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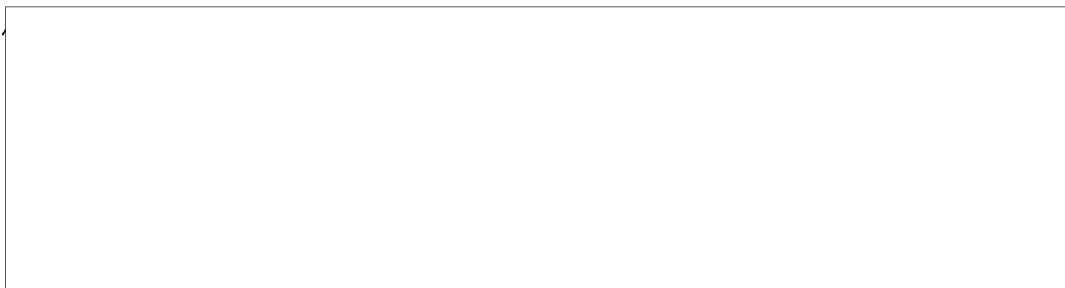
10 October 1950

SUMMARIES OF TRENDS AND DEVELOPMENTS

USSR

1. Overt Soviet assistance in the recent Austrian disorders - substantial interference in Austrian police activity and the enforced participation of USIA (Soviet controlled industry) factory workers in the demonstrations - will probably be repeated, at least to some degree, in Communist exploitation of future economic grievances.

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3. The Western Export Control Program is to be reviewed with strategic considerations predominant. This has recently been agreed to by the Foreign Ministers of US, UK and France. In order that these controls be effective they must: (1) be broad and deep enough in scope to affect the entire Soviet production complex; (2) embrace all sources of the materials controlled; and (3) be rigorously enforced. If this is not done, all that will be achieved is the creation of temporary local shortages which can be solved by concentration of Soviet technical and industrial ability.

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FINLAND

4. The USSR has informally protested to the Finnish Government the Aaland Islands Autonomy Bill now pending in the Finnish Diet. It seems probable that the Government will withdraw the bill, although such a move would not be astute as far as domestic politics are concerned.

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5. The Social Democrats and Communists made significant gains in the recent Finnish communal elections at the expense of the center and right bourgeois parties. These changes will not be reflected in the composition of the Government unless it should be overthrown by a parliamentary vote of no-confidence.

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HUNGARY

6. Growing resentment among the people, added to increasing difficulties within the Socialist system, has caused the Hungarian Communists to intensify their war against "class enemies."

(Page 10)

7. Reported low crop production in Hungary increases the severity of the present food situation. More effective controls over both the consumer and producer will be necessary. Resulting shortages loom as a restricting factor to planned industrial expansion.

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POLAND

8. Disunity within the Polish Catholic Church has markedly increased since last April. While there has as yet been no noticeable effect upon the Polish people, a continu-

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ation of this trend will make it simpler for the State to organize a "patriotic" pro-Government Catholic Church.

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SPECIAL ARTICLE

9. Recent shifts in "line" and tactics among Communist parties reveal anxious efforts to contravene the bolder, better organized defenses against Communist Fifth column potentials taken or contemplated by various governments. The shifts also indicate efforts to reinvigorate "united front" tactics to further the prime Communist goal of retarding European defense and recovery after failure of attempts at mass action to prevent delivery of MDAP arms and to mobilize workers for strikes or slow-ups.

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EASTERN EUROPE

U S S RContinued Soviet overt aid to Austrian Communists
expected in event of new disturbances

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While Soviet action in the recent Austrian disorders is unlikely to foreshadow any fundamental change in Soviet strategy in Austria, it indicates increased willingness on the part of the USSR to use the numerically small and ineffectual Austrian Communist Party to exploit economic grievances, and to insure it a degree of success through overt Soviet official aid. The Austrian Communist Party has not, in the past, played an important role in Soviet strategy, and the recent disturbances mark one of the very few carefully planned and coordinated action efforts between Soviet authorities and Communist leaders. Overt Soviet assistance in the disorders - substantial interference in Austrian police activity and the enforced participation of USIA (Soviet controlled industry) factory workers in the demonstrations - will probably be repeated, at least to some degree, in Communist exploitation of future economic grievances.

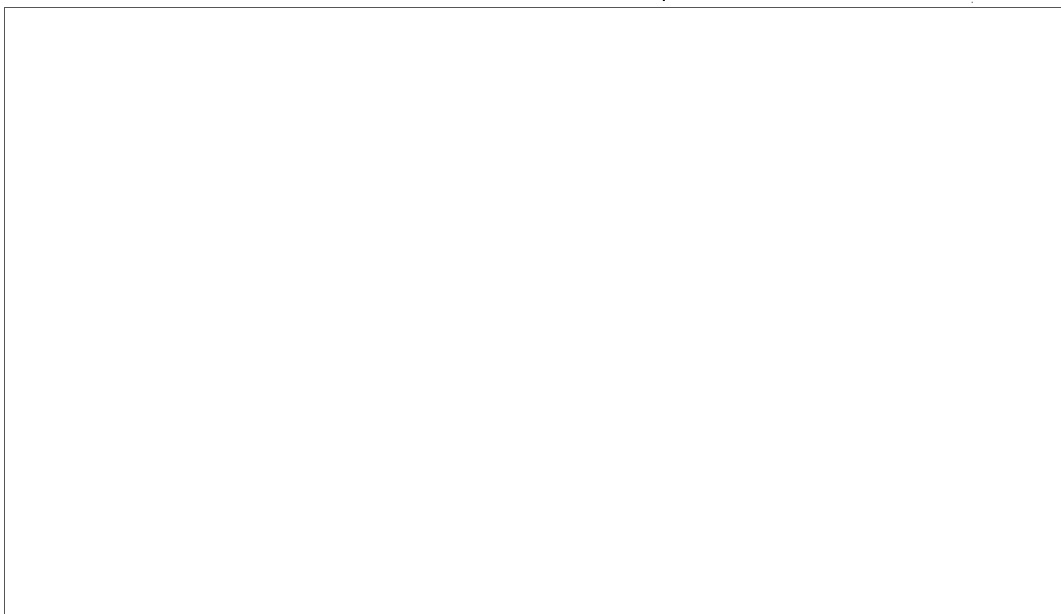
The general purpose of the Soviet Union in exploiting the widespread and intense labor grievance over the new Austrian wage-price law was probably to intimidate the Austrian Government and people and to cause a temporary disruption of the Austrian economy. The Soviet Union's specific purposes were probably to: (1) increase the influence of the Austrian Communist Party in the labor movement at the expense of the Socialists, who control the overwhelming majority of the working class, and (2) bolster the morale of the party and to give it practical experience in relatively large-scale Communist disruptive tactics. While the recent disorders have caused, through the loss of manhours and a few isolated acts of sabotage, some damage

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to the Austrian economy and have probably increased the morale of the Austrian Communist Party, there is little likelihood of any substantial increase in Communist influence in the labor movement. (SECRET)



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Considerations affecting export controls

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Against the background of the increasing world tension dramatized by the Korean War, and plans for American and European rearmament, the Foreign Ministers of the US, UK and France, have agreed to review the western export control program in order to broaden its application. Although provision is made for consideration of the economic consequences of such a program, it was agreed that strategic considerations should be predominant.

The present US security control program has not been concerned with the export of munitions. These are controlled under separate legislation and procedures which

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had their origin in the neutrality legislation of the 1930's. During the last two years arms shipments from western countries to the Soviet Union and the Eastern European countries have been small. This has been due, however, not to export control procedures, but primarily to the fact that the post-war Soviet Empire had not been dependent on outside sources for its military equipment. The effectiveness of the export control program, therefore cannot be judged by the success of separate and distinct controls munitions.

On the contrary, failure of the European countries to adopt programs equivalent to that of the US, has largely nullified US efforts. (There are many political and social factors which make any degree of "economic warfare" distasteful to strong elements in Western Europe, particularly those on the continent. This is particularly true in Germany and Austria because of their occupied status.) Materials needed for the continuing development of the overall Soviet military potential, such as industrial diamonds, ferro-alloying metals, machine tools, oil production equipment, copper, and bearings have been acquired by the Soviet countries with little difficulty, although controlled by the United States. The ease with which Czechoslovakia was able to turn to Western Europe and Latin America for about two-thirds of its total copper (1-B) requirements, following the break with Yugoslavia, exemplifies this situation.

The three basic defects in the present security control program are: (1) the narrowness of the list of commodities now under international control; (2) the lack of participation of Switzerland, Sweden and Austria in the parallel action program; and (3) ineffective implementation of existing controls.

The first of these difficulties involves the conflict between the security aspects and the economic consequences of a wide area of control. The avowed position of the Western European countries, and particularly of the UK, has been that the economic recovery resulting from East-West European trade is more important than the resulting gain to

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the Soviet war potential. The importance of this trade to Western Europe has been greatly exaggerated. The total value of trade between Western Europe and the Soviet Orbit was approximately \$800,000,000 each way in 1949, of which less than one-fourth was comprised of items on the US 1-A and 1-B lists. A large part of the critical imports usually classified as from "Eastern Europe" have come from Yugoslavia, and Finland. Furthermore, business with the Soviet Orbit is only four percent of total Western European trade. The overall importance of the potential loss of trade with the Soviet Orbit is further minimized by the recent marked alleviation of the dollar shortage, and the calculated benefits of MDAP, and present defense programs.

The position of Switzerland and Sweden has been determined largely by their traditionally neutral position and understandable reluctance to initiate controls when other countries have not been taking effective action. Sweden cannot be expected to curtail bearing shipments while Italy is expanding them, and shipments from Western Germany, (albeit largely illegal) continue. Neither country can be expected to restrict shipments of machine tools while the UK is shipping similar items, and Switzerland will not effectuate controls in the free port areas as long as the goods are arriving from or through "co-operating" countries. There have been indications that both Switzerland and Sweden might be induced to cooperate when and if effective action is taken by other countries. Austria, from and through which large quantities of strategic materials go to the Soviet Orbit, presents a problem incapable of solution through parallel action procedures.

Lack of implementation of controls is one of the weaknesses in the export control program. Smuggling, use of false and intermediate consignees, utilization of the facilities of the various European free port areas, and other procedures are used to evade the control mechanisms. Present enforcement procedures have not been effect-

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ive in preventing a large measure of success in utilization of these techniques.

In order to achieve a successful program aimed at restricting the Soviet economic war potential, three important objectives must be attained: (1) The selection of items must be of a scope which is sufficiently broad and deep to affect the entire production complex of the Soviet Empire. (2) All important sources for the materials agreed upon for embargo or quantitative control must be included in the program. (3) The controls agreed upon must be rigorously enforced. Unless all three of these elements are present, the result will be only to create purely temporary localized shortages which can be solved by Orbit concentration of technical and industrial ability. (SECRET)

EASTERN EUROPE

FINLAND

Aaland Island Autonomy Bill protested by USSR

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The Finnish Government faces a new dilemma with the recent protest of the USSR against the Aaland Islands autonomy bill now before the Finnish Diet. This is the second such bill before the Diet, the previous one having been withdrawn in 1946 following a similar Soviet protest.

The USSR's interest in the bill stems from the fact that the islands are strategically located at the mouth of the Gulf of Finland. These islands control the sea route from Leningrad through the Gulf of Finland to the Baltic Sea. Incorporated in the autonomy bill is article six of the Aaland Guarantee Law of 1922. Article six, to which the USSR objects and which today has only theoretical

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significance, provides that in the event the Aaland Diet presents complaints or remarks regarding implementation of the provisions of the law, the Finnish Cabinet would, appending its own comments, forward them to the League of Nations Council to enable it to supervise observance of the provisions of the law.

The Soviet Union objects to the insertion of this article in the autonomy bill on the grounds that such a clause would not be in conformity with the armistice and Peace Treaty provisions "guaranteeing complete Finnish sovereignty over the Aaland Islands." Motivating the USSR's insistence on this point is the fact that as long as Finnish sovereignty is maintained over the islands they will not be remilitarized.

On the other hand, the Aaland Island Diet, which must approve any autonomy bill before it can go into effect, insists that this hypothetical international guarantee be preserved despite the fact that the League of Nations is now defunct. Although the Finnish Government needs the political support of the Swedish People's Party, which represents the interests of the Aaland Islanders in the Finnish Diet, the Government is likely to pigeon-hole this bill. While such a move would not be astute politically for the present Government, past actions suggest that Prime Minister Kekkonen will seek Soviet favor rather than risk any possible consequence of Soviet wrath. (SECRET)

Social Democrats and Communists gain in Finland

"A"

On the basis of eighty percent of votes already counted in the Finnish Communal elections, held 30 Sept - 1 October, the Social Democrats and Communists gained at the expense of the center and right bourgeois parties. Compared to figures for the corresponding elections in 1947, the Social Democrats gained 3.3 percent and the Communists 2.3 percent while the bourgeois parties lost 5.1 percent. The Communists showed sharp increases in urban areas.

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The urban gains of the Communists are due in large measure to the small popular turnout for the voting. As is usual in such cases, the Communists went to great lengths to get out their vote and were successful. The national gains of the Social Democrats and the Communists reflect the growing lack of popular support in the nation for the often weak and indecisive internal and foreign policies of the incumbent coalition Government composed of the bourgeois parties.

Although these returns do represent a significant reduction in the popular mandate of the Government, no change in the Government's composition can take place unless it is overthrown by a parliamentary vote of no-confidence. Whether or not such a vote takes place probably depends on the ability and success of the Government to reach a satisfactory settlement of the current general strikes. (CONFIDENTIAL)

HUNGARY

Class warfare in Hungary accelerated

"A"

Growing resentment against the regime and increasing difficulties within the Socialist system have caused the Hungarian Communists to accelerate their war against "class enemies." Similar problems are being met in the same way by Communists throughout Eastern Europe. Resentment has been developing among those whose private interests come in conflict with the regime, such as the clergy, kulaks, government officials and bourgeoisie, and even among the workers and peasants, the alleged foundation of the Communist Party itself. Expressions of opposition, such as sabotage, slow-downs, wage frauds, and spreading rumors have been met with a wave of arrests which have touched every social and economic group in the country.

In blaming the Social Democrats for generally

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fomenting dissension, the Communists not only excuse their less enthusiastic rank and file Party members, but also provide the rationale for arresting hundreds of Social Democrats, ranging in status from factory workers to Cabinet Ministers. Heretofore acceptable allies of the Communists, the Social Democrats are now accused of actually being opposed to the interests of the workers. In an attempt to prevent the crystallization of worker resentment over production increases and wage reductions, the Government has sought to eliminate any remaining vestiges of independence among the Trade Unions. Severe criticism of the Trade Union leadership has resulted so far in purges among the low level officials. At the top, Antal Apro, Secretary General, and Jozsef Harustyak, President of the Trade Union Council have recanted, but whether this will satisfy the Communists or whether their removal will also be called for is still undetermined.

Arrests of kulaks is, of course, a continuing process, but the tempo has been increased during recent months. Charges against the kulaks run the gamut from possession of firearms to killing their own pigs. Alleged conspiracies between kulaks and parish priests have provided excuses for arresting a number of priests, monks, and nuns.

Not content with the relatively slow methods of eliminating the middle class, the Communists are using hoarding, rumormongering, speculating, and profiteering as grounds for arresting members of this group. Furthermore, it is reported that the background of each Government official is being investigated and that a new purge will be based on such disloyal characteristics as middle-class origin.

A large-scale purge of career army officers was touched off by the reported plot of a handful of top officers to turn part of the Hungarian army over to the Yugoslavs. The fact that these officers were accused of working with "right-wing Socialists and reactionary clerics" reveals the motive of the Communists: to link even though

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artificially, all their opponents so that they can be more easily eliminated, on the ground that they are all working against the interests of the masses.

The intensification of the war against "class enemies" was heralded in the speeches of Erno Gero, on the shortcomings of the economy, and of Jozsef Revai, on the Church issue, which were made on 1 June before the Central Committee of the Hungarian Workers Party. At that time both men emphasized that the "enemy" must be eliminated in order for Socialism to advance. Blamed for every difficulty the regime has encountered, including the food shortage, production failures, the reluctance of the Catholic Church to settle its differences with the State, and agricultural failures, the "enemy" is not specifically identified, so that the label can then be hung on anyone the Communists wish to eliminate. (SECRET)

Poor crops in Hungary accelerate
tightening of food situation

"A"

Hungary, primarily an agrarian state, and considered to be one of the most self-supporting agricultural countries in Europe has had continuing food shortages since April this year. Latest weather conditions and expected harvests indicate that no relief from this situation can be expected, and there is strong economic evidence that rationing of certain basic food items will be reintroduced.

Early losses of the vegetable crop have already been noted in the high prices and scarcity of these commodities in the local markets. More severe losses resulting from dry weather are expected for other crops, principally, corn, potatoes, and sugar beets.

Because agricultural products presently represent the main items of export, the effects of low production of food and feed crops will necessitate strong action if commit-

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ments are to be filled. Reported early slaughtering of hogs has undoubtedly been stimulated by the growing shortages of feed. This will mean less available supplies for future needs, and may be the beginning wedge for initiating rationing in the economy.

The apparent good harvest of early grain crops will not modify the severity of this situation. Increased consumption of these crops must follow in order to substitute for shortages of other food and feed supplies. The gains therefore can not be measured in any possible surplus, since domestic requirements will be greater.

This dislocation of planned agricultural production will further reduce the declining standard of living in Hungary, and undoubtedly affect the industrialization program which presently is related directly to the expected exports of agricultural products. Expected necessary action will probably be directed towards tighter imposition of controls and collection quotas of individual farmers, and more effective distribution measures for the urban population.

The most evident fact, as revealed by a weakened agricultural economy, is how completely dependent is Hungary on primary production for promoting industrial expansion. The effects of this drought will be to decrease the potential of Hungary as a supplier of economic goods to the Soviet Union and adjoining Satellites. (SECRET)

POLANDDisunity increases in Polish Catholic Church

"A"

Disillusionment and dissatisfaction within the Polish Roman Catholic Church, while still not developed enough to encourage the State to create some sort of "patriotic" church, has increased markedly since last April. There is

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disunity and irritation among the bishops because of what they consider Vatican policy favoring Germany, and there is disillusionment among the clergy in their relationships with the bishops. Simultaneously the Vatican is becoming more concerned and displeased with the policies of the Polish Primate.

This scene of disintegration within the Polish Church itself is further supported by reports that the Primate is tired, discouraged, and desires to resign. Behind the Primate's weakening is the fact that Cardinal Sapieha has broken with the Primate and is supported by the majority of the clergy. Similarly, Bishop Choromanski, who was largely responsible for the negotiation of the Church-State agreement, has reportedly gone over to the side of the Government. To keep the process of disintegration moving, the Government has held a series of trials of certain clergymen in order to maintain the tension and fear within the Church.

The effect of the increasing disunity in the hierarchy and the disintegration of the Polish Catholic Church's once powerful leadership has been to create discord, a breakdown of discipline, and distrust between the bishops and lower clergy. This will make it simpler for the State to organize, at the time it deems propitious, a "patriotic", pro-Government Catholic Church. So far there has been no noticeable effect upon the people but undoubtedly confusion and disillusionment will spread, making them more susceptible to the blandishments of the Communists. (SECRET)

SPECIAL ARTICLEShifts in "line" and tactics in the Communist Parties

Recent shifts in "line" and tactics among Communist parties reveal anxious efforts to contravene the bolder, better organized defenses against Communist Fifth Column potentials taken or contemplated by various governments. The shift also indicates efforts to reinvigorate "united front"

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tactics to further the prime Communist goal of retarding European defense and recovery after failure of attempts at mass action to prevent delivery of MDAF arms and to mobilize workers for strikes or slow-ups.

The synchronized "line" claims "cannibal" American imperialism is forcing an anti-Communist psychosis upon a world rapidly returning to fascism through the repression of civil liberties. This line cites as proof the following governmental actions:

- (1) Norway announced an "anti-traitor law," said to have been drafted shortly after the Czech coup in 1948, which provides severe penalties for treason in peace time for groups or individuals working in behalf of a foreign power.
- (2) West Germany, Switzerland, and Belgium adopted measures to discharge Communists and "other anti-nationals" in public office, an action in which the Belgian Communists succeeded in persuading the Socialists to join in denouncing as "Hitlerian." The action will involve some 500 Communists in Switzerland.
- (3) Some Paris newspapers have clamored for like dismissals from the French Government, which would involve thousands; "territorial guards" similar to civic guards in Italy have been planned; anti-sabotage laws have been passed; Moch expelled many foreign Communists, and there has been discussion of outlawing the Party (considered improbable).
- (4) In Italy, Interior Minister, Scelba, has planned to establish civic guards and to

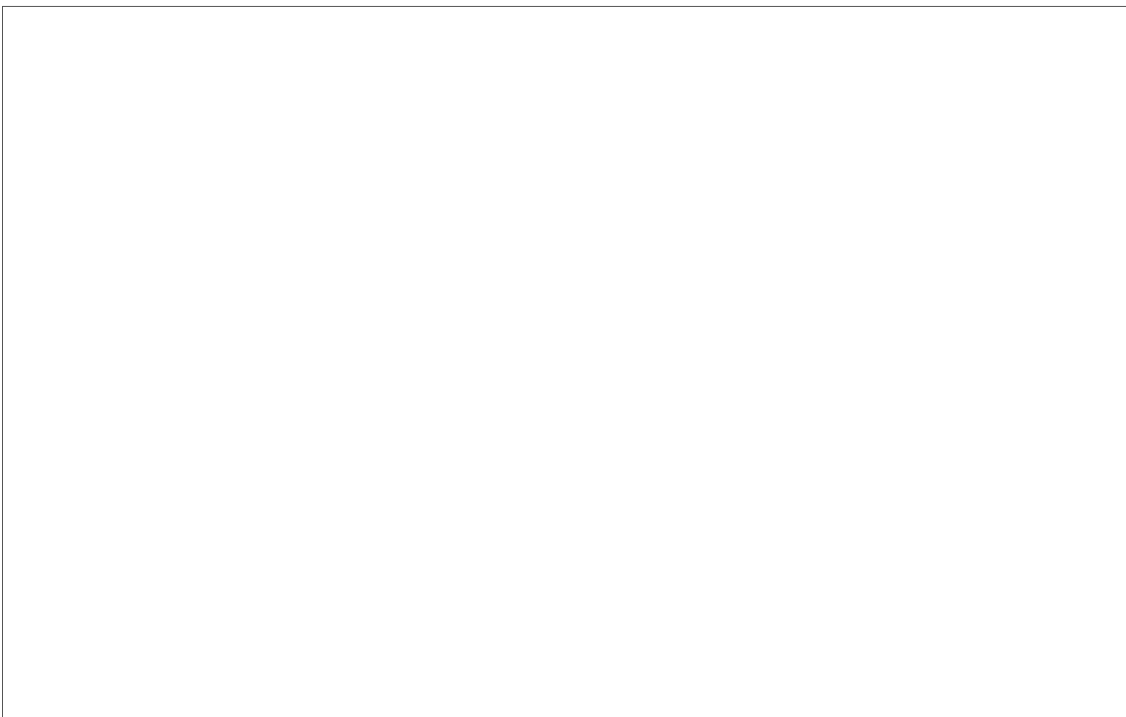
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increase the Public Security Forces by 12,000 in order to contend with the "squadristo de partito" (CP para-military squads) which constitute a real menace to the nation.

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Prime examples of "United Front" tactics in labor circles are found in factories, offices, neighborhoods, and on docks in various countries of "Unity of Action Committees." This activity retains the same goal of disruption under a guise of sweetness and light, as in Italy where Secchia, in urging the formation of such committees, spoke of bringing triumph to the workers' demands by "uniting Catholic workers, workers of other parties, and workers of no party, strongly organized from below as the only guarantee of any solidarity possible of achievement among labor organizations themselves," but exposed the usual political ax in the same speech by including the statement that "the De Gasperi Government policy is one in

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which the expenses of the armed forces must be paid by the workers with starvation wages."

These Unity of Action Committees differ both in composition and attitude from the Action Committees used to achieve the Czech coup in 1948. The present Committees have been warned against the use of violence because of possible repressive retaliation and have been advised to seek the aid of all workers. The Communists have a talent for organization however, and with little difficulty these groups could become regulation Action Committees under the stress of angry workers - such as exist in the current break-down of labor-Confindustria negotiations in Italy.

In presenting this milder attitude, the Communists have somewhat overextended Leninist expediency. For example, Togliatti recently spoke of Italy as "our fatherland," a term usually reserved by Communists for references to the Soviet Union. This same speech repeatedly appealed to the rich and bourgeois to join the proletariat in national unity against Italian subservience to American imperialism. Similarly, Thorez at Gap called for a united and victorious participation in a "holy war" against repression of workers, ending his speech (surprisingly)... "never was the triumph of the Church nearer than in the days of great persecution against Christians; so, today, a better world is nearer, a society where there will be bread and roses for all." (SECRET)

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