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Central Propaganda Directive
Briefly Noted

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~~SECRET~~617. The Soviet Foreign Trade and Aid Program

BACKGROUND: /FYI: The following section includes, among other things, explanations of attractions and strengths of Soviet aid, particularly as viewed by leaders in developing countries. Such explanations are intended to orient our staff employees and should not be freely given to assets as propagandist material. However, factual information in this Background section is unclassified and may be used in propaganda. 7

The Soviet Union began in 1954 to extend aid to underdeveloped (non-Communist) countries, supposedly to assist them in acquiring capital equipment: factories, roads, dams, refineries, and the like. Military equipment--planes, tanks, torpedo boats, and even rockets--has also been provided in quantity. It is estimated that by June 1962, \$5.6 billion in credits and grants had been extended, even though much less had been used. Bloc trade with these countries in non-capital goods (e. g., raw materials, food, consumer goods) also expanded rapidly. By 1962, 9000 Soviet technicians worked in 25 underdeveloped countries, which were also sending large numbers of civilian and military trainees to the USSR. When Khrushchev speaks of peaceful economic competition, he means not only a propagandist battle with the US over national economic growth, but also an economic action struggle for influence in less developed areas.

US and Soviet Aid and Trade Compared. Fiscal year 1962 US aid programs (1 July 1961-30 June 1962) totalled \$5.1 billion. Virtually all military aid (\$1.7 billion) and 9/16 of all non-military aid (\$1.9 out of \$3.4 billion) took the form of free grants, with no repayment expected. (The largest non-military grants, however, served to help make small allied countries strong enough economically to support their defense forces.) Most of this aid has now been delivered. Typically, US aid programs stress measures which will improve local living standards, and before the US supports large capital construction projects, careful surveys are made to ensure that the project will prove economically sound and useful to the local community. For example, the Alliance for Progress emphasizes food, housing, education, technical assistance, and the development of regional trade; the Latin American governments are expected to make material contributions themselves, to carry out tax and land reforms and to match economic progress by social progress. Grants and loans from other developed Free World countries including Japan now nearly equal US aid. Outside such Western and Japanese government aid programs, much development work around the world is based on International Bank for Reconstruction and Development (IBRD) loans, or on funds from private sources in the developed Free World countries. Western corporations also build local plants, which tend eventually to come under local ownership. Trade between capitalist countries and less-developed countries is multilateral and on the traditional basis of enlightened self-interest: each party exports what is abundant and cheap and imports what is scarce and dear. Prices are those prevailing in the world market, and goods are the same as those sold in highly developed countries.

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Except for a few ceremonial gifts (about 5% of total Soviet aid), all of the Soviet aid program is on a loan basis. Compared with Western loan rates, Soviet interest charges are low, usually 2 1/2 %. (Rates are 4 to 5% for most US government and IBRD loans. Many Development Loan Fund loans run at 3 1/2 %, with repayment in soft currency.) On the other hand, repayment is usually expected within 12 years, instead of 20 or 30 years, so that installments may be larger at the time when the recipient will have most difficulty in paying. But it is still hard to say how repayment to the Soviets will work out in practice, since few of their credits have as yet been repaid. A "credit" here means an agreement to deliver goods on trust up to a stated value, with later repayment with interest. Indeed it is important to note that although \$3.6 billion in Soviet non-military credits had been opened by July 1962, only about 20% of these credits had actually been used. (Military credits, which the recipient governments are usually anxious to exploit for immediate political purposes, and which can be expended on material out of stock or in large scale production, are a different matter.) While the opening of a credit is under discussion, the Soviets stress that "no strings are attached" and that the recipients themselves will choose what they need; the extension of the credit then follows with all possible publicity. Later, when unpublicized negotiations begin on specific projects, the recipients must face the fact that they must make use of such equipment (often obsolete) as happens to be available in the USSR, change their plans to suit Soviet engineers, and meet local production costs. (The Soviets are now beginning to try to help by selling Soviet exports locally and using the receipts as local contributions.) Nevertheless, some large Soviet-aided projects have been built. The Soviets, unlike the US government, encourage recipients--with little difficulty--to undertake overambitious "prestige" projects, even though these may be doomed to operate at a loss. The impact of Soviet aid is magnified by their practice of concentrating on a few countries which are strategically important (e. g., Afghanistan) or which are fertile fields for political influence (e. g., Indonesia).

All Soviet foreign trade, of course, is monopolized by the Soviet state and its organs. Here again, general agreements are first announced with all possible publicity, and the actual purchases worked out later fall well below the initial figure. Brazilian trade agreements with Poland, Czechoslovakia, and the USSR for 1960 were carried out only to 55%. Bloc purchases fluctuate widely from year to year, and do not provide a reliable market. There have been reports that some of these purchases have been dumped on world markets, lowering prices in the smaller country's normal export areas. Soviet exports, like Bloc goods for internal consumption, are apt to be poor in quality; the range of choice may be limited, while at the same time models are not standardized. The procurement of spare parts may also be difficult and costly; in January 1963, for example, a number of Argentine customers of the Czech Skoda combine charged that they had lost a billion pesos on defective equipment and time lost due to lack of parts. But trade with the Soviets has the very great advantage of not (in most cases) requiring hard currency. (For an excellent summary of problems in Soviet trade and aid, including specific examples, see the unclassified Enclosure to State CW-438, 18 July 1962.)

Attractions of Soviet Aid and Trade. Despite drawbacks, many leaders in less-developed nations seem to find Soviet offers attractive, for the following reasons:

a. Loans, unlike grants, do not seem to place the recipient in the position of receiving charity; no moral obligation appears to be created, no visiting Congressmen expect to be thanked. And few people believe that US grants are made without ulterior motives.

b. If the local leadership is resolved to launch large capital projects, US grants are usually unavailable, and superficially the choice appears to be between low-interest Soviet loans and high-interest western loans. (Closer examination would often show that longer-term western loans would be easier to repay, especially Development Loan Fund loans.) The countries with the most potential for Communist subversion are precisely those which are least attractive to western private lenders.

c. The Soviets, at least in the early stages, seem ready to extend loans without delays for exasperating surveys and investigations of usefulness, and without paternalistic supervision of project execution.

d. Many leaders of underdeveloped countries would like to copy the state planning features of Communist industrialization, as more applicable to their conditions than private enterprise, and they believe that without heavy industry, they will remain in a permanent state of backwardness, subject to the economic control and political influence of imperialist governments. Their whole outlook is encumbered with memories of imperial rule or gunboat diplomacy.

e. If these leaders are aware of the danger of subversion, they are usually confident of their ability to contain it. And there are some governments which are as concerned over American as over Communist influence.

f. Even basically pro-Western leaders find it useful for negotiation purposes to have an alternative source of trade and aid, enabling them, they believe, to play one side off against the other. Friendly relations with the USSR may also serve to appease domestic critics.

Objectives of Soviet Trade and Aid. Any estimate of Soviet intentions must be speculative, but these intentions are becoming clearer. Contrary to initial American beliefs, the main objective does not seem to have been the establishment of cover and bases for clandestine operations. While Communist subversion operations proceed apace through local Parties and fronts, occasionally supported by Soviets under trade and aid cover, Soviet control of these movements could be exercised even if there were no trade and aid programs. The Soviet campaign must be seen in broader perspective.

The key issue is the establishment of new patterns. Khrushchev believes that communism will eventually prevail throughout the world, not by military conquest, probably not even by mass agitation and popular revolution, but because communism operates more successfully as a social and economic system. To him, the development of the USSR is a practical demonstration of the superiority of communism

over capitalism. As always with Marxism, there is the paradox that what is supposed to be inevitable can only be attained by means of all-out efforts. In the case of the underdeveloped areas, these efforts aim at replacing western economic and political ties with a pattern of Soviet-style industrialization, and of trade with the Soviet Bloc. Military aid spreads Soviet doctrine, tactics, and equipment; the need for parts for sophisticated arms guarantees that close relations will continue. The use of loans instead of grants also helps establish a continuing relationship. The seeds are thus planted for eventual Communist rule; in Cuba, under special forced-draft conditions, the transition has already been accomplished. Unlike the US, the USSR does not need to concern itself with social conditions or with making the underdeveloped economies operate efficiently. "Objectively," impractical Soviet-aided projects and bloated arms programs sabotage the recipient economies. But the habits of "hurrah planning," Soviet guidance, and bilateral barter with the Bloc become established.

Other returns from the Soviet aid and trade program include:

- a. Prestige for the USSR as a competitor with the US in the foreign aid field. This helps not only in uncommitted areas, but also in the competition for leadership in the Communist movement. The Chinese are hopelessly outclassed, and in the past year have attempted little.
- b. Creation of friction and suspicion between the US and its allies. The Soviets have pushed hard--though with little success--to sell aid to countries like Greece and Turkey.
- c. Encouragement to existing governments in less-developed areas to adopt a neutral position or to support the Communist line.
- d. Some slight improvement in the Soviet standard of living, especially as regards products such as coffee and cocoa. The Soviets do not, however, seem to be running their program for purposes of economic gain.
- e. Possible political influence through threats to withdraw aid. In the past trade or aid has been withdrawn from Australia, Iran, and Yugoslavia, apparently as a punitive measure. But there are dangers in this course of action, and it has not been used until relations were already strained.

Weaknesses in the Soviet Trade and Aid Program. There are, nevertheless, problems and weaknesses in the Soviet program, such as:

- a. The machine tools and other capital equipment desired by the underdeveloped nations are also priority articles for the Soviet economy. A leading Soviet official has complained that the Bhilai steel plant in India, built with Soviet assistance, could have been used in the USSR.
- b. There appears to be widespread resentment among the Soviet people and in the Bloc over the sending of goods needed at home. Odessa dockworkers reportedly struck in 1961 in protest against shipments of butter to Cuba. Foreign aid means deprivation, not new jobs, in the USSR. Elsewhere in the Bloc, and especially to Peking, more aid for uncommitted countries means less for "socialist" states.
- c. Repayment, in the case of some recipients of Soviet aid, is problematic. Even though much of the military equipment sent to Indonesia was at cut-rate prices, repayment is overdue, and it

is unclear at this writing how it will be made. In some cases, the USSR has been ready to postpone repayment; this may earn a brief return of gratitude, but generally, the repayment question is likely to be a fertile source of friction, especially since most Soviet projects do not help the recipient to repay. The Soviets could take sanctions, such as political pressure and seizure, to compel payment, but if they do, this will destroy the reputation for generosity and political disinterestedness they are trying to create.

d. Debts sometimes give the debtor control over the creditor. The latter, if he does not wish to write off a poor investment as a dead loss, is led to throw good money after bad, in the hope of salvaging something. This is more true where political prestige is involved than in ordinary business.

e. So far, the political dividends from Soviet aid have been few. Despite all the aid extended them, Nasser and Qasim have persecuted local Communists. Large credits to Syria in 1957-8 produced no rewards. Although \$810 million in aid was given India, Chicom border attacks have ousted Krishna Menon and pushed India into a more pro-western orientation.

f. Soviet capacities for trade and aid programs may be reaching their limit, to the dissatisfaction of some customers. In 1962, the volume of new credits decreased somewhat, although more old ones were used. Most large new credit lines were extended to Cuba, and both Guinea and Egypt went short on oil when tankers were diverted to Cuba.

g. Only about 1/5 of Soviet non-military credits have actually been used. Thus while Soviet aid, including military, was nominally \$5.2 billion from 1954 to mid-1961, actual aid was only \$1.6 billion. This should be compared with western and Japanese aid between 1956 and 1958 only of \$7.1 billion in government loans and \$11.2 billion in various forms of private loan or investment. Aside from this, western governments made free grants of \$9.7 billion in the same period, while between 1947 and 1961, the IBRD lent \$5.4 billion. The uselessness of Soviet initial credit figures as a yardstick of Soviet aid is bound to become more widely known.

h. There seems to be little improvement in the quality of Soviet Bloc products, or in the reliability of their delivery. Even where Soviet products themselves are good by non-Western standards, they get a bad name from the products and tactics of other Bloc members, especially China. Formerly, the USSR was a remote utopia to many, whereas now its crude products can be seen at first hand.

i. As with the US aid program, frictions arise between Bloc technicians and local populations. Here again, familiarity is disillusioning, both for the locals and for the visiting experts.

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618 NE, AF. Mild Soviet Reaction to Banning of the Algerian Communist Party

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BACKGROUND: On 29 November 1962 Premier Ben Bella's government announced that the Algerian Communist Party had been banned; this followed repeated warnings by the new Algerian regime that a multiparty system would not be allowed in Algeria and that the existence only of the National Liberation Front (FLN), which had so long fought for and won independence, would be tolerated. The Communist Party, however, was singled out in the Premier's remark that "We want no parties in Algeria that are run from abroad."

Soviet reaction to this announcement has been very mild indeed. The December 7 issue of Pravda, elaborating upon a statement made a few days before by the Central Committee of the Communist Party, can be described as feebly plaintive: it argued that the Algerian Communist Party had made a noteworthy contribution to the long struggle against France and had cooperated loyally with the FLN during the period of the fighting and after independence had been gained; to ban the Party now, it claimed, was both ungrateful and damaging to the unity of "all patriotic forces" in Algeria, implying that its own peculiar brand of socialism is the program Algeria desires. The Pravda article pleads that the "unjust measures" against the Algerian Communists be revoked. Another Pravda protest was reported by Moscow Radio on January 22 as expressing alarm about anti-Communist "repressions" in North Africa. "Tunisia is not the only state in which anti-Communist measures are being applied," it noted. "The Algerian Communist Party has recently been banned and earlier the Communist Parties in Egypt, Morocco and Iraq were made illegal." The same article, in passing, notes also that one of the Communist fronts in Iraq [the one less favored by the USSR] is allowed to operate and that "mass arrests" of Communists are being carried out in India.

The apparent reluctance to say anything which might really antagonize Ben Bella indicates that the USSR wishes to continue good relations with the present Algerian regime. The Pravda article could not resist, however, taking an implicit dig at those who were forced to sit out a large part of their exile during the war of independence in French prisons--of whom Ben Bella was one--by saying "Despite brutal terror and repression, leaders of the Algerian Communist Party remained on Algerian national territory during the entire course of the armed struggle." It is also possible that the Soviets are using this mild support to show their displeasure with the Algerian Communists for not participating, at the 1962 Czechoslovak Party Congress, in the general condemnation of Albania and of Chinese support for Albania.

The USSR does not always react to harsh treatment of local Communist Parties in this velvety manner. Sometimes it defends them, lightly, or offers condolences. Previous examples of Kremlin reaction to foreign government actions against local Communists, for example, are:

- a) In the Central Committee report to the 21st Congress of the CPSU on January 27, 1959, Khrushchev condemned attacks on local Communists in the Middle East, saying that "it is wrong to accuse the Communists of acting counter to the interests of the Arab peoples."

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- b) The statement of the Moscow Conference of 81 Communist Parties in December 1960 expressed "feelings of proletarian solidarity to those who are languishing in prison torture chambers, the glorious sons and daughters of the working class and the democrats of the United States, Spain, Portugal, Japan, West Germany, Greece, Iran, Pakistan, the UAR, Jordan, Iraq, Argentina, Paraguay, Dominican Republic, Mexico, Union of South Africa, Sudan, and other countries."

Communist Parties outside the Communist Bloc cannot count on CPSU support in their own struggles against suppression. For example, despite President Nasser's adamant stand against indigenous Communists, massive Soviet aid (military, economic, technical) has been pouring into the UAR for years and still it comes. The Communists in Iraq have their ups and downs; sometimes they appear to be leading Premier Qasim, sometimes not, but the Kremlin pursues its own ends, continuing military and economic aid regardless of the fortunes of the Iraqi Communists. And in Algeria Bloc aid is being sent to a government which has banned the local Communist organization.

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619 WH, a. Cuba Keeps Fomenting Rebellion in Western Hemisphere

BACKGROUND: On the very day that Khrushchev promised President Kennedy he would withdraw his missiles from Cuba, Havana's radio was urging the citizens of Venezuela to organize uprisings, revolts, insurrection and rebellion emulating Cuba's revolution. Since that time Cuba's open support of terrorist and subversive actions against constituted authority throughout Latin America has become more blatant and belligerent.

Spokesman Che Guevara. For example, there was the interview Cuba's guerrilla warfare specialist Ernesto "Che" Guevara gave to the London Daily Worker last December (see Press Comment, 11 and 17 December 1962; Time, 21 December 1962). The Communist paper bluepenciled Guevara's more bellicose statements--they didn't jibe with Moscow's "peace" propaganda--but Guevara's defiant and threatening views got wide attention in Latin America where there was already evidence that Cuba was busy trying to export revolution.

Guevara claimed: "The Cuban revolution has shown that in conditions of imperialist domination such as exist in Latin America, there is no solution but armed struggle. Cuba has shown that small guerrilla groups, well led and located at key points, can act as a catalyst of the masses, bringing them into mass struggle. We say that this can be done in a large number of Latin American countries."

In another statement suppressed by the Communist editors, Guevara said that international communism's "most effective form of help" in Latin America would be the "armed struggle already taking place in a number of Latin American countries." He singled out for special praise insurrection in Venezuela, Guatemala, Paraguay, Colombia, Nicaragua, and Peru.

Comprehensive Militant Program. In direct support of these views, Cuba has become a focal point for Hemisphere-wide development of the leadership, training, support, and stimulation of rebellion. Guevara's book on guerrilla warfare, Latin America's "bible" of rebellion, has been widely distributed; Havana's athletic meetings, student conferences, etc., attract the Hemisphere's youth and become the training ground for cadre to lead uprisings and conduct terrorist activities; propaganda and other support materials flow in a steady stream and there is recent evidence of arms, ammunition and other weapons being put into the pipeline of subversion in increasing volume. (See unclassified attachment)

Castro's Position. Premier Castro removed any possible doubt that Cuba is stimulating rebellious action throughout the Hemisphere in a speech delivered incongruously, at a Congress of Women of the Americas in Havana, 16 January 1963. "The masses must be taken to the battle," was his succinct declaration of war. "That is the duty of the leaders and the revolutionary organizations, to make the masses march, to launch the masses into battle." He hailed the examples of Algeria and South Vietnam, adding, "They have sent the masses into battle with correct methods, correct tactics, and they have brought the greatest amount of the masses into the battle."

Taking note of the fact that some "harebrained theoreticians" (Soviets?) claim Cuba had a "peaceful change from capitalism to socialism," Castro said "it was a combat transition." "We do not deny the possibility of peaceful transition, but we are still awaiting the first case," Castro added. "Let the revolutionary theoreticians preach revolution without fear."

"Objective conditions" for the type of insurrection Cuba advocates, Castro said, "exist in the majority of the Latin American countries," adding that the road to revolution "is much easier in many Latin American countries than it was in Cuba." Speaking directly to the women at the Congress he said that they, following the example of Cuban women, "must be revolutionary," in this way "defending peace." He described Cuba's equality and freedom for women, citing the women who paraded with Cuba's soldiers in the 2 January celebrations of the fourth anniversary of the Cuba regime.

Castro's view of "equality and freedom" may not be the example other Latinos will want their women to emulate because in Cuba women are not drafted for clerical, health, or social positions in the armed forces but as combat troops. "Grim-faced women marched down the broad avenue," the Christian Science Monitor reported 14 January 1963 (see Press Comment, 16 January), "burp guns hanging from their shoulders. They wore steel helmets, military pants tucked paratroop-style inside their combat boots." But this role for women obviously appeals to the Communist Party. As evidence, the US Communist paper, The Worker, in its 16 December 1962 issue, praised "a 62-year-old grandmother in militia uniform, a pistol at her side" who patrols the streets in one small Cuban town.

As a sop to the less militant-minded women attending the Congress of Women, Castro threw in a few references to health and welfare. Children's centers and central dining halls (reviving memories of the once widely hailed but now quietly abandoned communes of Red China) were cited as answers to the problem of "how to free the women from domestic slavery." Castro hailed Cuba's medical and nourishment programs for children. "Today, we can say that not a single child is crippled by poliomyelitis," Castro maintained, "every child is guaranteed a quart of milk daily," he boasted.

Factual reports do not support Castro's claims. A Cuban refugee report, for example, cites an article by a Communist physician which reveals widespread health problems in Cuba even claiming that Russian-made polio vaccine, far from eliminating the disease as Castro claimed, actually caused widespread sickness including permanent paralysis in some cases (see Press Comment, 16 January). Reports also maintain there are many cases of tainted milk. However, there may be some basis for Castro's claim as of 16 January that "every child is guaranteed a quart of milk daily," because in the ransom paid for the Bay of Pigs prisoners, thousands of pounds of powdered milk may be included.

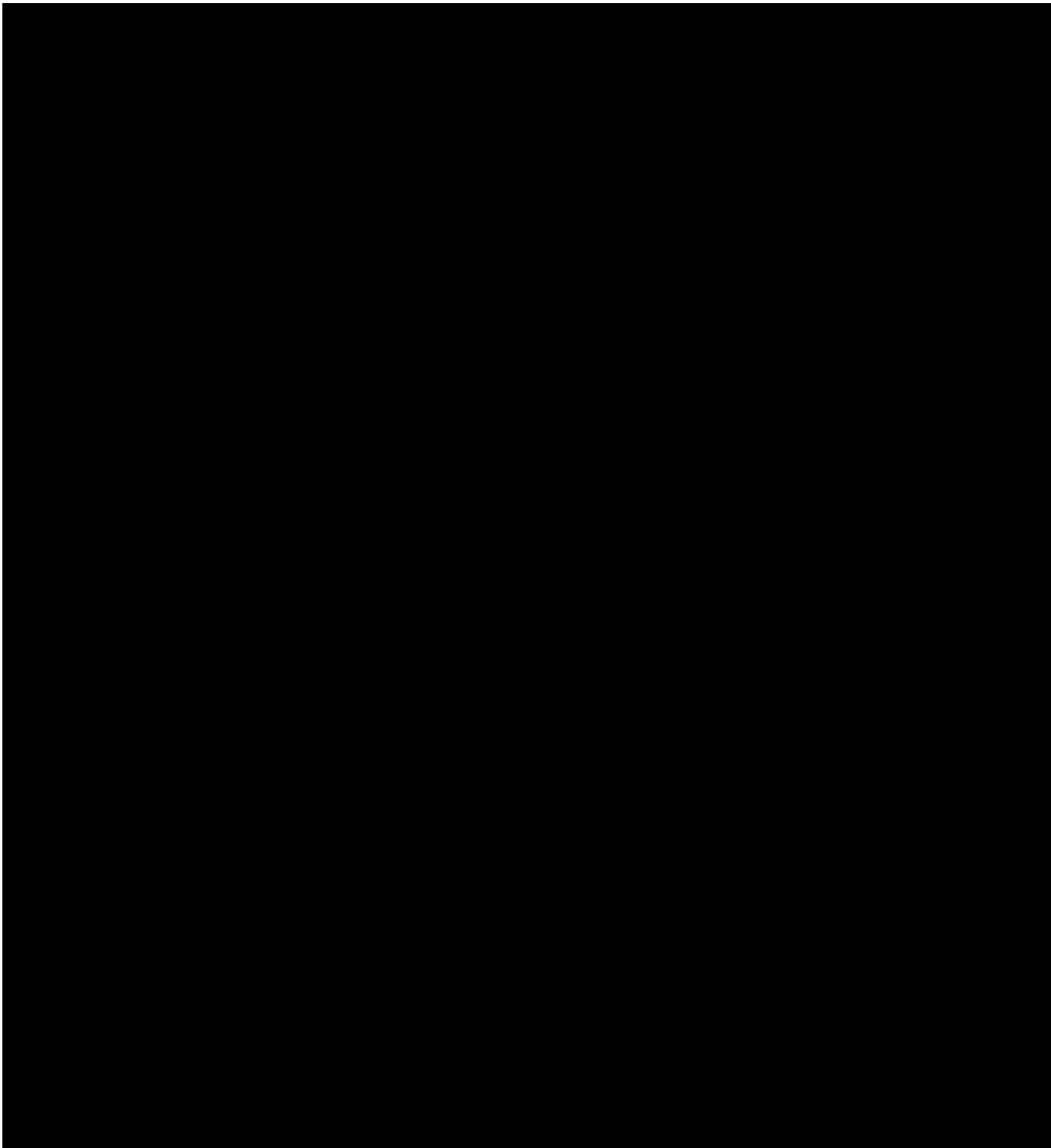
Castro also took note of the dispute within the socialist camp but affirmed, "We are not going to throw fuel on the fire of these disagreements." He urged unity but claimed, "We shall exercise our right to think for ourselves." He demonstrated adherence to the latter course not only in his slap at the "harebrained" and "long-distance theoreticians telling us what happened here without having ever come here," but also in his statements, "We do not believe in the words of Kennedy" and "the crisis of the Caribbean is not resolved . . . a war was avoided by peace was not won." All of these are

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direct rebuffs of Soviet policy and propaganda lines. Coupled with his avowal of export of revolution and encouraging rebellion throughout the Hemisphere-- themes more in keeping with the Chinese Communist position--they add up to a substantial slap in the face for the Soviets. He used this occasion to repeat his rejection of the Soviet's agreement for on-site inspection of offensive weapons, saying: "We did not consent to this, nor shall we consent to this."

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620 EE, WE, a. The Sixth East German Communist (SED) Party Congress:
International and National Aspects

BACKGROUND: Proceedings at the VIth Congress of the Socialist Unity (Communist) Party (SED) meeting in Berlin from 15-21 January 1963 fixed, among other developments, the position of three major issues in the Communist world, namely: the Sino-Soviet conflict; the Berlin problem; and Ulbricht's immediate future.

Sino-Soviet Conflict. At the closing session of the SED's 6th Congress, delegates cheered KHRUSHCHEV and Ulbricht as Communist China's principal delegate sat with bowed head. While it is not known precisely why Khrushchev chose to lead the Soviet delegation personally, it may have been his determination to ameliorate the acute differences with the Chicoms at the highest level, or to attach irrevocable blame for continued controversy in the Communist world upon the Chinese. The Congress was a natural meeting ground, permitting private exchanges among the participants without forcing either to risk an open rebuff to a special proposal for consultations. The Chicoms, however, did not take the opening to send a top ranking official; instead they sent Wu Hsiu-chuan, a Central Committee member who is not even in the large Presidium. Khrushchev, although speaking in firm terms supporting current Soviet policies, was moderate and left the door open for rapprochement. He said that

"Differences of opinion can arise...but...between communist and worker parties they are merely a temporary episode... one must not be guided by feelings. One must show patience..."

"If we have differences of opinion on certain matters, quarrel, immediately say that the socialist country whose leader does not agree with us on a certain point is not a socialist country, then we indulge in the crudest form of subjectivism...it does not benefit us to emulate the church fathers and to banish and outlaw anyone from socialism."

He insisted that the Albanians must "renounce their erroneous views" if they desired friendship with the fraternal parties, but he appealed to the Chicoms to postpone their proposals for a conference of Communist Parties, reasoning that

"there would clearly be little hope of settling present differences if such a conference were held right now... such a conference... would lead to an aggravation and would entail the danger of a split."

The Chicom response to Khrushchev's tactical appeal was an uncompromising charge that the

"fraternal party concerned" had not only failed to respond to overtures from his party, which considered the "opening of

an international conference essential, " but had followed a practice "which violates the principles guiding relations among fraternal countries and fraternal parties...with ever more vigor. "

Among other attacks Wu said with regard to Yugoslavia,

"The modern revisionists represented by the renegades to the working class, the Tito group of Yugoslavia, have surrendered to imperialist pressure, are willingly serving imperialism and are playing a role which the social-democratic parties are unable to play, that of undermining the international unity of the working class... "

The delegates' condemnation of Wu's speech was stormy; booing made it virtually impossible to hear many of his statements. The Congress chairman at the session, Paul Verner, had to rap for order many times and at one point called Wu out of order, rebuking him by saying

"We will not permit slanderous and provocative speeches to be made at this Congress against the Yugoslav League of Communists. "
(applause)

Khrushchev himself, while using careful language, and noting some ideological differences, called Yugoslavia a Socialist country, thereby formally sponsoring a country which had been excluded from the Communist camp for some 14 years.

Veljko Vlahovic, addressing the Congress on behalf of the Central Committee of the Yugoslav League of Communists, was warmly received in contrast to the antagonistic reception given the Chinese delegate. Avoiding areas of possible disagreement with the Soviets by limiting himself to broad statements, the Yugoslav delegate applauded the "reasonable steps taken by the Soviet government to remove the (Cuban) crisis, attacked "those who irresponsibly attach the label of fear and cowardice to this policy" and "who are orientated toward a new war, " supported total disarmament, and affirmed his Party's belief that "peace can be insured by the consistent application of the principles of peaceful coexistence... "

Khrushchev's treatment of problems faced by Communist Parties at different stages of building socialism was temperate. Explaining the Soviet line in the posture of an elder passing on the wisdom of years in something resembling a last will and testament, he reasoned

"one must not judge the character of the political order in one or another socialist country merely on the basis of the temporarily prevailing erroneous opinions of its leaders... "

"The countries of the socialist world system are now passing through different phases in the building of the new society. They are not alike in every respect... all this affords the possibility of tackling certain problems in varying ways. Even though this may not be an altogether agreeable aspect, it is a practical fact and one cannot disregard it."

He singled out the Italian Communists as approaching "the most burning problems of the day in an active and creative manner."

Soviet and Chinese intensive lobbying among the Asian, African and Latin American Parties confirmed their entrenched positions more firmly-- the Soviets offering scholarships, economic and technical aid, while the Chinese proffered advisers for more belligerent forms of revolution. But reports indicate that most Parties from underdeveloped countries resisted all overtures to make firm commitments to support either Moscow or Peking.

Berlin. In what was probably his mildest statement on this perennial subject, Khrushchev for once made no threats, gave no ultimatums, and made no new proposals on the Berlin question. He went out of his way to state that since the erection of the Berlin wall on 13 August 1961 the question of a German peace treaty had become less acute:

"If we now consider the question from the point of view of the direct interests of the socialist countries, the conclusion of a German peace treaty is indeed no longer the problem it was before protective measures were taken along the GDR and West Berlin frontiers."

He was more direct in his reference to the Berlin Wall in his talk to factory workers in East Berlin (he deliberately absented himself from the Congress to speak to the workers the day the Chinese delegate spoke), saying

"The imperialists wanted to swallow the GDR (Communist East Germany) and for that reason tried to make things economically difficult. The open border to West Berlin helped them. That was why the sealing of this frontier was a great victory for you."

While Khrushchev's statements on Berlin and a separate Bloc treaty with East Germany were cautious, there was no implication that he was accommodating the West. At the Congress Khrushchev cited the immense US military capabilities, noted that an atomic war could be disastrous for many countries including the US and the USSR, and specifically mentioned the Soviet Union's giant 100-megaton bomb, which he said they could dare to use only outside of Europe in view of its vast destructive strength. At Eisenhuettenstadt, he used his address to the East German workers to again stress the military might of the USSR, saying

"The American imperialists know that we withdrew 40 rockets from Cuba. But we have set up 80, probably even 120 rockets in other places."

Ulbricht. If Khrushchev headed the Soviet delegation to the SED Congress in an attempt to advance the unity of the Communist movement and reaffirm Soviet hegemony over it, he also went to give public support to Ulbricht, who was presiding over a partial reorganization of SED organs. Ulbricht, in his turn, gave full support to Khrushchev's positions. On the important Berlin problem, for example, Ulbricht said:

"... liquidation of the remnants of the war by peaceful settlement of the West Berlin question cannot be done in one step but must be brought about in several stages."

His opening attack on the Chinese Communists, while not mentioning them by name in his references to the basic dispute, was unmistakable. Quoting from the 1960 Conference (of the 81 Parties) on "avoiding war and maintaining peaceful coexistence," he said that those behind the Albanians had not adhered to it, and praised "the consistent Marxist-Leninist policy of Comrade Nikita Sergeyewich Khrushchev." (Applause) But he did attack China directly for its aggressive action in the Sino-Indian border conflict, saying

"Unfortunately, neither we nor other governments of socialist states were consulted or even informed about the tackling (sic, trns.) of the Indian-Chinese frontier conflict. We wish the Chinese comrades had adhered to the agreed policy of peaceful coexistence also in dealing with frontier questions with India."

On the domestic scene, significant personnel changes took place in the higher echelons of the SED, although Ulbricht's public position remained--for the time being--unimpaired. The changes, which seem to aim at increasing efficiency and bringing the SED's organizational structure closer to the current Soviet pattern, stress the Party's role in the field of economics, a sector long in need of improvement. These changes may also pave the way for Ulbricht's eventual departure. There was no sign of a softening of the regime's harsh economic policies, however, nor was de-Stalinization paid more than lip service by Ulbricht or his underlings. The seeds of future conflict on this score thus remain.

Khrushchev told the East German people that increased labor productivity was the only means of improving their living standard, thus supporting Ulbricht's new drive to squeeze more work out of the East German workers for the same pay. He also reproved SED critics of Ulbricht's agricultural program (thrown backwards by the enforced collectivization of 1960), saying that the East German regime had accomplished "the most difficult task"--the collectivization of agriculture.

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11 January 1963

USIA -- News Policy Note No. 2-63

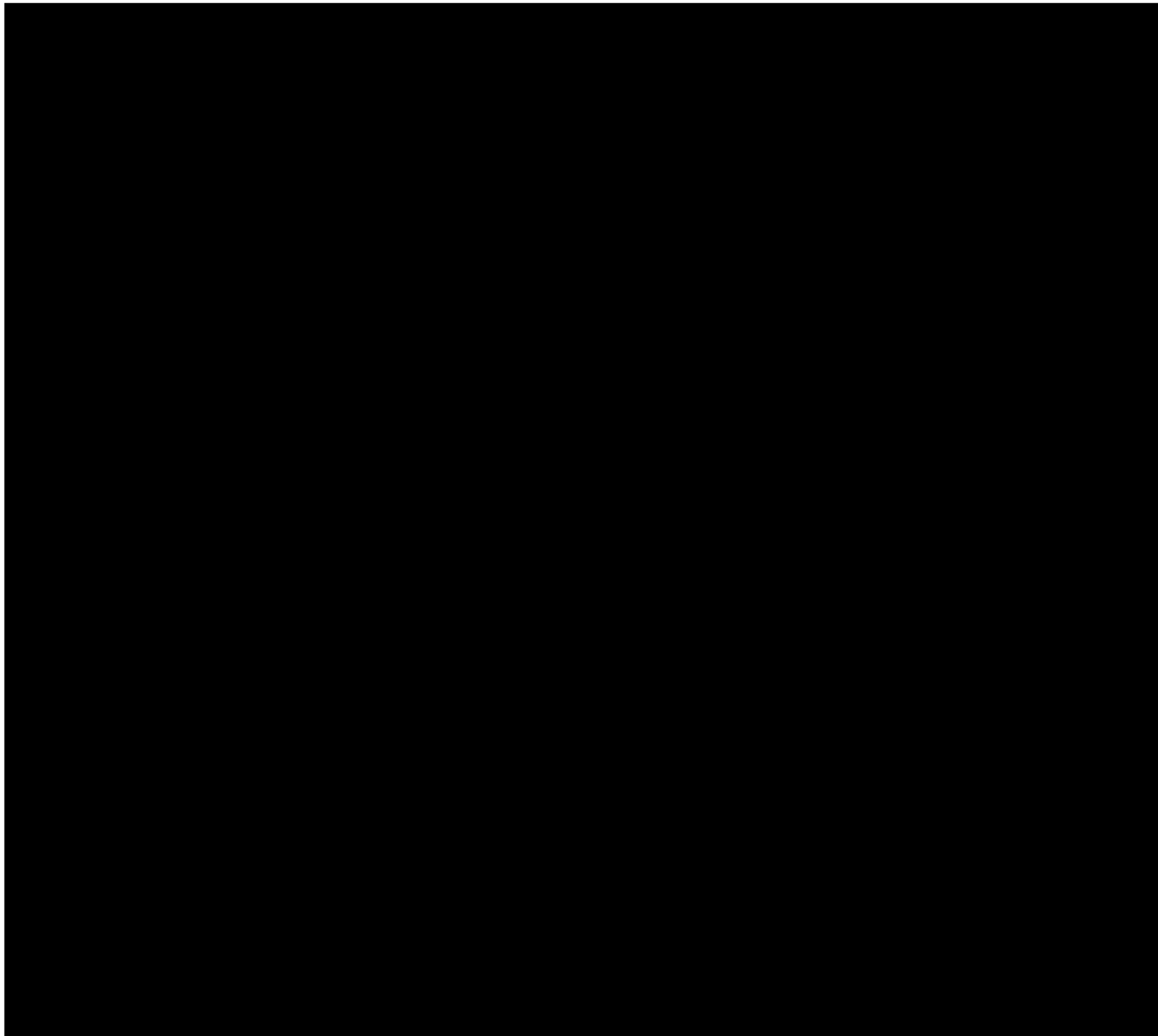
Cuban Crisis: Background and treatment summary

Post-missile Cuba

On January 7 the United States and the Soviet Union delivered a joint letter to U.N. Secretary General U Thant stating (1) that the two governments had not been able to resolve all problems in connection with the Cuban crisis, but (2) the degree of understanding reached between them was such that "it is not necessary for this item to occupy further the attention of the Security Council at this time."

With the end of the crisis which was first posed by the secret introduction of Soviet missiles and other offensive weapons, the Cuban situation continues as a hemispheric problem, and the OAS re-emerges as the principal multilateral forum for handling it.

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Tribune, London
28 December 1962

DEATH TO THE PEACEMONGERS!

LET US make 1963 the year of liberation. Comrades, we have suffered temporary setbacks in 1962 due to the machinations of Anglo-American imperialists and their lackeys Khrushchev, Tito and Nehru. But we must resolve to bury them (none of this bourgeois cremation) in the New Year and our revolutionary forces must bring freedom to all the people of the world except China and Albania which are the only two free countries.

The enemies of the Chinese revolution are spreading slanders by accusing it of being soft on Formosa, Hong Kong and Macao. But the bigger enemies must be tackled before we worry about these useful colonial outposts.

To achieve this, Chairman Mao and his wise advisers have made a plan which will surprise and defeat the enemy camp. It is all top secret. But it can be revealed that the first priority would be given to liberate Europe. Our British comrades will be glad to know that Calais is at last going to be restored to them and taken away from the decadent de

Gaulle and Thorez. In this glorious task of liberation we expect all our British comrades to do their duty and defend the most perfect and the most glorious revolution of China.

The injustice done to the great German people by those imperialist hyenas Churchill and Roosevelt must also be undone. Our beloved comrade, the Great Stalin, had meant to do this but the anti-Party group led by Khrushchev and his stooges frustrated him. Now the time has come to restore the frontiers of Germany, to give them living space just as we in China most humbly seek for ourselves.

Comrades, the war-monger Nehru with the support of his American masters perpetuated a crime against the great Portuguese people and their wonderful leader Salazar by capturing Goa for setting up a base against China. From now on we shall work tirelessly to liberate Goa and rejoin it with Portugal.

Some cowards are afraid of being blown to bits by the nuclear bombs. This is an anti-Marxist-Leninist view of history. We prefer not to live at all if we cannot live under the leadership of the Communist Party and its revolutionary programme. So do not let the revisionists confuse you. Our slogan should be "Better dead than not Red".

To educate the great British public, to create political atmosphere conducive to the permanent revolution about which our great comrade Trotsky talked, we must go forward to victory. We must demonstrate on all conceivable occasions. To do this we require banners and flags. And for this we must thank the Movement for China Friendship, the only genuine public movement in Britain, for keeping an inexhaustible and comprehensive supply of these tools of mass revolution suitable for all occasions.

Finally, comrades, the capitalists often interfere with our communications. To be sure of the ideas of our beloved leader Chairman Mao keep in constant touch with the Movement for China Friendship who can authoritatively expound the policies of our great revolution. Comrades, liberation is coming to you whether you like it or not. So why not accept it?

Long live the revolution! Long live Chairman Mao!

Yours fraternally,

CHOU-EN LAI

Tribune, London
4 January 1963

They were not amused...

Statement
by the Office of the Chargé d'Affaires
of the People's Republic of China

On December 28, 1962, *Tribune*, a British weekly, published a forged letter allegedly written by Chou En-lai, Premier of the People's Republic of China. The Office of the Chargé d'Affaires of the People's Republic of China in the United Kingdom hereby solemnly states that the above-said letter published in *Tribune* weekly is an out-and-out forgery aimed at smearing the policies of the People's Republic of China and defaming the leaders of the Chinese nation. The Office of the Chargé d'Affaires is deeply convinced that the mass of British people will distinguish truth from falsehood. Resorting to this act of forgery and a slanderous letter serves only to show how despicable and shameless these elements hostile to the People's Republic of China have degraded themselves.

December 31, 1962.

Total Soviet Economic Credits and Grants Extended
to Less-Developed Countries of the Free World^a
January 1, 1954 - June 30, 1962

<u>Area and Country</u>	<u>Millions of US Dollars</u>
<u>Total</u>	<u>3,560.1</u>
<u>Latin America</u>	<u>400.0</u>
Argentina	100.0
Cuba	300.0
<u>Middle East</u>	<u>876.9</u>
Iraq	182.5
Syrian Arab Republic	150.5
Turkey	9.6
United Arab Republic (Egypt)	508.6
Yemen	25.7
<u>Africa</u>	<u>433.7</u>
Ethiopia	101.8
Ghana	95.4
Guinea	71.1
Mali	55.4
Somali Republic	57.2
Sudan	25.0
Tunisia	27.8
<u>Asia</u>	<u>1,773.5</u>
Afghanistan	507.0
Burma	7.1
Cambodia	6.2
Ceylon	30.0
India	811.1
Indonesia	368.5
Nepal	10.4
Pakistan	33.2
<u>Europe</u>	<u>76.0</u>
Iceland	3.1
Yugoslavia	72.9 ^b

^{a.} Not including military credits and grants.

^{b.} Not including about \$281 million in credits that were extended in 1956 and subsequently either cancelled or allowed to expire.

MOUNTING CUBAN SUBVERSION IN LATIN AMERICA

Among Cuba's many targets in the Western Hemisphere, the Government of Venezuela has long been singled out for particularly vitriolic attacks. Propaganda and support for the "model" revolutionary zeal of Venezuela's Communists and Castro sympathizers have been combined with violence in Venezuela--the pattern of Cuban supported Communist subversion for all of Latin America.

Communists within Venezuela have not only welcomed aid from outside "fraternal comrades," but have sent letters to other Communist Party groups soliciting aid--one was published in the official organ of the US Communist Party, The Worker, on 10 April 1962. While we don't know how many Communist Parties responded, it is certain that Cuba did. In Cuba itself, for example, an Institute for Cuban-Venezuelan revolutionary solidarity was established in Havana in October 1962 and a "solidarity week" was observed; and leaders of Venezuela's Communist Party commute to Cuba for official encouragement, assistance, and propaganda support for subversive activities.

President Betancourt declared war on Cuban/Communist subversive elements on 16 October 1962. "Irrefutable testimony had been gathered that the agents of Khrushchev and Fidel Castro are responsible for the murder-from-behind of uniformed police and members of the armed forces," he said, as well as "fomenting and spurring on guerrillas and bandits."

Cubans Linked with Sabotage

On the very day Khrushchev was telling President Kennedy he would withdraw Soviet missiles from Cuba, Communists in Venezuela responded to a Cuban "call-to-arms" by successfully carrying out a sabotage mission against Venezuela's largest oil fields. They staged another oil field bombing 16 January. On 9 November 1962, Venezuela laid documentary evidence before the Organization of American States linking Cuba with the sabotage and denouncing inflammatory attacks and insurrection instructions being broadcast to Venezuelan Communists from a Cuban ship in nearby waters.

Cuban officials responded with effusive praise for Venezuela's rebellious acts. In a speech celebrating the fourth anniversary of the Cuban regime, Premier Fidel Castro declared:

"the Venezuelan people struggled and gave extraordinary evidence of revolutionary spirit, led by the glorious Communist Party of Venezuela and by the valiant militants of the leftist revolutionary movement. The imperialists were given evidence /sabotage of the oil fields/ of what revolutionary solidarity is, and active solidarity of revolutionaries who do not sit in their doorways to wait for the corpse of their enemy to pass by, of revolutionaries who understand that the duty of all revolutionaries is to create the revolution."

In his "call-to-rebellion" speech of 16 January, Castro repeated praise of the zeal of the Communist militants in Venezuela. He claimed that "the example of the heroic Venezuelan people is, for them (the "imperialists"), a horrible nightmare."

Slip Exposes Cuban Participation in Painting Robbery

The senseless defiance of authority and terrorism perpetrated by Cuban and Communist sympathizers which Castro praises is illustrated in Venezuela's recent "painting raid." On 16 January, a band of armed Venezuelan terrorists shouting Communist slogans rushed into an art museum in Caracas, herded a band of 400 school children into a corner, and escaped with five French impressionist paintings, part of an exhibit of "1,000 Years of French Painting" on loan to Venezuela from France. A young student who stood in front of one painting and declared, "I know who you are, and I'm against you!" was shot and seriously wounded by the terrorists.

In the course of the banditry, the terrorists claimed they wanted to show France "that the Communist Party is at war with the Venezuelan government." They said the paintings would be used "at a political meeting" and then returned unharmed. A manifesto circulated the following day by an

extreme-left group said the robbery was committed "in order to call the attention of national and international public opinion to what is happening in our country." The manifesto left no doubt as to the sympathies of the terrorists. It attacked the Venezuelan Government for its "anti-national and pro-imperialist" attitude toward Cuba and concluded by expressing support for the Cuban regime.

The Cuban regime inadvertently exposed its intimate knowledge of the art robbery. Venezuelan police recovered the paintings 19 January after a gun battle with the bandits who were in route to deliver the paintings, "pursuant to orders from our leaders," to a member of the Venezuelan Congress. However, two days later--on 21 January--Prensa Latina, the official Cuban news agency, released a story from Havana which stated, "When the famous paintings taken from the fine arts museum were returned through Senator Arturo Uslar Pietri . . ." But the terrorists had been intercepted by the police and did not return the paintings as planned. The Cuban propagandist obviously failed to get the final report and wrote his account from the original script. The Prensa Latina item reveals that Cuban officials had intimate details of the plans of the terrorists who stole the paintings, giving credence to the Venezuelan Government's other charges that the Communist-pro-Castro terrorists are acting under direct orders from the Cuban regime.

Robbing Banks Follows Stalin Example

In less-metropolitan areas of Venezuela, Communist terrorists are even bolder. For example, there have been numerous reports of groups armed with Czech sub-machineguns, attacking rural banks to get money to finance terrorist and subversive operations. They and their Cuban instructors proved thus faithful disciples of Stalin, who himself made a major contribution to the theory and techniques of "how to rob a bank for the Party." While various biographies disagree on minor details, they record his role in a June 1907 shoot-em-up raid on some bank messengers in Tiflis which netted the Party an estimated 250,000 to 350,000 rubles. Stalin's band of raiders was composed of men and women who used bombs to halt the bank messengers and their armed guards killing or wounding 10 to 50 people in the process. (Actual returns to the Party were small--the large denomination bills in the loot were numbered in series making them and the securities and bonds impossible to use inside Russia. An attempt to pass the monty in international markets led to arrests of several Party members including a future USSR Foreign Secretary, Maxim Litvinov.)

The constant contact between Cuba and Venezuelan terrorists is revealed further in a police report of 9 January on the arrest of four Communists as they were maintaining illegal radio contact with Cuba. The Venezuela Interior Ministry announced that messages to Cuba dealt with the progress of violence and politics in Venezuela. Havana's Prensa Latina dutifully reported the news that "a clandestine Communist radio transmitter" had been located but in contrast to its slip on the Venezuelan painting robbery, this item was carefully edited to insure no mention of the fact that the clandestine transmitter was used for communicating with Cuba.

Cuba's Targets Area-Wide

Cuban involvement in subversive activities in other countries has also been exposed. To cite but one other example:

Peru. A rising tide of Communist-directed violence in the interior of Peru has been reported in recent weeks. Several people have been killed and millions of dollars worth of damage inflicted. The tide was climaxed by the report of Peruvian Government officials on 7 January that a full-blown Communist plot to take over the country had been discovered. Mass assassinations of government, business and religious leaders coupled with attacks on defense establishments and coordinated assaults on major industries were part of the plot. Government Minister General Pagador Blondet told the press that reports of the plot reveal it was directed from Havana.

The Peruvian press charged that Cuba was making a special attempt to incite Peru's youth--many of whom are being invited to Cuba for expense-paid visits and training programs--to rebellion. As evidence, pamphlets addressed to high school students were cited. The pamphlets contain speeches by Fidel Castro encouraging rebellion and urging Peru's youth to arm themselves and act as guerrilla troops. In one of the pamphlets, according to La Tribune in Lima, Castro is quoted as saying, "the uprising of youth, in the style that is practiced in Peru is the luminous tomorrow."

Cuba's "Foreign Aid" for the "Needy"

Havana's radio transmitters constantly fill the airwaves with inflammatory appeals encouraging and fomenting insurrection throughout Latin America. Instructions and further agitation are carried on through wide distribution of Castro's guidance speeches describing how to be a good revolutionary, "Che" Guevara's "bible" on guerrilla warfare and other subversive and propaganda materials, some of which are distributed via diplomatic channels in those countries still maintaining relations with Cuba. Training for subversion, financial backing and arms and ammunition for rebellion, terrorism and sabotage are supplied to the "needy" as Cuba's special brand of "foreign aid" to Latin America. The tempo of Cuba's "aid" for revolution, as the cases given above indicate, is steadily increasing.