

SECRET

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

RECORD COPY



25X1C

April 1968

World-Wide Perspectives

1. *SOVIET PENETRATION OF SUDAN (AF,NE,EUR)*
2. *SOUTH VIETNAM: "OPERATION RECOVERY"*
3. *COMMUNIST FRONT ACTIVITIES -- FOCUS ON VIETNAM*
4. *ECONOMIC REFORM IN THE USSR AND EASTERN EUROPE (EUR,a,b)*
5. *SOURCES OF IRRITATION BETWEEN ARABS AND SOVIETS (AF,NE,EUR,g)*

25X1C

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

SECRET

25X1C10B

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

Next 3 Page(s) In Document Exempt

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

FOR BACKGROUND USE ONLY

Principal Developments in World Communist Affairs
(15 February-21 March)

1. Consultative Conference of Communist and Workers' Parties, Budapest

a. The world Communist movement has undergone a significant shrinkage. At the last international Communist conclave in Moscow in December 1960, 81 Parties were represented. At the recent Budapest Conference, 26 February-5 March, 64 Parties actually participated, and 3 others sent observers. The absentees were almost as significant as those attending, and included 6 of the 14 Communist parties in power throughout the world: those of China, Albania, Cuba, Yugoslavia, North Korea, and North Vietnam. Rumania's withdrawal on the fourth day left only 63 participants, and brought to 7 the number of absentee ruling Parties.

b. Although the Conference revealed Moscow's waning control over the world Communist movement as a whole, the Soviets nevertheless completely dominated the proceedings, and rammed through an agreement to hold another international Communist summit meeting in November-December 1968 in Moscow. A Preparatory Committee with headquarters in Budapest will be responsible for all arrangements for this Moscow conference.

c. The first three days of the meeting set the tone: first the USSR's Mikhail Suslov, then Poland's Zenon Kliszko, and then Erich Honecker of East Germany, hard-liners all, laid down a rigid line of obedience to the Communist movement in the grand old style, that is, fully subservient to Moscow. The soft words and kind promises that were made to woo recalcitrant parties to come to Budapest were ignored. The Soviets were set on having at the center of the Communist movement a clearly and tightly controlled core of parties under Moscow's domination, even at the price of further alienating parties which demand greater autonomy and equality between parties in the world movement.

d. The most dramatic event of the Budapest Conference was the departure of the Rumanians on the 4th day, following a bitter attack on them by the Syrian delegate, who was assumed to be speaking by proxy for the Soviets. The Rumanians had decided only at the last minute to participate in the Conference at all, and had agreed to attend only on condition that there be no criticism of fraternal parties at the meeting. They said they had come to the meeting in the hope of having a free exchange of views with the leaders of other Communist Parties, but had found this quite impossible. Instead they discovered that the main purpose of the Conference was simply to ratify what the Soviets had already determined to do anyway -- hold another international Communist conference later this year.

e. The Soviets, Poles and East Germans spoke constantly of the necessity for a "common" general line among the Communist parties of the world, and the need for a "basic document" spelling out Communist strategy. This is rightly understood to be a device by which the Soviets are attempting to regain as much control of the movement as possible.

f. Although the Soviet tactics at Budapest succeeded, there is good reason to doubt whether such parties as the Czech and especially the Italian, which also had attempted to avoid inter-party criticism and tried to conciliate the Rumanians, will remain as subservient to Moscow in the future.

2. Warsaw Pact Summit Meeting, Sofia

Immediately following the conclusion of the Budapest Consultative Conference, the members of the Warsaw Pact convened in Sofia on 6 and 7 March. The Rumanians attended, but conspicuously refused to sign a document supporting the Soviet-U.S. draft agreement on non-proliferation of nuclear weapons, which the other six Warsaw Pact members found acceptable and signed.

3. Czechoslovakia

a. The rapid trend towards liberalization in the Czech Party and Government further accelerated during the period, climaxing in the forced resignation of Antonin Novotny, Stalinist President of Czechoslovakia, on 21 March. He had already lost his power base as First Secretary of the Party in January -- despite personal intervention on his behalf by Leonid Brezhnev. Three of his top supporters, the Minister of Interior, the Prosecutor General and the Party's secretary for ideological matters had already been removed within the preceding three weeks. Another, Major General Jan Sejna, defected to the United States in February, and still another, a Deputy Minister of Defense, committed suicide on 14 March en route to an inquiry into the circumstances of Sejna's defection.

b. The entire political atmosphere in the country has changed drastically within the past three months, as evidenced everywhere. The group in the Ministry of Interior responsible for press censorship has requested that it be dissolved. The first president of the country, Thomas Masaryk, who has been almost an un-person for years, is again an officially recognized national figure. The new regime may also consider moving towards a more flexible foreign policy toward the West, including West Germany -- but the die-hard opposition of East Germany and Poland, (apparently backed by the Moscow leadership), expressed at the rapidly convoked conference with the Czech leaders in Dresden, indicates serious roadblocks, impeding swift progress in this direction.

c. Student militance is also growing rapidly in Czechoslovakia. New student associations, independent of the Communist Party student organizations, are springing up in the universities in Prague, Bratislava and in schools elsewhere. The new student organizations are supporting Dubcek, but this support is conditional on the performance of the regime, especially the types of programs it institutes and the way it treats educational and cultural matters. Intellectuals and journalists are wary, for conditions are reminiscent of those in Poland in 1956, when intellectuals and students believed in and supported Gomulks, only to watch him gradually resume the hard-line policies and totalitarian controls of his predecessors.

4. Poland

Resentment by students, professors and other intellectuals towards a repressive cultural policy boiled over into fierce demonstrations, riots and finally pitched battles in at least eight Polish cities. The trouble began when the government forced the closing in January of a production of a well-known 19th century play which concerned a period of Russian occupation of Poland. The audiences applauded too enthusiastically unfavorable references to the Russians in the play and so the government cracked down hard on the students, arresting many of them. But this only led to further trouble, including student boycotts of classes in leading universities. Then the government resorted to blatant anti-Semitism, blaming the student unrest on "Zionist agents." The absurdity of this is apparent when one considers that there are now only 20,000 to 30,000 Jews remaining in Poland of a pre-World War II Jewish population of more than 3,000,000.

5. Rumania

Although Rumania received more attention in the world press for having staged a walkout at the Budapest Consultative Conference, little notice was taken abroad of a significant internal shakeup of the apparatus of the Communist Party and the Rumanian Government in which as many as 10,000 persons have lost their jobs during the past two months as a result of administrative measures begun in January. The regime explained the firings and reorganizations with the need to achieve greater efficiency, but it is suspected that the real purpose was to give Ceausescu and his group complete control by removing old-time Party bosses who could have obstructed the programs of the present government. In contrast to liberalizing reforms in Czechoslovakia and elsewhere in Eastern Europe which have seen the Communist party relinquish some control, the Rumanian reforms actually have strengthened the party's grip. Ceausescu exercises a greater degree of personal power than any other East European leader (with the possible exception of Walter Ulbricht in East Germany). The Rumanian public has practically no access to news media not controlled by the government, and foreign journalists and diplomats are barred from any but the most formal relationships with Rumanians in official positions, however minor.

WASHINGTON POST
13 March 1968

Polish Reds Try to Avert Anger by Blaming Riots on Jews

By Victor Zora
Manchester Guardian

LONDON, March 12—Poland's Communist leaders are trying to turn aside the wrath of the people by accusing Jews of having instigated the rioting of the past few days.

Warsaw newspapers print the names of alleged Jewish instigators among the students and leading Communist Party officials are making speeches, reported in the papers, in which they try to lay the blame on Jews without putting it in so many words.

The government is evidently relying on the Polish tradition of anti-Semitism to discredit the political opposition which has matured among the young people of Poland — including Polish Jews—in recent years. This is a political trick that has often been used in Eastern Europe and Russia in the past, and has paid dividends in the form of pogroms led by government agents.

Few Jews Left

There are not many Jews left in Poland. According to some Jewish sources, they number only about 25,000.

An article in *Slow*, *Pow-szechna*, a pseudo-Catholic newspaper supported by the Party and used by it to undermine the Church, blames "Zionists" for the demonstrations, and gives the names of alleged Zionist

students and their fathers. The organizers of the demonstrations are said to have met in the Jewish Babel Club in Warsaw to plan their activities. It also claims that the instigators of the disturbances were being led by their "political blindness" to serve the "anti-Polish" policy of West Germany.

Since West Germany and neo-Nazism are virtually synonymous in Polish official propaganda, the Jews are in effect being accused of lack of patriotism and of collaboration with the neo-Nazis.

The chief Polish Party paper, *Trybuna Ludu*, has selected the names of the supposed instigators of the riots in such a way as to make it clear to the readers that they were Jews. It also identified one of the young men as an "activist" of the Babel Club and the son of a well-known editor—and few of its readers will need to be told that his father is the editor of Poland's only Yiddish paper.

Jewish Background

There is certainly a very real Jewish background to the affair. It is true that the offspring of prominent officials and former officials have played an outstanding role in the student and intellectual ferment in Poland, and that many of these officials were Jews. A considerable proportion of these Jewish Party leaders, who were among the most ferocious

Stalinists in the early years of the regime, have mellowed greatly since then, and some of them have tried to instill in their children some of the idealism that first brought them into the Communist Party.

The Jews have consequently found themselves largely on the liberal side of the Party, and the Party conservatives have therefore been able to use anti-Semitic arguments with which to beat the liberals.

The high point of this struggle was reached during and immediately after the war in the Middle East last spring, when Jews in the Party expressed their disapproval of official government support for the Arabs, and were described in a public speech by Communist Party First Secretary Wladyslaw Gomulka as Fifth Columnists. A number of Jews resigned from leading party positions. Others, such as the editor of *Trybuna Ludu*, were dismissed.

A vicious whispering campaign was started—under the direction of conservative elements in the Party, but with the encouragement of such "centralists" as Gomulka himself—to tar the Jews and the liberals with the same brush as "un-patriotic elements."

Students Back Liberals

The liberals fought back by denouncing the officially sponsored anti-Semitism and anti-liberalism. At Warsaw University, a battle of leaf-

lets developed, with anti-Semitic and anti-conservative broadsheets alternating on University notice boards. It is noteworthy that both the official youth organizations at the University, the Communist Party's "Socialist Youth Union" and the "Union of Rural Youth," passed formal resolutions of protest against the anti-Semitic campaign and associated themselves unmistakably with the liberal opposition.

The Party First Secretary of the Warsaw region has given the government's version of the affair, but in a way clearly calculated to arouse the masses against the Jews.

In his speech, published Tuesday in *Trybuna Ludu*, he said that the trouble-makers active in recent days have, "to divert attention from themselves, exploited the fact that some of the well-known organizers of the incidents were Polish citizens of Jewish origin."

Shorn of the camouflage, this means—and will be read by the public as meaning—that "the well-known organizers of the incidents were Polish citizens of Jewish origin."

But if the Jewish "trick" did not succeed, as the Secretary says, then the riots were presumably not organized by the Jews—or so a logical analysis of his speech would suggest. But the Party's fear of a rising has perhaps momentarily deprived it of logic.

WASHINGTON POST
20 March 1968

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

Poland to Let Its Jews Go to Israel

From News Dispatches

WARSAW, March 19—Communist Party leader Wladyslaw Gomulka, in his first public comment on the unrest which has swept the country, today invited Polish Jews who want to go to Israel to do so.

But he apparently sought to blunt a propaganda campaign which has blamed the disorders on Zionists, intellectuals and former Stalinists.

"It would be wrong to see in Zionism a danger to socialism in Poland," he said in a two-hour televised speech.

Moreover, he said, the nation's leadership would "take into account" the resolutions passed by the students who took part in the protests. "There are right and wrong points," he continued.

[From London, Victor Zorza of the Manchester Guardian reported that Gomulka had to put up with repeated interruptions from students scattered through the hall where he spoke. Zorza listened to the speech broadcast live on the radio.]

The disorders of which Gomulka spoke began at Warsaw University March 8. Students protested the expulsion of two colleagues who took part in a

demonstration against the closing by the government of "Dziady," a 19th century classic of the Polish theater. The riots, the worst Poland has seen in more than a decade, later spread to Krakow, Lodz, Poznan and other major cities.

The students have demanded that the local press tell their side of the story as well as the government's, that those arrested be released and that those expelled be readmitted to the University.

Gomulka asserted that the students had been "led down the crooked path by forces hostile to Socialism" in Poland and neighboring Communist countries, an apparent reference to the changes currently taking place in Czechoslovakia.

"These forces sowed the seeds of anarchy among students and trespassed against the law," he said.

Toward the end of his speech, he mentioned that there were a number of Polish Jews who wanted to help Israel in the war in the Middle East last June. Poland, the Soviet Union and their allies backed the Arabs.

"This category of Jews sooner or later will leave our country," Gomulka said. "The frontiers of Poland are open to everybody. For those who think Israel is their country, we are ready to issue them emigre passports."

Except for a trickle of unofficial emigres, Poland has not permitted its citizens to move to Israel since the late 1950s.

Gomulka is the First Secretary of the Polish United Workers Party, as the Communist Party is known here.

As such, he is the most powerful individual in the country.

Apart from those who want to help Israel, Gomulka said, there are two other categories of Jews in Poland.

One consists of Jews who consider themselves neither Poles nor Jews. "We don't blame them," the Party leader continued. "Nobody can impose national feelings." But he advised these people to avoid fields of work where "national affirmation is necessary." These areas would include the armed forces, the government and the press.

The second category, Gomulka explained, is made up of Jews who regard Poland as their homeland and place its interests above all others. In a warm tribute to these Jews, Gomulka said many of them had held important positions and that their services were appreciated.

Before World War II, the Jewish community in Poland was an estimated 3.5 million persons. Jewish sources estimate that there are now only about 30,000 Jews in the country.

Concerning the ultimate cause of the riots, the closing of "Dziady," Gomulka gave this explanation:

"We could not allow it to become a springboard for anti-Russian attacks."

The play, written by Adam Mickiewicz, is highly critical of Czarist rule in the days when much of Poland was occupied by Russia. Every Polish schoolchild reads it.

Gomulka said the production closed earlier this year could not be tolerated because of the enthusiastic response which greeted such lines as: "All Moscow sends us is spies, jackasses and fools."

Commenting on Catholic liberal writer Stefan Kisielewski's description of the Polish government as "a scandalous dictatorship of blockheads,"

Gomulka said: "Only the 'blockheads' saw . . . that friendship with the Soviet Union is the only way."

Gomulka said 1208 persons had been arrested in the recent demonstrations, including 367 students.

From London, Victor Zorza of the Manchester Guardian filed the following:

Gomulka had to fight waves of ironic cheering as he read his speech. Four times he was obliged to ask his audience to be quiet.

This was the first time in my experience that the leader of a Communist country had to put up with this kind

of behavior from what had originally been announced as a meeting of "activists"—although it is quite clear that the "activists" were different from what the organizers of the proceedings intended.

The "opposition" appeared well organized. There was no hint of trouble until the meeting got well under way, by which time the students had distributed themselves among the many thousands of people in the hall and could not, therefore, be reached by the police without greatly disturbing the occasion.

The first indication that something was amiss came when the audience began shouting "Sto lat"—"long life"—an ancient and amiable Polish way of indicating regard for a celebrity in the most inappropriate places in the speech.

NEW YORK TIMES
18 March 1968

Poland Intensifies Drive on Zionists, Blamed for Unrest

By JONATHAN RANDAL

Special to The New York Times

WARSAW, March 17—Mass rallies calling for the "punishment of the organizers of the Zionist campaign" are being held at every level in the countryside. Trybunu Ludu, the Communist newspaper, said today.

"We demand that the guilty be exposed and that party and state posts be purged of persons not worthy of the Polish people's trust," read resolutions quoted by the newspaper.

No disturbances were reported today. But a source said he saw the police use dogs and a water gun to disperse a rush-hour crowd of several thousand students and adults in Katowice Friday afternoon.

Several hundred helmeted policemen blocked off the square and its main access streets and started beating people with sticks, the witness said. Demonstrators and bystanders sought refuge in nearby office buildings and a department store, he added.

Party Chief's Warning

The demonstration in Katowice, the first reported in the Silesian industrial city since student unrest began nine days ago at Warsaw University, took

place the day after Edward Giersek, the local party chief, vowed that he would "break the bones" of any trouble-makers.

Other reports reaching Warsaw confirmed rumors that security forces had entered the grounds of the Jagiellonian University in Cracow last Wednesday in violation of traditional extraterritoriality accorded Polish institutions of higher learning.

Witnesses said the police had also used truncheons Friday to break up a meeting in student dormitories in Cracow.

television continued to charge that the demonstrations had been organized by Zionists, il-

leged ringleaders cited by the party and the press are Jews.

Trybunu Ludu devoted more than a half page to a profile of Stefan Staszewski, a Jew and an important party official in the Stalinist era. He has been accused of seeking to use the unrest to return to power.

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

SOUTH CHINA MORNING POST, China
11 March 1968

Fears of sabotage in Canton over Spring Export Fair

There is an air of uneasiness in Canton, and the authorities fear that the coming Spring Export Commodities Fair may be sabotaged by anti-Maoist elements, an arrival from Kwangtung said yesterday.

The arrival, a local businessman dealing in herbs, said: "The authorities are taking every precaution to prevent trouble."

The People's Liberation Army had intensified their searches, and had been told to "get tough" with any rebel elements.

"Sudden searches would often be made on suspected rebel hide-outs in the city," said the arrival, who stayed a week in Canton.

Other arrivals from China said stevedores at various ports had recently voiced dissatisfaction over a cut in their wages from JMP120 to JMP70 a month.

One arrival, who refused to be identified, had recently toured China extensively. He said that at the port of Dairen, two vessels had waited more than two months to work cargo, and a third vessel was held up for a month.

He said that in recent weeks, children swarmed to Whampoa, the port for Canton, to beg for cigarettes from the visiting crew members of vessels.

The arrival said that there had been a shortage of cigarettes in many parts of China, because

many of the cigarette factories had closed down during the cultural revolution.

One of the reasons for the closure was lack of transport to deliver tobacco to the factories.

The arrival also said that the Chinese Government had recently imposed rationing for civilians in some of the ports in China.

They were only allowed one metre of cloth and a pair of shoes a year, 24 kilogrammes of rice a month for adults and 13 kilogrammes per month for children. Each person was also allowed only half a kilogramme of peanut oil a month.

According to the arrival, each person was permitted to spend a maximum of JMP24 on food.

Stormed

The pro-Maoist "Autumn Harvest Uprising Red Guards General Headquarters" in Canton was stormed and burned down in a bid to sabotage the materialisation of the recently established revolutionary committees there.

This was reported in a special bulletin on the incident put out by the Political Department of the Canton Physical Culture Institute.

The bulletin said that a "handful of fascist gangsters" of the Red Flag group of the Provincial Revolutionary Rebel Joint Committee with other supporters of the disgraced former First Secretary of the Central South Bureau, Mr Tao Chu, led more than 20,000 people in the attack.

It said that the attack lasted nine hours and that the building burned for seven hours while the "hood-winked masses" went on a looting spree.

Apparently some people were killed during the attack for the bulletin said it was hoped that the misguided people would expose the "ringleaders who are guilty of arson, murder and looting."

25X1C10B

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

FOR BACKGROUND USE ONLY

April 1968

Soviet Penetration of Sudan

The Soviet pattern of obtaining footholds in Africa by supplying armaments to developing countries unfriendly to the West began in Egypt in 1955 and spread rapidly thereafter to Algeria, Guinea, Mali, Congo (Brazzaville) and Ghana. Recently, taking advantage of the anti-Western sentiment generated by the Arab-Israeli conflict in June 1967, the Soviets have stepped up their subversive activities in Sudan. The military aid agreements between Sudan and Soviet Bloc countries signed in late January of this year were the culmination of a series of attempts by the Communists over the last four years to gain a base in African territory with easy access to the heart of Africa -- i.e., Congo (Kinshasa).

EDUCATIONAL, SOCIAL AND ECONOMIC TIES

Well aware that the training of Sudanese students in Communist countries provides the most effective long-range returns for themselves, the Soviet Bloc has been offering scholarships and other inducements to the Sudanese for several years. With the exception of a group of Sudanese students who returned from Bulgaria in a huff in 1964 because of an excess of Communist indoctrination in their study courses, the training of Sudanese in Bloc countries has generally been well received, although not -- until recently -- held in as much esteem as that at Western universities. Many returnees from the Communist countries have worked with the Sudanese Communist Party (SCP) and nearly all provide a growing base upon which the SCP, the largest Communist party in Africa, can rely in the future.

In November 1967 an agreement was concluded between Leningrad University and Khartoum University which provides for the exchange of scientists and teachers and of publications. Khartoum University graduates are now able to enroll as post-graduate students at Leningrad University. In January 1968 a protocol was signed in Khartoum providing that diplomas granted to Sudanese graduates of Soviet institutes and universities are considered equivalent to Sudanese bachelors' and masters' diplomas. Also in November 1967, a program for cultural and scientific cooperation during 1968 was signed in Khartoum by the East German Deputy Foreign Minister and the Sudanese Minister of Education and Culture. The agreement between Sudan and East Germany provides for cooperation in the fields of higher education, culture and health. Reciprocal scholarships are offered, as well as exchanges of scientists and technicians and exchange visits of students, junior scientists and art groups.

An established Soviet device for gaining a propaganda base in an emerging nation, the so-called "friendship society" -- used so effectively by the Soviets in Nigeria -- is being used in Sudan. Through the auspices of the Sudanese-Soviet Friendship Society, a Russian language course was established at the Soviet Cultural Center in Khartoum, which

in January graduated 17 Sudanese from a two-year course. At the graduation ceremony the Sudanese Minister of Education stressed the need for "further extension of cultural, economic, and state relations between Sudan and the Soviet Union." The Soviet friendship society with its offers of training, scholarships and cultural exchange, has this extension of relations as its ostensible mission.

Another favorite Soviet technique for gaining entrée into a developing country -- the "humanitarian approach" -- was attempted as early as 1965 when the Soviets initiated a protocol calling for the construction of four hospitals and a drug-manufacturing concern in Sudan. This program fell through mainly because of Sudanese budgetary problems.

In the economic field, Sudan and Bulgaria signed an aid agreement on 7 March 1967 under which Sudan obtained a loan of \$16.8 million -- half to be used for the purchase of complete factories, including a tomato-processing plant and a flour mill, the other half for machinery and equipment for both state and private enterprises.

SOVIET PLANS FOR MILITARY BASES IN SUDAN

A clear objective of the Soviets in Sudan has been to obtain aircraft landing and refueling rights there, in order to complete their "air bridge" for passage of personnel and supplies to Congo (Kinshasa) and other centers of guerrilla activity. The Soviets have had air terminal rights in Khartoum since 1962 and Aeroflot has a weekly flight to Sudan. The Soviets have been negotiating with Sudan for onward-passage privileges without success. As a consequence, their transport planes are forced to bypass Khartoum and fly the longer route from Cairo to Dar es Salaam via Sanaa and Mogadiscio.

The Soviets have also long wanted a strategic air base in the Sudan, which is a relatively short flight from Yemen, where Soviet air support to the Republican forces has been a decisive factor in the failure of the Royalist forces to capture any major cities. On 18 December 1967 the Sudanese Government decided, under pressure from an Egyptian military delegation to Khartoum, to give the United Arab Republic (UAR) extraterritorial facilities at the Wadi Sa'idna airfield, about 15 kilometers north of Khartoum. This decision resulted in a confrontation between Prime Minister Muhammad Ahmad Mahjub and his senior military officers, who had not been consulted about the Egyptian proposal and were strongly opposed to it. Mahjub was forced to back down and the Egyptians departed without having effected an agreement. It appears that the Egyptians may have only been acting for the Soviets, who were using them as proxies to gain the airfield for their own military ends. Less than 48 hours after the rejection of the Egyptian request, the Soviet Ambassador in Khartoum notified the foreign office that the USSR was ready to receive a Sudanese delegation in Moscow to discuss an arms agreement. The Soviets, who had been stalling for more than three months on a Sudanese request for military

aid, were evidently influenced in their decision to move ahead by the Sudanese rejection of the Egyptian request.

The Soviets have an equal interest in obtaining a naval base in the Red Sea. In early January 1968 a Soviet mission composed of specialists in harbor installations visited Khartoum to discuss a project for enlarging the Port Sudan harbor, with the apparent intention of developing facilities for Soviet maritime commerce with Africa following the closing of the Suez Canal. The proposal was rejected by the Sudanese cabinet, but it can be expected that the Soviets will not relinquish this objective.

SOVIET-SUDANESE ARMS AGREEMENT

On 24 January, Sudan signed a military aid agreement with the USSR -- Sudan's first such agreement with the Soviets -- which culminated negotiations begun in July 1967. The Soviets and the Czechs began discussing arms aid with the Sudanese shortly after the Arab-Israeli war but reached no conclusive agreement for six months, probably as a result of uncertainty on both sides. The Sudanese Army elements were reluctant to permit Soviet technicians to come to the Sudan. Moscow, on the other hand, was watching the unstable political situation in Khartoum to see which way the tide would turn -- in favor of the radical, anti-Western elements of the newly-formed Democratic Union Party (DUP), formed by the December merger of the pro-Egyptian People's Democratic Party (PDP) and President Ismail al-Azhari's National Unionist Party (NUP), or toward the opposition group led by the pro-Western wing of the Umma Party under former Prime Minister Sadiq al-Mahdi. With the growing strength of Sadiq's opponents -- which included the conservative wing of his own Umma Party -- the Soviets evidently decided that the time was ripe for an arms deal. Sudanese Minister of Defense Adam Musa Madibu announced on 13 February, after a month-long trip to Europe, that he had concluded agreements in Moscow, Belgrade, and Sofia under which Sudan would receive military aid valued at \$86 million, including aircraft, weapons, and training (both in the USSR and Sudan). The Yugoslavs would provide naval equipment, and the Bulgarians would provide technical assistance. A few days later, Madibu stated that the arms agreement was to take effect two months from the date of signing (24 January) and that Soviet experts would soon arrive in Sudan to study and remove the difficulties involved in the change-over from Western to Communist armament. He added that the aid agreements would include sending a number of Sudanese officers to Soviet military academies for training in the use of modern aircraft and armored weapons. He said that the agreement with Yugoslavia concerns the development of the Sudanese navy so that Sudan can defend its independence and its territorial waters. He concluded with the claim that Sudan's purchase of arms from the Eastern bloc does not mean that Sudan has decided to side with one of the international camps -- it will still maintain its unaligned policy. But "it is now clear to us that only the socialist countries are ready to assist us in this field."

In general, the Sudanese military elements seem pleased with the arms deal, although many of them remain opposed to the anticipated influx of Soviet technicians and trainers onto Sudanese soil and fear the threat of Soviet political pressures that could be applied in the future through the withholding of spare parts and ammunition. The administration's prestige has been increased among the younger officer corps, whose morale has been raised by the possibility of acquiring modern weapons and by the proposed training in modern warfare techniques. On the other hand, the Soviets, in their efforts to increase their influence in the military, may run into difficulties with the moderate elements in the Sudanese Army, who will be reluctant to relinquish their ties with the West, including the considerable amount of time they have invested in training with western weapons.

Political Confusion in Sudan Increases as Opposition

By LAWRENCE FELLOWS

Special to The New York Times

KHARTOUM, the Sudan, Feb. 14—The Sudan is deep in political confusion, with two premiers, parliament and no easy way in sight to get out of the situation.

Since Feb. 7, when Premier Mohammed Ahmed Mahgoub dissolved the Constituent Assembly, troops have been dug in around Government buildings and vital installations in Khartoum.

Even the army is uncertain about its loyalties. The Chief of Staff has denied reports that a group of young officers is plotting its own course out of the crisis. The Commander in Chief has asked the High Court to decide whether the army can continue to accept orders from Mr. Mahgoub's government if the court accepts the opposition's contention that he dissolved the assembly illegally.

The Sudan has tumbled into the crisis over a familiar course—a bitter quarrel within the powerful Mahdi family, to which the Ansar sect of Moslems looks for religious and political leadership.

Independent for 12 Years

The crisis came at the worst possible time—just when the assembly seemed about to reach a compromise on a constitution, which has eluded this vast country, the biggest in Africa, in the 12 years since it seized independence from the British.

The Sudan, with only 13 million people in an area of nearly a million square miles, is a classic example of a country created by a colonial power in a tract of Africa where no nation existed. It stretches from the sun-baked Nubian and Libyan Deserts south to the steamy swamps and dense forests of the upper Nile. Its people are of different origins, different races, different religions, different languages, different ways of life—some of them so primitive that they wear nothing and live by hunting rats and crocodiles.

The Sudan is beset by separatist movements, but none more serious than a rebellion that has sputtered among Christians and pagans in the Nilotic, Negroid south and kept it isolated from the Arabic, Moslem north. This rebellion threatens the in-

tegrity of the country and might just possibly have been put gradually to rest by the federal constitution the assembly had prepared.

But now in the old capital of Omdurman, across the confluence of the Blue and White Niles, policemen and troops stand by with tear gas and other riot weapons.

About 5,000 Ansars have come into the city from the western provinces of Darfur and Kordofan and they mill about, their long white gowns and loosely wrapped turbans flapping in the hot wind blowing in from the desert.

A Fanatically Religious Group

These are fanatically religious Moslems, fanatically loyal to Sayed Sadik el-Mahdi, the great-grandson of the Mahdi's who led the forces that killed Gen. Charles Gordon in Khartoum in 1885, four years before British rule was set up. The Sudan became independent in 1956.

The day after the assembly was dissolved, Mr. Sadik's allies tried to get in the chamber and found the doors bolted. They held their meeting on the lawn outside. Under the banyan trees, they elected Mr. Sadik Premier.

Last Friday night, several hundred Ansars, after a rather sober explanation of the situation by Mr. Sadik, swirled through the streets of the capital shouting "Down with Mahgoub!" But the police tactfully steered them away from the center of the city until the force of the demonstration was spent.

The threat was not merely that Ansars loyal to Mr. Sadik might go on a rampage, but also that they might clash with Ansars loyal to Mr. Sadik's uncle, Imam el-Hadi el-Mahdi, religious leader of another sect, who has whittled away at his nephew's following and has

forced him to show his hand against the Government earlier than he would perhaps have liked.

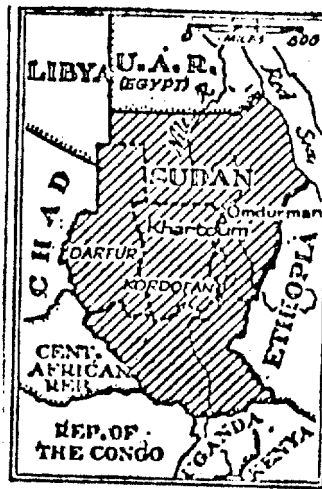
Last May, when Mr. Sadik was Premier, it was his uncle who persuaded the more conservative forces in their Umma party to join with the National Unionists in order to overthrow Mr. Sadik and return Mr. Mahgoub to the Premiership.

Elects Rival Premier

Mr. Sadik won support in the Assembly from members who, for various reasons, were just as loathe as he to face the almost certain disaster of elections. He introduced a motion of no confidence in the Government of Premier Mahgoub. Mr. Sadik was certain of toppling Mr. Mahgoub and winning the Premiership and could have prolonged the life of the assembly beyond Feb. 20.

the date of its scheduled dissolution. It might have given him time to reconstruct his position in the Ansar sect.

A vote on the no confidence motion was due on Thursday, but on Wednesday 90 members of the Assembly resigned in a last-ditch effort to block Mr. Sadik. With that, Mr. Mahgoub dissolved the body and ordered that elections be held by April 26.



The New York Times Feb. 18, 1968

AL-ITTIHAD, Beirut
31 January 1968

Soviet Practices in Sudan

The pattern of Soviet infiltration of the Sudan is beginning to evolve. Soviet use of the UAR as a front to disguise Soviet actions is rapidly being unmasked. It is becoming obvious that the Soviets and not the UAR engineered the merger of UAR-financed and directed Peoples Democratic Party with the National Unionist Party to form a new stronger radical party -- Democratic Unionist Party (DUP). Although the merger appeared as another step in the UAR's dream of a unified Nile Valley under UAR control, it is becoming apparent that the merger is a step in the realization of Moscow's dream to gain a firm foothold in the "Bridge of Africa".

Shortly after the merger was announced, the Sudanese press disclosed an agreement made between President Nasser and President Mahjub of Sudan to give the UAR the exclusive use of the military airfield at Wadi Sa'idna, about 15 kilometers north of Khartoum. This arrangement, to place UAR jets in a position to hold Khartoum as hostage, had not been revealed to the Sudanese military commanders, who only learned of the agreement after the arrival of a UAR military mission to implement the terms of the agreement. A popular outcry, led by patriotic Sudanese, thwarted UAR's efforts to obtain a strategic air base in Sudan. With this failure, the Soviet's plan to use the UAR as its stooge, the Soviets were forced to expose their true intentions.

By rejecting the UAR effort to move into Wadi Sa'idna, the Sudanese people unknowingly were rejecting a Soviet bid to sneak in, just as they did by outlawing the Soviet-lackey Sudanese Communist Party and had earlier knowingly rejected the Soviet attempt to take over Sudan.

Although the move into Wadi-Sa'idna was rejected, the Soviets feel that this is only a temporary setback which will soon be reversed. They are definitely on the move in the Sudan, which is a high priority target for them. They have found a vehicle to attain their objectives -- the new DUP.

Acting through the UAR, the Soviets were able to organize and finance this new party and with their money and loyal agents, to use DUP as a vehicle for making Sudan a Soviet base for subversion in neighboring states.

For seven months the Soviets had been dangling a possibility of their supplying weapons to the Sudan without taking positive steps to implement the arms deal. Obviously, the Soviets were not willing to make arms deliveries to a country whose government might turn against them but once the new DUP, a Soviet creation, was formed and gave some promise of maintaining power, the Soviets pushed for completion of the arms deal, with delivery promised in the near future. The arms deal thus assists the Soviets in two ways, by giving them a substantial position in future Sudanese military activities while, at the same time, adding to the lustre and prestige of the DUP. Thus the Soviets will eventually gain access to Wadi Sa'idna military airfield. In the secure confines of this airfield, far from commercial air traffic the Soviets will be able to infiltrate thousands of military advisors and technicians, as well as political subversion agents, thus gaining a controlling position in the future of the Sudan and a base of the subversion of neighboring states.

25X1C10B

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

Next 1 Page(s) In Document Exempt

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

FOR BACKGROUND USE ONLY

April 1968

South Vietnam's Government and People
Work at "Operation Recovery"

On 3 February 1968 the Government of South Vietnam went into action to restore order and security to the land and to help the victims of the Communist Tet truce onslaught which continued for three days thereafter. The Government began to mobilize by establishing a Central Assistance Committee (also known as the Central Committee, the National Recovery Committee, and the Recovery Coordination Group) to coordinate the work of all civil and military agencies involved in restoring South Vietnam to normalcy. By 13 February, 125 refugee centers had been put into operation in Saigon. Enough rice and pork had been brought in to provide suffering families with supplies sufficient for five days and trucks loaded with rice were placed throughout the city to serve as mobile grocery stores. By the end of the first week these makeshift stores were selling over 300,000 pounds of rice daily, -- enough to forestall hoarding and black marketing of food. A blood donation program was started by the Ministry of Health and, after overall requirements were tabulated, requests were cabled to the capitals of the free world for supplemental contributions. Also by 13 February, the main post and telegraph offices were reopened, railroad workshops were back in operation, and coastal shipping to Danang, Nhatrang and Can Tho had been restored.

The Central Assistance Committee was allotted \$5,000,000 to begin to repair the scars left by enemy attacks. Architects were put to work mapping plans to rebuild the most heavily damaged cities, and aerial photographs have already been taken of each city to speed their work. In the Saigon area, plans include construction of a minimum of 10,000 housing units in the next eight months for 150,000 persons whose homes were destroyed. The new housing areas are being built with future as well as present critical needs in mind; durable building materials such as cement and steel are being sought by the Minister of Public Works and each area housing an anticipated 3-5,000 persons is to have schools and shops. For the immediate future, each refugee family has been promised 20 sheets of galvanized roofing, five bags of cement, and lumber, plus \$50 cash to rebuild and refurnish their homes. The first distribution of these construction materials and allowances was made on 4 March to 1500 families.

While fighting still continued on the outskirts of Saigon, some 2,500 Revolutionary Development (RD; often called "Pacification") workers were brought in from the National Training Center at Vung Tau to help collect garbage and assist at 73 emergency centers that had been hastily set up. They also manned the mobile grocery stores, gave first aid, helped process refugees and exposed suspect Viet Cong still hiding among the population. South Vietnamese people who came into contact with the RD workers were frequently impressed with the honesty and motivation of the group; as a result, in many instances people buying rice at RD distribution centers

identified Viet Cong suspects to the RD workers and then assisted in arresting those suspects.

President Thieu, Premier Loc and Vice President Ky have all been actively involved in the recovery program, have made TV appearances and radio talks, have regularly attended meetings of various official groups concerned with "Operation Recovery" and have made an unprecedented effort to keep the South Vietnamese people informed of government actions and plans for the future. The government has also moved to increase its armed forces by 65,000 men by 1 July and there are plans afoot to add an additional 65,000 troops during the last half of 1968. A nationwide Civil Defense movement has begun and all male civil servants, university professors and students 18 years or older must undergo military training. Present draft procedures are being reviewed in light of these new commitments.

President Thieu has taken strong steps to stamp out corruption; he has removed two mediocre generals commanding the II and IV Corps Areas; General Thang, the new IV Corps commander is a man of unquestioned ability and integrity; Thieu has also dismissed eight province chiefs (army officers are being trained to replace them); other dismissals are expected. In a recent broadcast to the nation, Premier Loc reminded listeners that during its first three months in office the government had brought to trial 32 military personnel and eight civilians on corruption charges. Three of these were sentenced to death and eight received prison terms. (See attachments 1-4 for additional details.)

The South Vietnamese People Respond to Crisis

There appears to be a growing awareness among the political elite of South Vietnam that they have a vital part to play in supporting their government and building their nation. The shock and horror of the Tet offensive solidified this awareness, and out of that shock seemed to grow some recognition that they must forget their chronic quarreling, bury their differences and unite in positive action in order to survive today and eventually to have the privilege of expressing their differences in the permissive atmosphere of a free society at peace.

The "Peoples' Congress to Save the Nation" is an example of this new cohesiveness. It was convened on 18 February when over 200 South Vietnamese political figures met to form a "nationalist anti-Communist front" and resolved "to stand together to defeat a common enemy." The opening speaker, Senator Tran Van Don, called for unity and decisive action, declaring: "no one can save us if we do not know how to save ourselves." The participants in that and subsequent meetings provided a remarkably diversified cross section of South Vietnam's political scene.

In Danang, Father Nguyen Quang Xuyen, Chancellor of the Danang Diocese of the Catholic church, organized a committee which included all significant Danang religious denominations. It was proposed that the committee

visit various civil and military hospitals, then refugee centers (including the Buddhist welfare center) and, finally, prison camps. The group has already cooperated in fund-raising efforts and the original collection drive for hospital relief netted generous contributions from the Catholics, the Protestants, the Cao Dai, and smaller sects. The Buddhists have tentatively accepted Father Xuyen's overtures to participate in this committee's activities. The group, which appears to have generated a remarkable desire for cooperation among Danang's diverse denominations, is known as the "Joint Religious Assistance Committee of Danang".

Another Catholic-inspired organization, which embraces non-Catholics as well, is a neighborhood self-defense organization in Saigon comprised of refugees from North Vietnam. Actually, these refugees live in 23 different communities in the Saigon area, each numbering 5,000 to 8,000 people and each under the guidance of a Roman Catholic priest. The purpose of each of these groups is not religious; their common interest is the protection of lives and property and the prevention of infiltration by the Viet Cong into their neighborhoods. The groups are organized into major functional sections varying in size and number in different areas and are responsible for such tasks as reporting the appearance of strangers in the neighborhood, keeping the people informed of general and crisis period news, giving first aid to the needy, maintaining order, fighting fires, and maintaining security within each neighborhood. Each neighborhood is enclosed by barbed wire and entry may be gained only at specific entry points; strangers are not permitted inside without an escort.

These groups were first formed spontaneously at the onset of the Tet attacks. As the disorder has diminished, they have been able to strengthen their organization by collecting funds to purchase fire fighting equipment, barbed wire, etc. and appear to have been very successful in preventing Viet Cong activity in their communities. The South Vietnamese Government has recently issued these groups some light weapons and the leaders are hopeful that more arms will be forthcoming from the Government as the self-defense groups prove their worth. Unfortunately, the groups' South Vietnamese neighbors have refused all overtures to join the self-defense units -- an example of the suspicion of neighbors, of members of different political parties and of religious denominations that has been eliminated in some quarters as a consequence of the Tet offensive. (See attachments 5 and 6.)

Many South Vietnamese civilians responded to the shock of the Tet attacks in their accustomed scattered groupings with no apparent awareness of the value of presenting a united front to the Viet Cong. They have, however, made a considerable contribution to "Operation Recovery" on a more traditionally individualistic basis. Various Buddhist organizations were quick to set up refugee centers and welfare organizations and to cooperate with the South Vietnamese Government in some of its relief activities. However, the full weight of the Buddhist hierarchy does not appear to be behind what has been accomplished to date. Labor unions have

involved themselves in relief and rehabilitation work with the Confederation of Vietnamese Workers (CVT) in the forefront. It took an immediate anti-Viet Cong stand when the attacks came (despite harsh disagreements with the South Vietnamese Government in January) and printed 10,000 copies of the CVT weekly tabloid repeating its anti-Viet Cong stand and calling for local unions throughout the country to join in a campaign to aid the suffering and the homeless. The CVT offered its headquarters and personnel for rice distribution, sent its President to attend the "Peoples' Congress to Save the Nation" and has cooperated with the Government in the identification of suspect Viet Cong agents following Tet. The CVT's coming forward to ask for arms to help defend Saigon, in fact, prompted the Government to take the first steps toward creation of a home guard, a task complicated by the problem of preventing the weapons from falling into Viet Cong hands.

A good percentage of Saigon's youth has been active in refugee and relief work, cleaning up trash and rubble, acting as guides and errand runners, even issuing several four-page tabloid-size "newspapers" featuring stories of brave deeds performed by South Vietnamese citizens under the stress of the Tet onslaught. The Government is supposed to direct and monitor work done by Saigon's youth, but it is believed that much of what they have done has been spontaneous and voluntary. SVN's youth has also been volunteering for service in the nations armed forces at a rate of five times greater than before Tet. (See attachment.)

Saigon University faculty members have denounced the Viet Cong in a formal declaration as have 93 Vietnamese intellectuals (in a rare show of unity) and the President of the Buddhist Institute, the Venerable Thich Thien Tuong.

Vietnamese Lower House Deputies participated in refugee work in three provinces near Saigon, helping private volunteer relief organizations until the local committees tied to the National Recovery Committee were activated in provinces. The Red Cross and local hospital staffs tackled the problems of feeding and sheltering the refugees and of providing adequate medical and sanitary facilities. They were assisted by village council members and Buddhist and Catholic laymen in a laudable exhibition of unity. These groups have continued to work together and with the Government -- well enough to force admission from foreign observers that the Government deserves considerable praise for its skill in mobilizing these disparate elements, possibly a sign of Tet-enforced maturity on all sides. (See attachment 7.)

Third Country Assistance for South Vietnam

In connection with the Tet offensive, the Government of South Vietnam issued an urgent appeal to the free world for emergency assistance to the refugees flooding South Vietnam anew. Many of the 37 nations which are already furnishing material support to SVN quickly came forward with offers of additional assistance. Twenty-three nations and organizations have

already responded to South Vietnam's plea. The Government of Thailand sent 39 boxes of cholera vaccine and four of typhoid vaccine, and has decided to send building supplies including 8,000 tons of cement and 500 tons of corrugated iron. The Thai Red Cross, in its turn, sent 200,000 doses of cholera vaccine and 100 bags of rice.

Great Britain announced on 9 February a grant of £250,000 emergency aid in addition to her earlier contribution of £414,000. The British grant was intended to meet urgent medical and sanitation needs of the refugees and other victims of the Tet attacks and to finance whatever personnel, equipment and supplies a British survey officer decides necessary for proposed mobile clinics in South Vietnam.

New Zealand's Prime Minister Holyoake announced on 28 February that his government would contribute food and other emergency supplies for the relief of refugees, specifically mentioning canned meat, fish and milk products. There is also a possibility -- how being explored -- that New Zealand will expand its surgical teams already serving in South Vietnam to include Public Health personnel. A private charitable organization in New Zealand, CORSO (Council of Relief Services Overseas), announced a contribution of NZ\$10,000 (US\$11,318) for relief work among refugees in the Saigon area. This contribution will be used, according to CORSO's national secretary, to purchase the necessary supplies in South Vietnam for distribution through Catholic relief services.

In late February, the Bonn Government chartered a ship to leave Germany between 8 and 11 March for Danang carrying a cargo of food, pharmaceuticals and corrugated sheet iron donated by the government. West Germany is also pursuing the possibility of purchasing milk powder, blankets, and hygienic articles worth about DM200,000 in Hong Kong for shipment either to Saigon or Danang. Germany has already sent an advance air shipment of six tons of pharmaceuticals (mainly vaccines, disinfectants and blood plasma). The Zambon Pharmaceutical Company of Milan, Italy, sent an air shipment of six cases of antibiotics worth two million lira. At the request of the Italian Foreign Minister, Alitalia carried the medicines without charge to Bangkok for transshipment to Vietnam.

The Canadian Government quickly approved an emergency aid package to Vietnam of C\$50,000 for four surgeons and four orthopedists for short term assignments under Red Cross auspices, C\$50,000 more to the Canadian Red Cross for drugs and medicine, and an additional C\$50,000 for housing material for emergency shelter for refugees.

The list of contributors is an impressive one (see attachments 8 and 11) and it is anticipated that more will follow. It seems logical to assume that if the South Vietnamese Government and people continue to work together to help themselves, much of the free world will continue to want to help those who are trying so hard to help themselves. The recent announcement that a group of newsmen from Saigon's hard-bitten press corps have organized a "Correspondents Refugee Relief Drive" to help victims of the Tet offensive cannot help but substantiate this assumption.

CHOSUM ILBO, Seoul
1 March 1968

Headline: South Vietnamese political circles active amid turmoil; Anti-Communist posture strengthened; Self-defense corps and national salvation front formed; people who were aloof in the past crave for stronger government leadership.

Saigon -- After the crisis of January 30, the South Vietnamese government is taking strong measures for the relief of refugees, undertaking the formation of a strong anti-Communist front, and the establishment of a civil defense system. Under martial law proclaimed in Saigon which is harassed by artillery fire every night and armored cars guarding the Independence Palace, political circles in South Vietnam are in a state of convulsion. The Tet offensive mounted by the Viet Cong revived in the minds of the South Vietnamese people fading memories of their past experiences and motivated them to discuss anticipated events of the future. Even Vietnamese people who have been regarding the war in their country as if it was another's affair now emphasize that the people should do away with the hackneyed thinking, "war in local areas and politics in Saigon."

An American official expressed his fear that the South Vietnamese government might plunge into a political vacuum but he added: "As the people are apprehensive of such a change and ardently desire strong government leadership, the government should show them that it can do something for them." At any rate, the government seems to have come to take an initiative by disclosing the heinous nature of the Communists to the people and imbuing them with strong anti-Communist sentiments. Such initiative on the part of the government prompted the organization of the civil self-defense units in which the South Vietnamese males at the age of 14 and above are required to undergo military training at Vung Tau to become defenders of regional security and workers for the national reconstruction. The government also gave informal permission for the organization of the National Salvation Front (national salvation council) on 19 February. It has been announced that the purpose of the national salvation front was to openly challenge the Communists. The front has drawn world attention by making unprecedentedly strong accusations against the Communists. Even more significant is its allegation that it is neither pro-Ky nor pro-Thieu. On hand at the front's inauguration ceremony were Senator and retired Army General Tran Van Don as a newly elected chairman of the standing committee of the front, former head of state Phan Khac Suu, former premier Tran Van Huong, leader of the VNQDD (Great Vietnam Party) Ha Thuc Ky, and Buddhist extremist leader Thien Min. Chairman Don said that he would obtain government approval for the front within two or three weeks.

SAIGON POST

(2)

19 February 1968

Reconstruction Plan In Saigon Underway

SAIGON, Feb. 18 (VP)— Director General for Reconstruction Le Van Lam Friday told VP that the reconstruction plan for An Quang, Su Van Hanh, Nguyen Thien Thuat, Phan Thanh Gian, Nguyen Van Thoai and Ly Thai To areas is underway and 12,000 housing units will be built in the first phase.

These were areas where government troops defeated the Vietcong during the battles which caused several big fires and destroyed hundreds of houses.

Mr. Lam said that most of the burnt houses were built of light material and in such a disorderly and hazardous way that when a fire began there were not enough large roads for the fire trucks to enter. Therefore, it is necessary to rebuild the houses in rows of one-story housing units, with hard material and in an orderly fashion.

Mr. Lam said that bulldozers have started to clear the rubble in the An Quang, Su Van Hanh, Nguyen Thien Thuat, Phan Thanh Gian, Nguyen Van Thoai and Ly Thai To areas and one contractor has already won the bid to rebuild three blocks

which will include 8,000 housing units. An ad hoc committee will be formed to decide who will get the houses. He added that the fire victims who get new houses will have to pay by installments with no money down.

Asked about what will be done with the houses which still stand in the burnt areas the Director General said that they will be preserved as they are.

Following are details about the reconstruction scheme given by Mr. Lam:

Each housing unit will consist of:

— One communal room which can be used as drawing room and bedroom 3.5 x 7 meters.

— One kitchen which can be used as dining room and bedroom 3.5 x 2.3 meters.

— One rest room, roughly 38 square meters

for each house.

Material to be used will consist of:

— concrete cement for columns and the story's floor,
— Fibro cement of aluminum plates for the roof.

— concrete blocks or earthen bricks for the walls.

Roughly the cost is VN\$ 255,000 for each house excluding expenses for the building of lanes, underground canals, public water and power supply. Only the main parts of the house building are included. The other parts such as covering the walls, painting, flooring and inside decoration will be left to the discretion of future owners.

Mr. Lam said that the plan is expected to take around 84,000 tons of cement, 15,000 tons of steel rods and 200,000 square meters of fibro-cement plates.

WASHINGTON POST
12 March 1968

(3)

8 Province Chiefs Replaced by Thieu

SAIGON, March 11—In a move to reduce corruption and inefficiency, President Nguyen Van Thieu today appointed new chiefs for eight of South Vietnam's 44 provinces, according to well-informed sources.

Among the officials replaced was Lt. Col. Phan Van Khoa, chief of Thuathien Province and mayor of Hue, which was overrun by Communist troops Jan. 31 and held by the enemy for three weeks.

By Nguyen Ngoc Rao
Special to The Washington Post

Thieu signed a presidential decree this afternoon dismissing Khoa and five other province chiefs and naming replacements for them and for one who had been killed in a helicopter crash and another who was wounded during the Communists' lunar new year offensive.

It was the first time the chief executive has personally named the men who head South Vietnam's provinces.

Previously, they have been selected by the commanders of the country's four military corps areas, and their primary allegiance was to the generals who appointed them.

U.S. officials welcomed the move. However, they warned that it is too early to tell how much effect the changes will have in the Saigon government's performance, even in the affected provinces. The government has yet to regain what it lost in the countryside during the Tet offensive, one

experienced source said, and it will take more than this to do so.

All of the country's 44 province chiefs and six mayors have been military officers, as are the men named today.

Under American prodding, Thieu earlier this month stripped the four corps commanders of their appointive powers and placed the mayors and province chiefs under direct control of the Saigon government.

American and South Vietnamese critics of the government long had complained that the corps commanders acted virtually as "warlords" in administering their areas.

No formal charges have been placed against the six province chiefs fired on suspi-

cion of corrupt practices of inefficiency, according to informed sources.

Khoa particularly had been criticized by American officials for hiding in civilian clothes for a week, when Communist troops seized Hue. They said it was more than three weeks before he began to get the machinery of government functioning in the former imperial capital, and that for more than two weeks he took no action to curb looting in the city.

Informed sources said Khoa is being replaced by Lt. Col. Le Van Than, previously attached to joint general staff headquarters here.

Provinces Listed

All of the province chiefs appointed by Thieu are army lieutenant colonels. In addition to Thuathien, provinces scheduled to get new chiefs

were reported to be Darlac, Binhthuan, Vinhlong, Angiang, Baxuyen, Tuyenduc and Quangduc.

The former head of Quangduc Province, Lt. Col. Nguyen Huu Man, died in the helicopter crash.

Four of the new appointments are in the II Corps area in the central part of South Vietnam, and three are in the IV Corps area in the Mekong Delta.

Both the II and IV Corps commanders were replaced recently by Thieu as part of his anti-corruption campaign. Maj. Gen. Lu Mong Lan has assumed command of II Corps and Maj. Gen. Nguyen Duc Thang has taken command of IV Corps.

Sources said Thieu shortly may replace more province chiefs.

WASHINGTON POST (4)
21 March 1968

'Thieu Warns on Abuses'

Tells Nation Of 135,000-Man Boost in Army

By Lee Lescaze
Washington Post Foreign Service

SAIGON, March 21

President Nguyen Van Thieu went on television tonight to tell South Vietnamese what the government is doing for them and what they will be asked to do for their country.

He also confirmed that he wants to increase South Vietnam's armed forces by 135,000 men and said that nearly 10,000 weapons have been issued to civilian self-defense groups since the Communists launched their Tet (lunar new year) offensive against the nation's cities.

But corruption was Thieu's main subject.

"Corruption is the major obstacle that hinders every improvement of the society and the progress of the nation," he said.

In a long warning to provincial authorities, Thieu promised that "severe punishment will be meted out in case of abuses."

"I know that some provincial authorities are not expeditious," the president said. Underlining his concern for prompt action by government officials, Thieu told the nation:

"The procedure for [reconstruction] authorizations should be achieved in one day or two, not in one week or ten days, with undue difficulties as pretexts for requests of bribes."

Thieu catalogued the relief commodities authorized by his government and told the people:

"I mention the various relief items to be distributed to the refugees in order for everybody to know what he is entitled to, and to avoid possible malpractices by mem-

bers of the organizations implementing this program."

Thieu's words go well beyond the traditional vague criticism of corrupt officials voiced by Saigon officials over administration of relief programs.

In several provinces, relief goods have not been being distributed as authorized. There are reports that Lt. Col. Phan Van Khoa was stealing up to 50 per cent of the rice sent to Hue until he was dismissed as province chief and mayor there last week.

Six province chiefs, including Khoa, have been cashiered since Tet and it has been disclosed that six more will be relieved soon.

Many observers are very encouraged by the shifts of command in the provinces. They point out that four of the men relieved last week and five of those reported as soon to go headed Mekong Delta provinces. Maj. Gen. Nguyen Duc Thang was named the Mekong Delta's corps com-

mander three weeks ago and is apparently being given the authority to clean house in the delta area.

Thieu said that South Vietnam's allies will provide more military and economic assistance, but that the government must first strengthen its armed forces.

Since Feb. 14, 38,000 19-year-olds have been given draft cards and 3282 of them have already been inducted, Thieu said. No one younger than 20 was drafted before Tet.

Thieu said that 40,000 18-year-olds will be drafted during May and June and that 11,525 reservists have rejoined the armed forces since the Communist attacks.

Another 8000 reservists will be called in the next phase of the buildup, Thieu said.

During the last two and a half months, he said, 26,588 men have been drafted and 21,962 have volunteered, more

than in any other period.

"The organization of self-defense groups among the civilian population has made great progress," Thieu said. "As of today, there are 493 units consisting of 69,543 members, and the number of weapons issued amounts to nearly 10,000."

He did not go into detail on the civil defense groups. In the northern provinces of Quangtri and Thuathien, reliable sources report that Catholic groups are being armed while Buddhists are not.

On the outskirts of Bienhoa, 15 miles from Saigon, at least one hamlet of Catholic refugees had weapons before the end of last month.

Thieu also announced that he will establish two new groups "to improve the efficiency of the governmental machinery." The new groups, called the National Planning

Council and the Committee for Administrative Reforms, will be responsible directly to the president.

They will greatly increase the powers of the president, giving Thieu a planning staff independent of the Cabinet and a committee with considerable control over South Vietnam's civil service.

Since his inauguration, critics have complained that Thieu and his Cabinet have moved too slowly. The president has replied that it is impossible to establish a new government without careful planning.

His television speech is the boldest step he has yet taken. It is a reflection, some observers believe, of Thieu's increasing confidence that he has secured his base of power and can move without leaving himself vulnerable to political opponents inside the government.

(5)

WASHINGTON POST
19 February 1968

Anti-Red Front Forms In Saigon

By Barry Kramer

SAIGON, Feb. 18 (AP)—More than 200 South Vietnamese politicians—many of them strongly opposed to the present government—met today to form an anti-Communist front.

An unusual aspect was that the meeting, organized by pro-government figures and government officials close to Vice President Nguyen Cao Ky, attracted politicians who as recently as a few months ago had vowed never to rest until Ky and President Nguyen Van Thieu had been removed from office.

The general theme of speakers at the "People's Congress for National Salvation" was that the coordinated Communist attacks have created such a dangerous situation that all nationalist and anti-Communist

groups must stand together.

Leading anti-government figures at the convention were former Premier Tran Van Huong, former Chief of State Phan Khac Suu, and Ha Thuc Ky, a leader of the nationalist Vietnam-Kuomintang.

All three men ran against Thieu and Ky in the presidential election last September and then claimed fraud when the two generals were elected. Suu was elected chairman of an anti-government front of defeated candidates which announced it would work to have the national legislature reject the Thieu-Ky election as fraudulent.

The legislature approved the election and Suu's group faded from the scene. Suu was last heard from shortly after the Vietcong's first wave of attacks began when his wife told newsmen that he had been taken against his will into government "protective custody" at national police headquarters.

One Vietnamese official, noting the presence of Suu at

the meeting, said: "These Vietcong attacks have made a whole new man out of Suu."

The convention elected a standing committee, one of whose three members is Saigon lawyer Tran Van Tuyen. Several weeks ago about 20 of Saigon intellectuals headed by Tuyen anonymously circulated a detailed peace plan for a negotiated peace in Vietnam. At that time the authors declined to disclose their names for fear of government retaliation.

The plan called for a coalition government to include the present government and the Vietcong's National Liberation Front. The Thieu government opposes a coalition, and refuses to recognize the NLF.

Organizers of the new Peoples Congress are former Gen. Tran Van Don and Ton That Dinh, both members of the Senate, and Dang Duc Khol, the information chief in the office of Vice President Ky. Don and Dinh are close to Ky and their actions in the Senate, where they are leaders of a major bloc, are generally considered pro-government.

Several members of the Senate and House of Representa-

lives also were present, as were representatives of the Buddhists—including followers of the moderate Thich Tam Chau and the militant monk Thich Tri Quang—Roman Catholics, Cao Dai and Hoa Hao groups. The Cao Dai

and Hoa Hao are nationalist religious groups.

The standing committee, and several advisory committees elected at Sunday's session, are expected to meet Wednesday to begin drafting a national program "to organize

the people for the safety of the nation."

It is too early to determine if the front will have any cohesiveness, or if the various groupings would put aside their own programs in the interest of unity.

(6)

BALTIMORE SUN
11 March 1968
**ANTI-RED PARLEY
BEGINS IN SAIGON**

**1,500 Adopt Platform On
Viet Social Reform**

By JOHN S. CARROLL
[Sun Staff Correspondent]

Saigon, March 10 — Representatives of diverse political, religious and labor groups gathered in Saigon today to adopt a platform of social reform and to repudiate the Viet Cong.

The groups, many of which have histories of anti-Government activity, joined ranks because, they stated, "our inability to deal strongly and efficiently with the Communists' schemes would spell doom for our nation."

"Ultimate Test For All"

"By their aggression the Communists have shown us that the war is not the private business of the Army or of the Government, of the legislative or the executive branch, or of any social body," the group's platform said. "It is the ultimate test for all branches and aspects of Government, cultural, political, economic, social and military alike."

The new organization, called the National Salvation Front, includes representatives of nearly every politically active group in South Vietnam. More than 1,500 delegates crowded into a downtown movie house for the all-day meeting.

Tri Quang in Custody
Among those present were in-

dividual monks from the An Quang Pagoda, headquarters of the anti-Government Buddhist sect led by the fiery Thich Tri Quang, but the monks said they were not representing Tri Quang's organization.

Tri Quang is one of a number of leaders the Saigon regime is holding in "protective custody" in the aftermath of the Viet Cong's Tet offensive against South Vietnam's major cities and towns. Ostensibly the arrests are intended to prevent the enemy from forcing the leaders to participate in acts against the Government.

Senator Tran Van Don, a popular political figure and former Army major general, was elected chairman of the front's central executive committee.

Don was one of the key figures in the overthrow of the Diem regime in 1963, and more recently he was a candidate for the presidency before being disqualified for having held French citizenship.

Other participants included a number of prominent leaders, though two who were expected, Phan Khac Suu and former Prime Minister Tran Van Huong, both were reported sick and unable to attend.

A reliable source said that Suu had been hospitalized. No confirmed information was available on Huong's illness. Both men were candidates for the presidency last year, in opposition to Nguyen Van Thieu.

Thieu-Ky Maneuvering

Since the Tet attacks six weeks ago, the Government has been attempting to promote a broad front group to encourage national unity.

Progress has been slow be-

cause of political maneuvering between the supporters of Thieu and those of Vice President Nguyen Cao Ky.

Both the Thieu and Ky groups have attempted to build their own front organizations. The group which met today includes supporters of both men, and observers predicted that the front would not hold together long if either Thieu or Ky attempted to transform it into a strongly partisan political party.

Ground For Unity

It was evident from the front's membership that the common ground was opposition to the Viet Cong, and not wholehearted support of high figures in the Saigon Government.

Among the groups represented were the Hoa Hao and Cao Dai political-religious sects, the Catholic Greater Solidarity Force and several youth groups and political organizations.

Their platform calls for unity and reform.

"Convinced that communism can thrive only in a society ridden with corruption and injustices, and especially in the face of rampant corruption, the front will strongly promote social reforms," it stated.

The front also urged the nation to "observe a wartime way of life and practice austerity," including rationing of food and restriction of non-essential imports.

Other aspects of the platform include a call for a positive foreign policy to counter that of Hanoi, and a statement that no effort should be spared to win over the religious sects to the cause of national salvation.

SAIGON POST (7)

8 March 1968

VCL helps 8,000 members

SAIGON. (VP)— The Vietnamese Confederation of Labor's Press Office has reported that 8,000 families of VCL cadres and members throughout the country were victims of the recent fighting and that relief activity is being pushed forward.

Mr. Nguyen Buoi, VCL Relief Committee Chief, stated that with the assistance from the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) the VCL is planning to send relief to the victim families, including rice, blanket, fabric, fish sauce etc.

The first phase of distribution of relief items, Mr. Buoi said, will be held on March 8, 9 and 10 for about 1,000 victim families in Saigon, Gia Dinh and Dinh Tuong. The victims in other areas will receive relief in the next phases. Priority will be for to the most devastated areas such as Huu Can Tho, My Tho, Truc Giang etc...

Regarding past relief activities, Mr. Buoi said that the VCL Relief Committee was set up following first news on the VC

general offensive and has so far distributed 100 bags of rice (100kg per bag) to war victims in Saigon, Cholon, Gia Dinh and Dinh Tuong. The VCL has also resold at official price to its members 200 tons of rice and 10,000 cans of fish.

Dealing with the problem of total of VCL members suffered from recent fightings, Mr. Buoi said that the number of 8,000 victim families was made public based upon reports sent in from various labor unions in the provinces. Additional lists of victims are being sent in.

SAIGON POST (8)

12 February 1968

U.K. aids civilian victims

SAIGON DAILY NEWS* 12 Feb 68

Japan assists hospitals

LONDON (UPI)— The British government has announced it will contribute 250,000 pounds (dollars 680,000) to alleviate civilian suffering in South Vietnam.

The foreign office said the money is in response to South Vietnamese President Nguyen Van Thieu's appeal for civilians who have suffered from the Communist offensive in South Vietnam.

The British government, the foreign office said, heard Thieu's appeal «with the greatest sympathy.»

The chief medical officer of the ministry of overseas development, Dr. James Malm Liston, will leave for South Vietnam shortly to work out details as to how the money will be spent.

Friday night, the British Red

Cross and four British charities launched a drive to raise another 250,000 pounds (680,000 dollars) for civilian victims of the fighting in South Vietnam.

In a nationwide BBC television broadcast, the charities said the money would be used to provide food, medical supplies, blankets and temporary shelter which they said are «urgently and desperately required» for civilian victims of fighting.

Banded together in the «disaster emergency committee for Vietnam» the charities are: Christian Aid, Oxfam, the Save-The-Children Fund and War On Want.

A BBC spokesman said similar drives were launched in Britain for civilian victims of the Korean war.

Japanese medical aids

Meanwhile, a report from Tokyo said Saturday that Japan will extend to South Vietnam 20 million yen (about \$55,555) worth of medicines and supplies in response to a plea from the Saigon government.

Foreign ministry sources said the government hopes to provide two hospitals in Saigon with medicines, bandages, dextrose injections and medical supplies. The hospitals mentioned are the Saigon hospital and the Cho Ray hospital.

The foreign ministry will consult with the finance ministry before the plan is finalized.

The sources said the new Japanese offer would be made in the form of emergency assi-

stance and that the shipments be made before the current fiscal year ends in March.

Vinh Tho, South Vietnamese ambassador to Japan, asked the Japanese government Tuesday to give his country emergency assistance in the wake of Viet Cong attacks on South Vietnamese cities.

Turkish aids

Turkey also promised medical aid to the South Vietnamese people Friday. The Turks were also reminded by South Korea of their defense pledge to Seoul.

The government delivered

200 litres (176 quarts) of cholera and typhus virus for use in vaccinations to the South Vietnamese embassy in Ankara, following an embassy request for aid.

Lee Sung Ka, South Korean ambassador to Turkey, discussed the latest developments in Korea with Insan Sabri Caglayanli, the Turkish foreign minister.

Official reports said the Korean ambassador reminded Caglayanli of Turkey's engagements in Korea and promise of aid in case of a second Korean war.

Aids from Australia

CANBERRA, AUSTRALIA (AP) — External Affairs Minister Paul Hasluck has announced Australia will send cholera, typhoid and bubonic plague vaccines to South Vietnam immediately.

This follows an urgent request from the South Vietnamese government which fears an epidemic will break out.

The Australian gift includes 50,000 doses of typhoid vaccine, 50,000 doses of cholera vaccine and all available reserves of bubonic plague vaccine totaling 8,750 doses.

These will be sent on the first available military aircraft, Hasluck said.

LONDON TIMES
19 February 1968

(9)

More British doctors for Saigon hospital

From DAVID BONAVIA—Saigon, Feb. 13

The British medical team at the Nhi Dong children's hospital in Saigon is to receive more staff from Britain to enable it to engage further in emergency relief work made necessary by the heavy civilian casualties of the Tet offensive.

Dr. J. M. Liston, medical adviser to the Ministry of Overseas Development, said it was hoped to recruit six more doctors and six nurses in Britain, in addition to the four doctors and six nurses already working at the hospital under the direction of Dr. John Apley.

Dr. Liston has been in Saigon for a few days to survey medical requirements. He hopes to leave for London tomorrow and report to the Ministry. His recommendations will guide the British Government in spending the £250,000 which has been made available for relief work in Vietnam.

The Vietnam Ministry of Health told Dr. Liston that it had adequate supplies for the time being, but it would like to build up a reserve to deal with casualties from any fresh Vietcong offensive. Antibiotics, anti-haemorrhagic and anti-shock drugs were particularly badly needed, as well as some vaccines.

The Vietnam Health Ministry had estimated that between 20 per cent and 30 per cent of its facilities throughout the country had been more or less severely damaged during the fighting.

The Pasteur Institute in Saigon is continuing to turn out cholera and other vaccines, but the institute in Dalat has been destroyed and the animals killed. Plague vaccine has been flown from London to Singapore, and is being taken to Saigon by R.A.F. aircraft. A few cases of plague have been reported from the provinces, but this is regarded as normal at this time of year.

WASHINGTON POST
11 March 1968

(10)

23 Groups Answer Plea For Viet Aid

SAIGON, March 8 (AP)—Twenty-three countries and organizations have answered South Vietnam's call for emergency aid following the enemy's lunar new year offensive.

Britain allocated \$600,000 for medical and sanitation

projects and five British volunteer agencies collected an additional \$240,000. The World Council of Churches doubled its Vietnam aid budget to \$500,000. The United Nations Children's Fund gave \$110,000. Other contributors include

the International Red Cross, the World Health Organization and Roman Catholic charities as well as public and private sources in Canada, Japan, Germany, Italy, Malaysia, Australia and India.

SAIGON DAILY NEWS (11)
21 February 1968

Aid supplies rushed to Viet Nam from friendly countries

SAIGON (AP) — At least eight nations are sending supplies to South Vietnam following an appeal by the foreign office for aid to civilian victims of recent heavy fighting, a U.S. mission compilation shows.

United Kingdom — a 600,000 dollar emergency aid grant has been made to the South Vietnamese government.

Malaysia — Prime Minister Tunku Abdul Rahman has presented a 18,000 dollar check to the South Vietnamese ambassador in Kuala Lumpur.

UNICEF — United Nations Emergency Children's Fund has been authorized to provide immediate assistance worth 100,000 dollars, including 200 medical kits 300 tons of Skim milk and 50,000 pounds of UNICEF also will handle a Swiss government offer of 28 tons of whole milk, 40,000 blankets from Japan and fresh food to be purchased locally in Bangkok.

WHO, the World Health Office is preparing to send 400,000 anti-

typhoid doses, 100,000 cholera doses, 300,000 combination vaccine doses, 300,000 antibiotic doses and 300,000 chloramphenicol doses.

The International Red Cross — 23,000 dollars is being sent to its Saigon representative.

The United States — In addition to regular aid through the U.S. Agency for international development, Ambassador Ellsworth Bunker recently presented President Nguyen Van Thieu a 25,000 dollar check from the embassy's special fund.

The United States, the United Kingdom, Australia, Japan, Italy, Nationalist China, Malaysia, The Philippines are sending food, medicine, commodities, building materials and other relief supplies. The International Red Cross, UNICEF and the United Nations world health

office also are sending supplies.

The assistance includes:

Australia — donations of about 840 tons of corrugated iron valued at 100,000 dollars for emergency roofing in Saigon. Vaccines, including 50,000 anti-typhoid and 1,750 antiplague doses are being freighted by air.

China 5,000 tons of rice are being sent by the government and collection center are being set up on Formosa to receive donations for Vietnamese refugees.

Japan the government has contributed 20,000 dollars, while private collection so far have amassed 1,500 pounds of hoodies and dehydrated rice, two tons of powdered milk, a ton of dried food and a quantity of medicines.

25X1C10B

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

Next 1 Page(s) In Document Exempt

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

April 1968

Communist Front Activities -- Focus on Vietnam

The thrust of the activities of the international Communist front organizations is on Vietnam; the World Council of Peace (WCP) is the "keynoter." April 21 is the target date for world-wide protests against the Vietnam war, with all major Communist fronts expected to participate.

The WCP is giving major publicity to events in Vietnam and to anti-Vietnam protests around the world in its attempts to win support for the South Vietnam Peace Committee and the National Liberation Front. The WCP in particular, and the other international fronts as well, have given support to the "Second International Meeting on Vietnam" (Stockholm, 23-24 March). The WCP is giving special attention to attracting new organizations and personalities to join with it in the campaigns for peace in Vietnam, that is, to form united fronts on this issue. It is encouraging national peace committees to pressure their governments to take action on Vietnam -- to demand the halt of bombing, etc., and it is giving publicity to such national peace committee actions as conferences, demonstrations, film showings, and the collection of money in support of Vietnam.

A move is underway by the fronts, led by the International Association of Democratic Lawyers (IADL), to make the United Nations Human Rights Conference in Teheran (22 April) the occasion for a coordinated anti-American propaganda attack on the theme that the Vietnam War is a grave violation of human rights.

The World Federation of Trade Unions (WFTU) apparently is planning a series of anti-Vietnam War conferences, rallies and demonstrations beginning in April and it has declared the traditional international workers' day, 1 May, as a "Day of Solidarity with Vietnam."

The World Federation of Democratic Youth (WFDY) held an extraordinary session in Budapest, 8-9 March, attended by delegates from more than fifty countries. The agenda concerned the strengthening of solidarity with North Vietnam and preparations for the World Youth Festival. The President of the WFDY stated to the press after the meeting that it has called upon its affiliated youth groups to organize one thousand youth demonstrations on Vietnam between March 24 and April 24 and to collect \$100,000 for Vietnam prior to the youth festival.

The Social Commission of the International Organization of Journalists (IOJ), which met in Sofia (24-25 January), discussed practical measures to support the press in Vietnam. The Women's International Democratic Federation (WIDF) is to be represented in several of the Vietnam front activities, and it plans to discuss solidarity with the women of Vietnam at its 6th Congress in Helsinki, 24-28 November, on "The Role of Women in the World Today."

Other Front Highlights

The campaign for "European Security" (with the WCP as the main action element, but seeking to hide its key role), support of the Arab cause against Israel, and attacks on the Greek regime are also major elements of the fronts' activities. Preparations are under way for the 9th World Youth Festival sponsored by the World Federation of Democratic Youth and the International Union of Students.

The Chinese-sponsored front organizations are still unable to register organizational or operational progress. For example, the Afro-Asian Writers' Permanent Bureau in Peking still has on the planning board a "3rd Conference" which was originally planned for Djakarta in 1964, was postponed for a year, and in 1967 was changed to a Peking site.

25X1C10B

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

Next 1 Page(s) In Document Exempt

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

Economic Reform in the USSR and Eastern Europe

Efforts of East European countries to reform their economic systems have consisted of a series of related measures aimed at radically increasing efficiency in the production and distribution of industrial goods. They were introduced because those countries were not attaining their goal of rapid economic growth; in fact, growth rates had been declining since the late 1950's. Nor were the Communist regimes satisfying the demands of the worker/consumer, who increasingly tended to save his money rather than spend it on the shoddy goods available. To solve these growing problems, the regimes proposed two basic reforms: to shift a larger share of authority from the central economic administrators to the managers of the individual industrial enterprises, and to change the major objective from gross output (which caused administrators to maximize output at the expense of high cost and low quality) to the value of sales of finished products. To carry out these reforms, the regimes have adopted a number of devices and incentives such as interest charges on capital goods and extra bonuses to managers for profitable operations, hence Western jibes (hotly denied) that the Communist countries are afflicted with "creeping capitalism."

The complex background to the reform programs, their provisions, and their initial results have been painstakingly analyzed by Western economists who have based their work on voluminous, though uneven, data, chiefly from Soviet sources. Their findings concerning the USSR are summarized below along with brief notes on developments in the other Eastern European countries. An excellent paper on "The Soviet Economic Reform After Two Years" is attached; it gives detailed statistics, derived from Soviet sources, on the reforms and their effect.

Reasons for Economic Reform in the USSR

It became evident even during Khrushchev's era that the growth of the Soviet economy was unsatisfactory and that labor and capital resources were being grossly wasted. As the Paris newspaper LE MONDE remarked in October 1965, "Russia is more and more being outstripped by America, and Russia is well aware of it ..." and "Another striking aspect of the crisis of the (Soviet) system is the increasing paralysis of the economy." The Brezhnev-Kosygin regime concluded that the main causes of this situation were defective planning and administration and an ineffective incentive system. Western economists, on the other hand, pointed to the USSR's continuing low productivity (the output per unit of labor and capital in the USSR is calculated to be less than half the productivity of the US, and also far lower than in the United Kingdom, Germany, Sweden, and other countries).

Provisions of the Soviet Economic Reform

After heated debate and rejection of some of the more radical

remedies proposed, a program of economic reforms was announced by Premier Kosygin in his 27 September 1965 speech to the Central Committee of the CPSU. Although Kosygin's speech was vague and even contradictory on some points, essentially he decreed:

- a) replacement of "gross value of output" by "value of sales" as the chief measure of success for enterprises;
- b) the establishment of profits and profitability as a basis for bonuses for the plant management staff;
- c) the reduction of the number of Moscow-planned "indicators" governing a plant's operations from 35-40 to 8; these now include kinds and numbers of items to be produced, sales volume, profitability, total wage payments, supplies and major capital investments;
- d) more freedom for management in the selection of inputs (labor, materials, equipment) and in inventory holdings;
- e) greater freedom for industrial enterprises to decide their own capital investments and to finance them from internal funds or bank credit, rather than from national budgetary allocations; and
- f) levying of a charge on all capital invested in an enterprise.

However, while granting plant managers a large role and interest in planning and production, the regime at the same time recentralized economic administration. Twenty-three economic ministries centered in Moscow were substituted for the 100-odd regional economic councils which Khrushchev had created. Western observers deemed this to contradict directly the decentralization proclaimed as an objective of the reform.

Several recommended measures were not taken. One was that the workers share proportionately in the bonuses from profits, as proposed by the liberal Soviet economist, Ye. Liberman who said: "What is advantageous for society must become advantageous for every enterprise and for each of its workers." Another measure not adopted was a proposal to encourage plant managements to negotiate with other managements for the purchase and delivery of supplies, rather than using the cumbersome center-directed supply system which has spawned unresponsive monopolies. A third rejected recommendation was that prices of supplies and finished goods be allowed to adjust in accordance with supply-demand relationships and thus bring about "market socialism."

Assessment of the Results of the Reform Program

Since the Soviet leaders did not initially specify goals for the reform, it is difficult to judge whether or not it lived up to expectations.

On the positive side, inventories have been reduced, which is taken as a sign that plants in the new system are trying hard to raise sales and reduce the amount of resources tied up in working capital. In some areas plant managers were able to use the reform-sanctioned right to reduce the number of "redundant" workers. There is also some evidence that managers are trying to economize on plant and equipment.

Recent Soviet criticism of the reform program has centered on the bureaucratic defects still plaguing the economy. Articles in the Soviet press of early 1968 by Liberman and others have criticized "unjustified administrative interference in the activities of enterprises" and a tendency of plant managers not to assert their rights and independence "guaranteed" by the reform declarations of 1965. One writer, Vasily Selyutin, pointed out that "Parkinson's Law" also operates in the Soviet Union: in 1966 there was a fourfold increase in the number of "middle-level administrative links" in the economy. Selyutin also warned that the rapidly burgeoning bureaucracy in the supply sector would impede rather than free the flow of goods.

When the first 43 plants were converted to the "new system" in January 1966, the Soviet press reported voluminously on developments. Results at the end of 3 months were enthusiastically acclaimed. By the end of the first year, 704 plants were involved; however, in spite of glowing assertions of progress in the 1966 plan fulfillment report, no evidence of real success was presented. The reform expanded substantially in 1967 to embrace 5,700 plants and more than a third of industrial production ... but as yet no regime publication has presented a thorough assessment of the results. In fact, the 1967 plan fulfillment report dismissed the reform in a few mild words. This appears to be an accurate indicator of the Soviet estimate of the program: it has been good enough to warrant application throughout the country, but not good enough to crow about. Western analysts, similarly, have found little evidence that reforms have led to significantly increased efficiency.

A national conference to assess the reform program and chart the future was scheduled to be held in the first quarter of 1968, according to Soviet economic journals. However, it has evidently been postponed indefinitely. Therefore the present question being debated in the economic journals on whether to concentrate on effectively carrying out the modest provisions of the September 1965 program or to substantially expand the program is still an open issue.

The Economic Reforms in Other Eastern European Countries

The Communist regimes of Eastern Europe have had 20 years and more to organize and operate their economies under Stalinist style controls and almost entirely insulated from the world market. The general result is that these countries produce, at higher cost, fewer goods and services of patently inferior quality. The people, especially the younger ones,

realize how unfavorable their situation is. Furthermore, their growing nationalist pride is offended by their inability to compete on a broad basis in international trade and by their economic dependence on the USSR. All of these factors contribute to pressures upon the regimes to reform their economies.

The reforms proposed bear some similarity to those of the USSR in that emphasis on gross production has diminished and more stress is being placed on supply and demand and profit. Partial decentralization of economic decision-making is also touted, though few positive steps have been taken in this direction. A frequently encountered problem is that of dealing with political appointees who prove to be incompetent managers. Another problem is whether to shut down hopelessly uneconomic plants at the risk of creating significant unemployment. Whether meaningful economic reform can hurdle these and other political obstacles is the major key to the future of the Eastern European economies.

Some variations are observed in the economic reforms of the countries of Eastern Europe. In Czechoslovakia the regime adopted in 1965-67 many of the far-reaching changes proposed by the Czech economists against the evident opposition of Premier and Party First Secretary Antonin Novotny. Novotny worked at cross purposes and continued to strive for the greatest possible increases in gross output, the preservation of the bureaucracy, and centralized control of the economy. The result was that the attempted reforms had only minor effects.

In Hungary the economic reform program is modeled on the Czech example. Although the leadership's approach has been cautious, it is determined to move ahead. For example, the Hungarians say that they will close grossly inefficient plants even if this causes a large rise in unemployment.

In East Germany economic reforms were introduced earlier, in 1964. The Ulbricht regime has retained a large economic control apparatus, but planning and management have been put in the hands of professionals and have substantially improved in recent years. The result has been increased efficiency without sacrifice of central control.

In Poland and Rumania the reforms are still in the experimental stage. They more nearly resemble the reforms in East Germany in their retention of, and efforts to improve, central control.

The outcome of the reforms in Eastern Europe will vary from country to country. At the moment the center of attention is Czechoslovakia, whose new leader, Alexander Dubcek, is faced with difficult decisions. He probably will not feel free to make sweeping changes in Czechoslovakia's economy. But he will probably try to increase Czech trade with the western world. He will also probably try to restore the Czech level of living

to its pre-Communist eminence in Europe. There is no reason to think he will succeed, however, unless he institutes an economic reform program going far beyond those adopted thus far by the Communist countries of Eastern Europe.

THE SOVIET ECONOMIC REFORMS AFTER TWO YEARS

By Keith Bush

The new system of planning and incentives outlined at the September 1965 plenum was scheduled to be introduced throughout Soviet industry over a three-year period from 1966 through 1968. Detailed information has now been published on the results of the first year: an analysis of this shows that the new methods were only partially implemented and had but marginal influence on the performance of the 704 enterprises concerned. Due to a variety of subjective and objective factors, the projected modest increase in managerial autonomy was not fully realized; there was no significant increase in decentralized investment; an inadequate proportion of the enterprises' profits was withdrawn through the newly introduced capital charge; the use of credits actually declined in many cases; the yield from capital on gross output hardly rose at all; little real change was discernible in the system of material-technical supplies, and the earnings of the workers - who make up over 80 per cent of the enterprises' workforce - increased only fractionally faster than throughout the rest of industry.

However, no striking results had in fact been anticipated by Moscow's extremely cautious and sober planners, who saw little point in risking drastic and precipitate surgery on an organism which was already functioning quite creditably, at least in terms of growth, which remains a vital criterion in the Soviet context. Indeed, it has been freely admitted that the effects of the reforms will not be fully apparent for several years to come.

During the second year, a larger segment of industry was transferred to the new system, enabling the planners to assess its effect on a more meaningful scale. Some of the more serious defects exposed by the first group of enterprises have been corrected and many plausible proposals for further improvements in the system have been aired in the Soviet media.

The purpose of this paper is, on the basis of published Soviet data, to assess the effects of the reforms to date, to identify the principal shortcomings which remain and to list some of the most rational proposals which may shortly be adopted.

Progress and Performance

By September 1967, some 5700 enterprises had been transferred: these accounted for roughly 34 per cent of gross industrial output and about 45 per cent of industrial profits (1). Although the conversion is still running behind schedule, it appears that the new system will nevertheless be introduced throughout the rest of industry and construction by the end of 1968 as originally planned, while the remainder of transport, communications, trade and sov-khozes will be transferred by 1970.

The 704 enterprises transferred in 1966 were on the whole above the all-union average in respect of size, efficiency and profitability at the existing wholesale price levels. In the first year their gross output grew by 10.3 per cent, profits by 23 per cent and labor productivity by 8 per cent, against all-union averages of 8.6, 10.6 and 5.2 per cent respectively (2). However, this signal performance could hardly be attributed entirely to the new methods of planning and incentives. Only after some prompting did the TsSU release data pertaining these enterprises' performance prior to 1966, thus giving an indication of how the new methods had improved their operation. These showed that the profitability level of the 704 enterprises (expressed as a relation of profits to fixed and working capital) increased from 22.5 per cent in 1965 to 26.1 per cent in 1966 i.e., by 16 per cent, while their yield from capital on gross output rose from 1.70 rubles in 1965 to 1.73 rubles in 1966, i.e., by 1.8 per cent (3).

By September 1967 the performance gap between the converted enterprises and the rest of industry had narrowed appreciably: as against the first nine months of 1966, their profits rose by 25 per cent and productivity by 8 per cent, compared with all-industry averages of 20 and 7 per cent respectively (4). This narrowing was to be expected as a larger proportion of industry, including an increasing number of average and lagging enterprises, operated under the new system; it was complemented by the unusually good performance of all Soviet industry after the bumper harvest and mild winter of 1966.

Inertia

The reluctance of officials in ministries, glavks and supply organizations to change their outlook and customary methods of operation continues to be a major stumbling block to the implementation of the reforms. Indicators handed down from above were admittedly reduced in number in most instances, but those remaining were often changed throughout the year (5). The pervasive influence of the val is frequently noted (6). Some enterprises were set not only the total wage fund indicator but also indices for the training and placing of cadres (7). Not only are the higher bodies accused of "excessively regulating the products list of industrial output" (8), but they also insist on planning the products which enterprises manufacture for their own internal needs (9).

To judge solely by their pronouncements, even the most entrenched bureaucrats are in favor of the reform but, as an observer remarked, "The old content is frequently injected into words that signify the new methods" (10). Much of this inertia may stem from the fact that the performance of ministries and departments is measured in terms of the old indicator of gross output; this is scheduled to change in 1968 when plans for these bodies will be framed in the new indicators (11).

Normatives and Success Indicators

A serious shortcoming of the new criteria or norms measuring an enterprise's performance has proved to be their instability. When outlining Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2 desirability of establishing long-term norms, and this has generally been interpreted as meaning norms covering at least a five-year period (12).

However, many of the enterprises which were transferred during the first year of the reforms were obliged to alter their norms in 1967 (13). The indicators in question are those of the growth of sales and/or the growth of profits over the preceding year; on conversion sales, and hence profits, have tended initially to grow faster than output (14) due mainly to the reduction in stocks of finished goods, but this is clearly difficult to repeat in successive years.

The norms for the formation of the incentive funds have been criticized as being too low, but there exists disagreement over the relative merits of overfulfilling a low plan or underfulfilling a high plan (15). During the latter part of 1967 and in 1968 there was to be tested a method of forming material incentive funds through direct transfers from the amount of profit received (16). As late as mid-1967 it was reported that no norms had yet been elaborated for deductions from profits arising from price additions for an increase in the quality of output, for the sale of new high-quality and improved consumer goods and for an increase in the proportion of new output (17).

One economist has suggested replacing the present indicator of gross profits with one of net profits, i.e., excluding capital charges, interest on credits, fixed rental payments, etc. This would, he argued, more accurately reflect the rate of productivity achieved by an enterprise and thus would be a better norm for deductions into the incentive funds (18). The same observer put a plausible case for dropping the profits indicator altogether in that any enterprise failing to meet this indicator is doubly penalized by having to pay fines for products not delivered as well as increased interest on overdue credits (19).

One of the most fundamental features of the new system is the replacement of the gross output indicator by one of products sold or, more accurately, of "realized production" (20). Yet the vital distinction between these two indicators remains largely theoretical in the face of intense demand pressure. As I. Malyshev explained: "when there is a relative insufficiency of material resources compared with monetary and financial resources, the problem of improving the quality of output becomes insoluble. Output of any quality is taken by the consumer, since otherwise he risks not obtaining any output at all" (21).

Distribution of Profits

At the 704 enterprises which were transferred to the new system during 1966, the proportion of profits paid into the state budget increased by 4 per cent in 1966 when compared with 1965, while the proportion of profits left at the enterprises' disposal decreased by 4 per cent (22). Yet the total profits retained by the enterprises increased absolutely and deductions from them formed the principal source of income for the incentive funds, as may be seen from the following table (23):

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2
Origin and Distribution of Incentive Funds 1966
 (million rubles)

<u>Origin</u>	<u>Distribution</u>			
	Total	Material incentives fund	Social-cultural fund	Production development fund
From all sources	399.2	195.7	67.0	136.5
of which				
Deductions from profits	311.4	195.7	67.0	48.7
Amortization deductions	79.2	79.2
Sales of surplus equipment	8.6	8.6

A justified complaint registered by enterprise managers and by observers of the reforms is that an excessive proportion of the profits earned by the converted enterprises is paid into the state budget as a "free or unused remainder." For the first enterprises, this free remainder amounted to 60-70 per cent of their profits (24). One manager pointed out that his plant had little incentive to reduce the capital charge since nearly all of the resulting saving would go to the budget in the form of unused remainder - 44,000 out of 45,000 rubles to be precise (25).

Of course, the first group of enterprises had profitability rates of far above the average and this problem will become less acute as the new wholesale prices take effect and when the rest of industry is converted. Nevertheless, there is much to be said for proposals to the effect that enterprises retain a greater share of their own profits to build reserves against future contingencies "in accordance with the most important principle of khozraschet which is samookupaemost" (26). It has even been suggested that an enterprise be allowed to retain all its net profits subject to a progressive tax (27).

Premia and Earnings

We have seen that the material incentives funds at the 704 enterprises in 1966 totalled 195.7 million rubles. Since these enterprises employed over two million workers and employees, this would indicate average premia payments of about 90 rubles during the year - a not inconsiderable sum when set against the all-union average monthly earnings of industrial-production personnel of 106.8 rubles (28). Yet it should be borne in mind that these total premia payments include the bonuses which were paid out of the wage funds. Furthermore, it transpires that, during the first year at least, the employees at the 704 enterprises did much better than the workers: the average earnings including premia and bonuses of employees rose by 10 per cent, while those for workers increased by 4 per cent (29). This latter raise was only marginally higher than the increase of 3.2 per cent approved for release 2005/09/20 out for 780387500140040003-2 industry (30).

This potentially dangerous discriminatory trend appears to have been corrected during 1967, according to one appraisal which notes: "In the majority of branches, the incomes of the workers grew most rapidly, followed by employees whose premia were largely converted into hidden increases in their salaries" (31).

The Production Development Fund

It is expected that, ultimately, one fifth of all industrial investment will be channelled through the enterprises' production development funds (32), but during the initial stages of the reforms the absolute scale of these funds has been insignificant and the degree of their utilization low. Gatovsky observed that: "up till now ... enterprises transferred to the new system are incapable of conducting expanded reproduction at the expense of their own assets or on the basis of bank credits. The development fund created under the new conditions, as is well known, is used little" (33). Thus although the production development funds at the 704 enterprises grew by 3.1 times in 1966 (34) and their total value amounted to 136.5 million rubles, this in fact was equivalent to just over one per cent of these enterprises' fixed production capital of 12.5 billion rubles (35). Yet a director of one machine-tool plant reckoned that he needed to invest about 9-10 per cent of the value of fixed assets each year (36). Another director referred to the fund's resources as "a drop in the bucket" (37).

At the enterprises transferred during 1966, of the increments to the production development funds, 61 per cent came from amortization deductions and the rest from profits and the sale of obsolete and surplus equipment (38). It has been suggested that plants retain all amortization deductions instead of the 30-50 per cent presently authorized plus a bigger share of the profits (39). It also appears that only 8 per cent of the surplus and obsolescent materials and equipment offloaded by the 704 enterprises was sold for payment, while the rest was transferred gratis (40).

With the rest of industry and supply organizations operating on the old system, the 704 enterprises were able to utilize only one half of their production development funds (41). This inability fully to exploit their decentralized investment resources has led to renewed demands that enterprises be encouraged, by a reasonable rate of interest, to leave their unused funds in special deposits at Gosbank (42).

Capital Charges

For the bulk of branches and enterprises, the capital charge has been set at 6 per cent per annum; where profitability at the new wholesale price levels is low, the charge is reduced to 3 per cent, and for planned-loss enterprises, no capital charge is made (43). The level of 6 per cent appears to have been reached by relating the deductions from profits of state enterprises and economic organizations prior to the reforms to the value of their fixed and working capital: in 1963 these figures were 20 billion and 300 billion rubles respectively (44).

The level of 6 per cent is regarded as a minimum (45), and many observers have called for higher and/or differentiated capital charges on the grounds that these present rates comprise an insignificant share of total profits deductions (46). For 43 Moscow enterprises, for instance, the ratio of capital charges to total profits ranged from 0.03 to 8.9 per cent (47), while the capital charges for the 704 enterprises during the first year of the reforms amounted to an estimated 10 billion rubles, equal to 14 per cent of the profits (48). However, these proposals tend to overlook the fact that the level of profits at the first group of enterprises was atypically high and that a capital charge of 6 per cent will assume greater significance in the future. Nevertheless, the Head of the Price Formation Methodology Section in the USSR Gosplan's State Price Committee has gone on record advocating a capital charge of 7.0-7.5 per cent which would rise with "the increasing effectiveness of social production" by perhaps 0.3-0.5 per cent per annum (49).

Credits

Paradoxically there has been a diminution in the use of short-term credits by many of the enterprises transferred to the new system. This has come about primarily because these enterprises built up considerable unused incentive funds due to the time-lag between formation and disbursement, and to discrepancies between the production development funds and the building capacity available. Thus "many enterprises assign a part of these resources to satisfying their needs for means which were formerly covered by bank credits." During 1966, one combine repeatedly waived "traditional" credits for accounts amounting to 3 million rubles (50). A second explanation given was that, prior to the tightening of payments discipline in November 1967, "the amount a client pays for a loan is greater than the sanctions exacted from him for failure to fulfill economic contracts. As a result, it is more advantageous to delay paying a bill than to acquire bank credits" (51).

Bunich has quite correctly drawn attention to the anomaly of the varying interest rates charged for capital. At present, the credit charge on funds for centralized investment projects is 0.5 per cent - and since interest is paid on the residual sum, the actual rate is 0.25 per cent - while for decentralized investment projects it is 2.0 per cent, and the capital charge for most enterprises is 6 per cent (52). Moreover, assets created through the production development fund are freed of interest for two years, while those formed with the help of credits are not free. He called for analogous rates of interest to be paid on all funds, regardless of the source of financing. He also criticized the sequence of deductions from profits, suggesting that the credit charge be withdrawn from total profits before deductions are made into the material incentives fund, since this would enhance the significance of credit charges (53).

Material-Technical Supplies

One feature of the reform program with possibly the greatest potential for changing the whole system of industrial planning and management is the proposed replacement of the rigid "funded" allocation of goods by a flexible trade-in system for material supplies.

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2
For, in the approved enterprise decisions are freely negotiable, then enterprises must also be given freedom in determining their output. As Lagutkin frankly admitted: "Under the new system ... the rigidly centralized funding and allocation of more than 20,000 categories of products does not correspond with the needs of the economy" (54).

Human nature being what it is, the fact that a good or commodity is rationed will induce most people to draw their full ration regardless of whether they really need the item in question. This has demonstrably been true of funded supplies. A perceptive article in a literary journal portrayed the stern and forbidding figure of the supply official: "Without him, the supply man, our mother country would be pilfered, her wealth squandered. He is the night watchman with a clapper, standing guard over the corn-bin or Russia" (55). With dismay rather than astonishment such guardians observed that, when controls over gasoline were experimentally lifted in Voronezh, fuel consumption actually declined within a short period.

To judge by certain press accounts, the freeing of the material-technical supply system is making great strides. The decree of February 1967 provided for some 120 wholesale and small-scale wholesale stores, and this number was scheduled to double by the end of the year (56). In June it was reported that "up to 60 per cent of the output of the engineering industry now reaches its destination by-passing the centralized warehouses and transshipment centers" (57).

On the other hand we read that "the assortment of goods in these stores is still extremely narrow" (58) and that ministries are more than reluctant to relinquish powers and facilities to the State Committee for Material-Technical Supplies (59). A recent appraisal concluded that "the organs of material-technical supply still function as of old (po-staromu)" (60) and that "they often supply enterprises with materials which are not needed" (61). One is left wondering just how many of the 20,000 or so funded categories are in fact freely available after two years of the reform.

Payments Discipline

After a considerable and inexplicable delay, a decree "on the material responsibility of enterprises and organizations for non-fulfillment of tasks and obligations" was published in November 1967 (62). This decree is to come into force on January 1, 1968 and provides, inter alia, for fines of up to 20 per cent of the value of the contract for poor quality and incomplete goods and up to 5 per cent for delays in payment for products delivered. Other penalties are stipulated for delays in rail transport and defects in construction.

The fine for late deliveries is less severe than the 8 per cent proposed in the draft "Statute on Deliveries of Products" (63), and it remains to be seen whether it will have the desired effect.

Associations

Support has been gathering for the creation of large branch
Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

khozraschet industrial associations (obyedineniya) (64). As one observer pointed out: "There are many questions which, on the one hand, cannot effectively be solved and should not be solved" from the heights" of a ministry and, on the other hand, cannot be solved in any effective way from the narrow outlook and with the inadequate economic capabilities of an individual enterprise" (65). Moreover, the communications system cannot cope with the sheer multiplicity of contractual relations if "the more than 44,000 industrial enterprises operating on an independent balance would begin an individual search for such contacts for each type of article between themselves, with the 11,000 primary construction organizations and with the more than 643,000 trade enterprises, etc." (66). Another factor is the inability of the smaller enterprises to carry out adequate research, to apply the latest technology, to specialize adequately, to create the necessary incentive funds, and so on. In the industry of the RSFSR, for instance, there are more than 6000 so-called "small enterprises"; these make up more than one quarter of the total number, yet their share in the gross output of RSFSR industry is less than one per cent (67).

The consensus of opinion would appear to favor the formation of regional amalgamations of factories within a given branch on a considerably larger scale than the "Sigma" association in Lithuania and possibly approaching the dimensions of the East German Volkswirtschaftsverein or VWV.

Price Formation

After an interval of twelve years, the long-awaited revision of several million wholesale prices contained in 679 all-union, union-republic and local price-lists was duly completed by the target date of July 1, 1967 amid fairly general agreement that it would be the last universal price revision of its type. The new prices are calculated to provide average profitability rates of about 15 per cent throughout most of industry, ranging from 7-8 per cent for the coal industry to 40-44 per cent for light industry. In general, the prices of natural raw materials have been raised more than for those of man-made products. There will no longer be entire industries operating on an unprofitable basis, but even after price increases averaging 78 per cent, some 40 per cent of coal enterprises will continue on a planned-loss basis (68).

The new prices may reflect "the socially necessary costs of production" more closely than their predecessors, but they still leave much to be desired. It is reported, for instance, that they do not fully compensate enterprises for the introduction of new technology and the output of new products, nor do they provide disincentives for the production of obsolescent goods (69). It takes so long before a price for a new product is confirmed that a dress manufacturer complained that his products may be out of fashion before approval is finally obtained (70). Yet their crucial shortcoming in the context of the reforms is that they are still formed on an average cost-plus basis and reflect supply and demand only to a very limited extent. Unless and until the concept of marginal pricing makes more ground (71) and enterprise or association directors are empowered "to adjust prices to concrete economic conditions" (72), any meaningful reduction can be made in the nomenklatura lists which specify in detail the output of enterprises.

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2
Increased by, Page 2005/04/21 : CIA-RDP78-03061A000400040003-2
the wholesale price revision would not be allowed to affect the terms of trade for the farms. It was promised that "the increase in (the prices of) fuel, lubricants, metals, building materials and other producer goods purchased by kolkhozes would be compensated for by certain increases in procurement prices" (73). However, at the time of writing, no increases in procurement prices have apparently been promulgated.

What Next?

During 1968 the remaining two-thirds of Soviet industry is expected to go over to the new system of planning and incentives. This last group embraces the least efficient and the least profitable enterprises. The whole of industry will continue to operate with administered wholesale prices which reflect neither supply nor demand, and the key indicator of realized production will not yet assume its intended significance in the seller's market which persists. Nevertheless the transfer of these average and lagging enterprises should be easier in many respects than has hitherto been the case. The erosion of the gross production indicator has begun, although the val will long influence the planners' and managers' decisions; the new wholesale prices will provide a more uniform rate of profitability; the desirability of more stable norms has been demonstrated; the scale of decentralized investment should assume greater significance and the utilization of the enterprises' production development funds will be enhanced as the supply and construction organizations become more flexible; payments discipline will doubtless be improved by the recent legislation; the benefits of credit financing are more widely appreciated; more grouping of small enterprises into regional branch associations is anticipated, and the planned spurt in consumer goods production should permit a slackening of the tight rein which has been held on pay raises during the past two years.

At the mass conference on the reforms to be held in Moscow early in 1968, it should become clear whether the authorities intend to introduce further changes in the planning and management of industry or whether, as expected, they will first concentrate on fully implementing and perfecting the present limited reform program.

Source References

1. Radio Moscow in Russian, 2130 GMT, 19.9.67 and Ekonomicheskaya Gazeta, No. 44, 1967, p. 30.
2. Vestnik Statistiki, No. 7, 1967, pp. 19-21.
3. Ibid., p. 20.
4. Ekonomicheskaya Gazeta, No. 44, 1967, p. 30.
5. Vestnik Statistiki, No. 6, 1967, pp. 30-31 and Komsomolskaya Pravda, 6.10.67.
6. Pravda, 28.6.67; Ekonomicheskaya Gazeta, No. 34, 1967, p. 11; Komsomolskaya Pravda, 6.10.67.
7. Ekonomicheskaya Gazeta, No. 40, 1967, p. 11.
8. Voprosy Ekonomiki, No. 4, 1967, p. 31.

9. Ekonomicheskaya Gazeta, No. 40, 1967, p. 11 and Komsomolskaya Pravda, 6.10.67.
10. Novy Mir, No. 4, 1967, p. 172.
11. Ekonomicheskaya Gazeta, No. 40, 1967, p. 11.
12. See, for instance, Voprosy Ekonomiki, No. 4, 1967, p. 34.
13. Pravda, 7.9.67.
14. Voprosy Ekonomiki, No. 10, 1967, pp. 50 & 53.
15. See Ekonomika i Matematicheskiye Metody, No. 4, 1967, pp. 483-8 and Ekonomicheskaya Gazeta, No. 31, 1967, p. 8.
16. Ekonomicheskaya Gazeta, No. 44, 1967, p. 30.
17. Vestnik Statistiki, No. 7, 1967, p. 25.
18. Voprosy Ekonomiki, No. 10, 1967, pp. 48-9.
19. Ibid., p. 52.
20. This concept covers sales to other users, plus transfers to the enterprises' own capital construction work and "non-industrial economic activities" (Ekonomicheskaya Gazeta, No. 6, 1966, p. 32). It may thus be defined as output net of inventories.
21. Cited in Vestnik Statistiki, No. 7, 1967, p. 25.
22. Ibid., p. 21.
23. Ibid., No. 5, 1967, pp. 94-5.
24. Plan, Khozraschet, Stimuly, Moscow, 1967, p. 127; Voprosy Ekonomiki, No. 10, 1967, p. 47.
25. Ekonomicheskaya Gazeta, No. 25, 1967, p. 14.
26. Voprosy Ekonomiki, No. 10, 1967, p. 47.
27. Ibid., p. 49.
28. Strana Sovetov za 50 let, p. 227.
29. Vestnik Statistiki, No. 5, 1967, p. 94.
30. See SSSR v Tsifrakh v 1966 godu, p. 147, and Strana Sovetov za 50 let, p. 227.
31. Voprosy Ekonomiki, No. 10, 1967, p. 54.
32. Ekonomicheskaya Gazeta, No. 47, 1965, p. 10 and Dengi i Kredit, No. 4, 1967, p. 70.
33. Ekonomicheskaya Gazeta, No. 33, 1967, p. 9.
34. Dengi i Kredit, No. 4, 1967, p. 69.
35. Vestnik Statistiki, No. 7, 1967, p. 20.
36. Pravda, 9.8.67.
37. Sovetskaya Rossiya, 30.9.67.
38. Dengi i Kredit, No. 4, 1967, p. 68.
39. Sovetskaya Rossiya, 30.9.67.
40. Vestnik Statistiki, No. 7, 1967, p. 20.
41. Voprosy Ekonomiki, No. 4, 1967, p. 36 and Planovoye Khozyaistvo, No. 6, 1967, p. 50.

42. Voprosy Ekonomiki, No. 7, 1967, p. 41.
43. Ibid., p. 60.
44. Plan, Khozraschet, Stimuly, p. 156.
45. Voprosy Ekonomiki, No. 7, 1967, p. 60.
46. For instance, Ekonomicheskaya Gazeta, No. 27, 1967, p. 20.
47. Voprosy Ekonomiki, No. 7, 1967, p. 57.
48. Ekonomicheskaya Gazeta, No. 39, 1967, p. 14.
49. Ibid., p. 15.
50. Voprosy Ekonomiki, No. 7, 1967, p. 56.
51. Pravda, 7.9.67.
52. Voprosy Ekonomiki, No. 10, 1967, p. 56.
53. Ibid.
54. Khozyaistvennaya Reforma v Deistvii, Moscow, 1967, p. 60.
55. Literaturnaya Gazeta, No. 34, 1967, p. 10.
56. Materialno-Tekhnicheskoye Snabzheniye, No. 7, 1967, p. 33.
57. TASS, 3.6.67.
58. Ekonomicheskaya Gazeta, No. 30, 1967, p. 20.
59. Ibid., No. 18, 1967, pp. 7-8 & No. 30, 1967, p. 20; Materialno-Tekhnicheskoye Snabzheniye, No. 7, 1967, p. 33.
60. Voprosy Ekonomiki, No. 10, 1967, p. 52.
61. Ibid., p. 53.
62. Izvestia, 15.11.67.
63. Ekonomicheskaya Gazeta, No. 37, 1966, p. 13.
64. See Pravda, 18.11.66; Voprosy Ekonomiki, No. 12, 1966, p. 128; Ekonomicheskaya Gazeta, No. 4, 1967, p. 12; Kommunist, No. 6, 1967, p. 61; Voprosy Ekonomiki, No. 4, 1967, p. 4; Pravda, 30.10.67 and Plan, Khozraschet, Stimuly, pp. 36-7.
65. Voprosy Ekonomiki, No. 9, 1967, p. 45.
66. Ibid.
67. Planovoye Khozyaistvo, No. 6, 1967, p. 50.
68. Vestnik Statistiki, No. 3, 1967, pp. 13-20.
69. Voprosy Ekonomiki, No. 10, 1967, p. 53.
70. Izvestia, 11.8.67.
71. See Novozhilov's article in Planovoye Khozyaistvo, No. 4, 1967.
72. Izvestia, 16.11.67.
73. Sovetskaya Rossiya, 11.8.67.

25X1C10B

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

Next 4 Page(s) In Document Exempt

Approved For Release 2005/04/21 : CIA-RDP78-03061A000400040003-2

SAUDI DOUBLE-DEALING

THE South of the Arabian Peninsula is in the grip of a stubborn and, judging by all signs, protracted struggle reflecting all the features of that contest between the old and the new, between imperialism and the forces of progress and national liberation, which is characteristic of our time.

Three months ago the independent People's Republic of South Yemen came into being after more than a century of colonial rule. The result of four years of armed struggle for freedom, this was a major victory for the national-liberation movement. The puppet sultans who had been earmarked for its neo-colonialist rulers fled abroad, mostly to Jidda in Saudi Arabia.

With this bastion of classical colonialism gone, only the South of Africa, a few islands in Oceania, and some scattered imperialist bases remain under open colonial rule. The liberation of Southern Africa is now entered on the order of the day as a prime strategic task in the people's struggle to remove this shameful blemish on civilization.

The South of the Arabian Peninsula has now entered a period of rapid rebirth. Although the South Yemeni Republic has been in existence only three months, it is already firmly on its feet. Nothing can prevent its consolidation as an independent and sovereign state. Its northern neighbour, the Arab Republic of Yemen, is successfully battling the royalists despite the withdrawal of the 70,000-strong Egyptian army. The patriotic forces are arming the people to repel the enemy. Although there still are no few difficulties ahead, the Yemen is bound to forge ahead from medieval backwardness to the building of a modern state.

Progressives everywhere welcome these changes, seeing in them a new manifestation of the irresistible upsurge of the anti-colonial, anti-imperialist movements.

Imperialism and its agents are, however, offering desperate resistance in an effort to halt progress and to save the outdated colonial order if only under a new guise.

Their latest move is a vociferous campaign aimed at "filling the vacuum" allegedly created in South Arabia with the departure of the British. The Western press is doing its utmost to misrepresent the facts and imperialist neo-colonialist diplomacy is engaged in backstage intrigues, serving the interests of the oil and other monopolies which are out to protect the lush profits they have been siphoning out of this part of the world.

The forces of the Yemeni royalists and foreign mercenaries operating in the Sana area are poised also against free Aden. Tensions are mounting on the frontier between South Yemen and Oman. With the imperialist agents trying to entrench themselves in the oil-rich Arab regions, the entire Persian Gulf area is in a turmoil.

The underlying object of the activity of the imperialist powers, and above all of the United States, throughout the Middle East is to impose neo-colonialist regimes not only on South Arabia but on the adjoining areas and to split the Arab world into opposing camps in order to consolidate the Israeli aggression. The danger presented by these plans should not be underestimated.

Incredible though it may seem, the imperialists have found supporters among prominent public leaders and groups in Middle East countries. And not only in the Middle East. The frontlines of the battle with colonialism often cut across the demarcation lines between classes and social strata.

The betrayers of national interests are above all the old placemen of imperialism, the local quislings linked by financial and other ties with foreign monopolies to which they owe their wealth and privileges. These are willingly or

unwillingly aided by short-sighted local politicians living in the past and accustomed to measuring today's world with the yardstick of past decades and centuries, or by misguided people incapable of rising above their egoistic and parochial interests.

As for the "vacuum," there is no such thing in South Arabia; the peoples, having won national freedom, are taking their destinies in their own hands, affirming their sovereignty, and embarking on the building of a new life.

The history of the newly-free countries of Asia, Africa and Latin America shows that the fall of colonialism leaves no vacuum. Even where sharp differences develop between independent countries, they can, if they are guided by reason, find ways to agreement in the face of the common enemy—imperialism. The Tashkent Declaration might serve as an example for the Middle East countries. It is to be hoped that they will achieve unity in common struggle for independence and national regeneration.

Certain Arab leaders, however, are seriously alarmed by the liberation of the South Arabian peoples, as developments of the recent period have shown.

In face of the U.S.-imperialist-inspired Israeli aggression against the Arab world many of its old differences were relegated to the background. For the danger threatens all Arab countries, both republics and monarchies (witness the case of Jordan). True Arab patriots (and not only the progressives) from Baghdad and El-Kuwait to Casablanca and Nouakchott are fired by one desire—to repel the imperialist aggression and to safeguard the hard-won gains of the national-liberation movement.

At the Arab summit meeting in Khartoum last autumn agreed decisions were reached on measures to liquidate the consequences of the Israeli aggression. No one in Khartoum ventured to deny the unanimous will of the Arab peoples

to rebuff the imperialist aggressors. Regrettably, however, subsequent events have shown that not all participants in the meeting were sincere, that besides patriots the Arab peoples also have their quislings.

Saudi Arabia is playing a double game in the Arab world. In words it supports the common Arab cause and the Khartoum decisions, but its actions are a violation of these decisions. With the financial and military support of the United States, the Saudi rulers are backing the Yemeni royalists against the republican regime. Armed mercenaries are being sent to Yemeni territory from Saudi Arabia, where a "foreign legion" consisting of the dregs of Europe and other scum, including members of the pro-fascist Moslem Brotherhood, is being formed. The U.S. imperialists count on the overthrow of the republican regime in Yemen opening the way to them to South Arabia and enabling them to strangle the

young South Yemeni Republic. If this were to happen it would be a serious blow to the national-liberation movement.

Fearing for their privileges and wealth, the Saudi Arabian rulers have placed themselves at Washington's service and thereby in effect lined up with its other puppets, the Israeli aggressors.

The Washington-Tel Aviv-El Riyadh chain is designed to strangle the emerging freedom of the Arabs. El Riyadh is trying to justify itself by claiming that the just struggle of the people of the Arab Republic of Yemen and the People's Republic of South Yemen is the result of "Moscow intrigues."

The absurdity of this allegation is obvious. For the whole world can see that the Yemeni people's struggle is prompted by their own aspirations. It is the forces directed from Washington and El Riyadh that are interfering in their internal affairs. There is not the slightest doubt that if Saudi Arabia ceased its intervention, the people of Yemen would quickly set their affairs in order.

Arab patriots have long since stopped asking how many pieces of silver the El Riyadh rulers have received for their betrayal. The price is well known—the hundreds of millions of dollars in oil royalties which by rights belong to the people of Saudi Arabia, but which flow into the coffers of their corrupt rulers.

It is to be hoped that all Arab patriots, regardless of their political views, will turn away from the local quislings. And not only Arabs. The situation makes unity of all patriotic forces in the Middle East imperative. For Israel is but the spearhead of U.S. imperialism, which threatens all the newly-free peoples of Asia and Africa.

The way to freedom and independence in the Middle East lies not through fratricidal war but through unity of the peoples, unity of all the progressive forces of the world, in the fight to eliminate the consequences of the Israeli aggression.

DAILY STAR, Beirut
3 February 1968

Pravda Raps 'Pro-U.S. Nationalists in UAR'

MOSCOW, Feb. 2 (R)—A leading Soviet commentator Friday criticized unnamed people in Egyptian nationalist circles who wanted a rapprochement with the United States.

Igor Belyayev made the comment in a lengthy article analyzing the current state of the Middle East crisis in the Communist Party newspaper "Pravda."

Belyayev's article, which strongly restated the Soviet view that there was a genuine possibility of a Middle East settlement if Israeli troops withdrew from the Arab territories they occupied in the June war, blamed "Israeli extremists, interested imperialists circles of the U.S. and double-dyed Arab reactionaries" for delaying such a settlement.

But the article made a distinction between the Arab "reactionaries," who have long been criticized here, and the unnamed people in Egyptian "nationalist quarters,"

Belyayem wrote: "Egyptian reaction is concentrating its fire on the Socialist order of the UAR proclaimed by President Nasser in 1962..."

"Direct attacks on Nasser 'from inside' are now combined with the threats of Israeli Defense Minister Gen. Moshe Dayan and the immutability of the United States, in its support for Israel, which, as the 'American Lobbyists' hint in Cairo, would quickly change into softness if only the UAR President were to go.

"Even in nationalist Egyptian circles there are fairly open proponents of an all-round rapprochement with the U.S. These people try to convince themselves that only the Americans are in the position to solve the Middle East crisis... and to force Israel to withdraw its forces from the temporarily occupied Arab territories."

"A very perfidious design is hidden in such claims. It is a question of the most genuine capitalation before imper-

ialism. Carry out the design of the 'American Lobbyists' in Cairo, and the U.S. would be able to rely on those changes which would favor its monopoly capital and reduce to nought the gains of the Egyptian revolution."

Another part of the 2,000-word article said "imperialists" were deceiving themselves if they thought it was to their advantage to delay a Middle East settlement.

"The position in the UAR has stabilized itself. The republic does not intend to change its policy..."

"The Arabs have once again convinced themselves that imperialism is their mortal enemy. Only the Soviet Union and the other socialist countries, which came out on their side against aggression, have shown that they are their firm, consistent and interested friends," Belyayev wrote.

He added: "If anyone in the West is hoping that, under present circumstances, it will be possible to make use of a broad and lengthy alliance between imperialism and Arab self-

Soviet-Arab propaganda line

"Unless one listens regularly to Soviet or Arab broadcasts or reads news texts one can hardly estimate the thrust or flavor of the thoughts and suggestions communicated over the airwaves.

The following excerpts from some of these broadcasts and from Soviet newspapers illustrate what types of "communications" go out on the airwaves in the Middle East and in the Soviet press:

Egyptian Vice-President Abdul Hakim Amir in Pakistan:

"The aggressive Israeli existence is the clear embodiment of a depraved humanity which must be uprooted." (Cairo Radio, Dec. 8, 1966.) "The artificial Israeli existence must disintegrate before combined Arab strength." (Cairo Radio, Dec. 9, 1966.)

Soviet broadcast in Arabic:

"... From the birth of the Zionist movement the ruling circles in the U.S.A. showed considerable interest in it. The Zionists' demand that Palestine should become a Jewish State was taken up by groups representing the American financial clique, which sought to exploit the idea of setting up a Jewish State as well as the State itself to strengthen their position in the Near East and to increase their penetration of the Arab oil areas.

"Like their British partners, the United States imperialists very largely rely on the Israeli Zionists and use them against the national liberation movement in the Arab East. In the proportion that the imperialist system in this area collapses, so does Israel become more important to the U.S.A. and other Western powers as a police force against the Arab countries..."

(From talks broadcast from Moscow in a series, "Zionism, the Weapon of Imperialism," Sept. 9, 1967.)

Soviet news commentary:

"On the Israeli-Syrian border there is trouble again. . . . When one fingers the pages of the latest issues of Tel Aviv newspapers, then Syria appears to carry all the blame for it all. However, when one reads carefully some of the not-at-all peace-loving declarations of the Israeli politicians and military, one is forced to reach an entirely different conclusion. What was the need, for instance, of the statement that 'Syria does not possess inviolability' made by the Israeli Prime Minister, L. Eshkol? . . .

"To the sound of shooting there-[on Israeli-Syrian border] the United States intends to increase considerably military aid to Jordan. This would make King Hussein stronger and would create a sort of bastion of defense on the border of Saudi Arabia

and, at the same time, would create a cause for new quarrels among the Arabs themselves . . . something that the U.S. and British might use — of course, to the detriment of the struggle for liberation of the Arabs." ("To the Sound of Shooting" by Igor Belyaev, Pravda, Jan. 18, 1967.)

Syrian Minister of War Hafez Assad:

"Syria will not restrain the activities of the fedayeen even if they lead to armed conflict between Syria and Israel." (Al-Siad, Lebanon, Jan. 26, 1967.)

Syrian President Atassi:

"We are preparing ourselves for a popular war of liberation. . . . We devised this slogan in full knowledge of its severity and its implications . . . a popular war of liberation is the real danger for imperialism and Zionism. . . . The shameful crime, which led to the occupation of Palestine, cannot be obliterated from Arab history except by the arms of the Arab workers when they enter a popular war of liberation. The Palestine problem will not be solved except in the heart of the occupied territory itself. It is impossible to solve it except by means of war of liberation. . . ." (Damascus Radio, Feb. 8, 1967.)

Ahmed Shukeiry at Amman (head of Palestine Liberation Organization):

"Either we or Israel. There is no other way and we shall accept no other solution but the liberation of Palestine. . . .

"I can't imagine that even a single Israeli is going to be left alive once the battle begins." (Al Anwar, June 2, 1967.)

Egyptian President Nasser press conference:

"We shall not accept any possibility of co-existence with Israel. . . . It is not a question today of an arrangement for a peace settlement between the Arab states and Israel. It is a question of Israel having arisen through the force of aggression. It is a question of the rights of the Palestinian people and there is no alternative to returning the rights of the Palestinian Arabs, nor is there any possible settlement that can be reached in the present state of affairs. A state of war with Israel has existed since 1948." (Cairo Radio, May 28, 1967.)

President Nasser:

"The armies of Egypt, Jordan, Syria, and Lebanon stand on the frontiers with Israel, in order to meet the challenge, with the armies of Iraq, Kuwait, Sudan, and the whole Arab nation at our rear.

"This action will astonish the world. Today they will know that the Arabs are massing for the attack, when the real hour comes.

mere declarations, whatever their strength is." (Cairo Radio May 30, 1967.)

↑ ↑ ↑

Soviet news-editorial:

"... In order to justify the necessity for the influx of Jewish population into Israel and to justify its aggression against neighboring Arab states, the Zionists have hypocritically shed tears over 'the eternal suffer-

ing' of Jews, they have advertised the theory of a 'worldwide Jewish nation,' while striving not to liberate peoples from imperialist oppression, but toward 'absorption,' — i.e., toward the gathering of all Jews in Israel, which was proclaimed 'a paradise on earth' and 'a promised land.'"
(From Komsomolskoye Znamya, Kiev, Ukraine, "Zionism — A Tool of Imperialism" by Trofim Kichko.)

WASHINGTON POST
28 November 1967

Soviet Aims Warning At Arab 'Hotheads'

Los Angeles Times

MOSCOW, Nov. 27—The Soviet Union struck sharply at Arab extremism today in a move that reflects mounting Kremlin anxiety over outbursts of temper in the Middle East crisis.

Moscow's latest attempt to bolster Arab moderation came in the form of a particularly strong attack on "hotheads" and hasty public pronouncements in some Arab capitals. The references were carried in the newspaper Pravda, the official organ of the Soviet Communist Party.

While the newspaper devoted most of its harsh criticism to the Israeli position, it also declared:

"... We cannot help noting that in some Arab capitals there are hotheads and hasty statements in the press, which under present conditions act like a boomerang, give pretexts for anti-Arab Western propaganda and are taken ad-

vantage of by extremists in Tel Aviv."

Pravda did not specify who the "hotheads" were or identify the irresponsible public comments. But Moscow has made no secret of its displeasure over extreme behavior by the governments of Syria and Algeria.

Pravda called attention to the importance of the United Nations' Mideast resolution, which is supported by the Soviet Union and all the other members of the Security Council. Among other things, the resolution calls for an Israeli withdrawal from occupied Arab territory, an end to the state of belligerency and Israeli access to international waters, meaning the Suez Canal.

"... Though some of its formulations are rather vague, this resolution of the Security Council may prove to be the first effective step towards easing tension in the Middle East," the newspaper said.