(CONFIDENTIAL)

YUGOSLAVIAYugoslav relations with non-Cominform neighbors improve

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Prospects of a Yugoslav-Greek rapprochement are little improved, but there has been a definite amelioration of Yugoslav relations with both Italy and Austria. British efforts to bring Greece and Yugoslavia to the point of exchanging Ministers bogged down over the Macedonian issue even before the fall of the Plastiras Government, and Tito will probably be less willing to come to terms with the new Government than he was with the old.

The Yugoslavs have protested that they genuinely desire to exchange Ministers with Greece, and would also like

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to confer with Athens on the resumption of post and rail communications, as well as on the granting of visas for Yugoslav representatives to visit the Salonika free port. Although the Greeks apparently also appreciate the wisdom of an improvement in relations, they would be unlikely to consider even relatively minor issues without assurances from Tito that he will not again stir up tension over Macedonia. Because Tito appears unwilling to renounce his Macedonian aspirations at this time, the present tension will probably continue, especially in view of the fact that the Venizelos Government will be no less adamant on Macedonia than its predecessor. Moreover, while the problem of the 9,000 Greek children in Yugoslavia has not figured in recent discussions, Tito's promise to return only 63 of them is not calculated to improve relations greatly. Meanwhile, tension with Italy is relaxing. British Undersecretary Davies, on his recent visit to Rome, spoke with Foreign Minister Sforza and found a marked improvement in the atmosphere, which he attributed to dormancy of the Trieste issue, as well as easing of traffic restrictions between the Allied and Yugoslav Zones of Trieste and the cessation of the Yugoslav practice of requiring Italians working in Zone A to convert their lira holdings into Yugoslav dinars at a loss. At the same time, Rome's increasing awareness of the importance of Yugoslavia's position to Italian defense plans will probably stimulate the Government to seek more amicable relations with Yugoslavia.

Relations with Austria have, meanwhile, continued to improve largely because of the Tito-Soviet break. The Yugoslavs have ceased pressing their claims against the Austrians in the state treaty now being negotiated, have sought economic aid from Austria, and have refrained from stirring up dissension among the Slovene Carinthians. Yugoslavia has also requested and obtained consent to establish liaison offices at Klagenfurt and Graz to perform consular functions, a freer movement of traffic is permitted, and a friendlier atmosphere has been aided by such events as the visit of the Yugoslav football team to Klagenfurt and the performance of the Vienna Philharmonic at Belgrade.

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INTERNATIONAL COMMUNISM - PROPAGANDA ANALYSISPrague Student Congress performs routine function  
of endorsing peace campaign

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The World Student Congress of the International Union of Students just concluded in Prague virtually ignored functional issues of primary interest to students and, instead, confined itself to an endorsement of the "peace" campaign, condemnation of US aggression in Korea, and a demand that the UN Security Council immediately undertake a peaceful settlement of the Korean question. The Congress also recommended the establishment of peace committees in every university, faculty, and school and suggested that "student week" from 10-17 November be devoted to the widest popularization of the results of the IUS congress and the peace efforts.

Organizationally, the Union emerged from the Congress minus the membership of Yugoslavia, whose expulsion it confirmed, but with twenty-five new members from West of the Iron Curtain. The Congress was marked by protests against the policies of the IUS leadership from the delegations of England, Scotland, Denmark, and South Africa, supported by organizations with observer status from New Zealand and the US (National Student Association). However, there also were National Delegates from each of these countries who supported the Congress majority. Soviet propaganda publicized these disagreements, apparently for the purpose of giving the Congress a semblance of free and democratic discussion. Despite a previous vote of censure against the chief British delegate, Stanley Jenkins, he was elected a vice-president of the organization.

While the Prague Congress may have helped to convince some of the Western delegates that further cooperation with the International Union of Students is useless, it is not yet clear whether this disillusionment will result in the withdrawal of any of the Western organizations. It does not appear, however,

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that such a withdrawal of non-Communist student organizations would greatly weaken the IUS as a mouthpiece for Moscow propaganda. (SECRET)

Second World Peace Congress meeting site shifted

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The Presidium of the World Committee of Peace Partisans announced at the conclusion of its Prague meeting that the Second World Congress of Peace Partisans would meet in Britain from November 13 to 19. The Congress, originally planned for Italy, had already been shifted once, to Warsaw - where it was scheduled to meet from October 16 to 21.

It seems likely that one reason for the move to London may be a desire to give the Congress a "Western" coloration and make it more attractive to Western audiences. This is borne out by the general propaganda tactic of the peace campaign as illustrated by the final resolution of the Prague meeting. The resolution did not blame any nation for the Korean war, but called on the UN Security Council ("consisting of the legal representatives of the five great powers") to find a peaceful solution in Korea, demanded the withdrawal of all foreign troops from Korea, the cessation of "foreign intervention by force of arms in the internal affairs of any people" and the general restrictions and control of all arms. The phrase "control of all arms" was added to answer Western criticism of the peace campaign's concentration on atomic weapons only. At the same time, an outright condemnation of any of the Western Powers was avoided so as not to offend potential Western supporters.

Thus, the shift of the Congress from Warsaw to London is simply an additional device for carrying the campaign directly into the Western camp. In case the British government should refuse to issue visas for the delegates, this could be used as a further demonstration of the Western governments' "hostility to peace." (SECRET)

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