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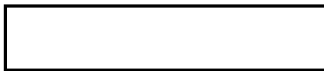
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THE SOVIET WORLD

As the time for the French assembly's decision on the Paris agreements approached, Soviet diplomacy moved into the final stage of its campaign to upset ratification and, failing this, to build the strongest possible position for "countermeasures" outlined during the recent Orbit security conference in Moscow. The unusually heavy volume of notes and propaganda addressed to the Western powers last week consistently emphasized the finality and irrevocability of the acts of ratification and stressed the pointlessness of negotiations after ratification.

Last week's notes and warnings to the Western powers were designed to buttress Moscow's current thesis that the West bears sole responsibility for the fateful consequences of the "remilitarization" of Germany and that this action will introduce an entirely new phase in East-West relations. As a final step in documenting the West's rejection of Soviet efforts to ensure European peace and security, Moscow addressed similar notes on 17 December to all those countries, except the United States, Britain, and France, which had been invited to the Moscow security conference. These notes rebuked them for their refusal to attend the conference and formally transmitted the conference declaration of 2 December.

There has been an indication that the much publicized but vague "countermeasures" outlined in this declaration may now be under discussion in Moscow. Ambassador Bohlen, who had observed a group of unidentified Satellite military officers and civilians at the Bolshoi theater on 19 December, suggested that they may be in Moscow to work on implementation of the 2 December declaration.

While Moscow has shifted to a harsh policy line toward the West, its internal measures continue to be indulgent and to spell greater intra-Orbit co-operation. The tone and content of the major speeches at the opening of the Congress of the Union of Soviet Writers--the first in 20 years --indicated that the bitter condemnation of liberal stirrings in the art world last spring did not lead to a complete reimposition of the harsh Zhdanov line of 1946.

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The principle that literature's role is basically propagandistic was affirmed. There was no clear directive as to how this principle is to be carried out or what limitations in form and content are to be imposed by the regime. This vagueness probably results from an attempt to avoid two extremes--throttling creative initiative on the one hand and allowing the growth of an undesirable literary trend on the other.

A more charitable attitude toward deviations from the party line also is being pursued. Several literary officials who lost their jobs under heavy fire this spring were elected to the presidium of the congress. Delegates at the congress were cautioned not to attack straying writers personally but to concentrate on their mistakes.

The attention accorded Stalin on the anniversary of his birth indicates that he has now taken a place along with Marx, Engels and Lenin as one of the founding fathers of communism. This evaluation of him as a "prominent theoretician and a great continuer of Lenin's cause" appears to represent a stabilization of his position, midway between the inordinate prominence he received while living and the negligible role ascribed to him a year ago.

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LAOTIAN POLICIES MAY LEAD TO COMMUNIST GAINS

The new Laotian premier, Katay Sasorith, has set forth policies which are likely to generate considerable controversy and could result in a cheap Communist victory in Laos. Katay's program includes reconciliation with the Communist-backed Pathet Lao organization, a speed-up in the liquidation of French influence, and closer relations with Thailand.

The trend toward reconciliation with the Pathet Lao, despite the royal government's anti-Communist orientation, is explained by the reluctance of most Laotian officials to believe that the Pathet Lao leaders--notably Prince Souphanouvong, the half-brother of the present defense minister--are genuine Communists, and by pressure from the Indian members of the International Control Commission. The Indian chairman's view is that the role of the commission is "to bring the two sides together," rather than to attempt to enforce rigorously the terms of the cease-fire agreement. The Indians also regard the Pathet Lao as "not really Communist."

The Pathet Lao, speaking through the Viet Minh radio, has taken a conciliatory attitude toward the royal government and has welcomed the government's plan for meeting of leaders of the two sides. No concrete concessions have been made, however, and, in direct contrast to any idea of subordinating itself to royal government control, the Pathet Lao has been attempting since the truce to consolidate its hold on the provinces of Phong Saly and Sam Neua and has been laying the groundwork for expanded military and political activities throughout Laos.

French officials in Laos take a pessimistic view of the royal government's capacity to maintain internal security, pointing out that the rapid replacement of French army officers by Laotians is seriously weakening the royal army. The government's meager military capabilities may be behind the wish to win over the Pathet Lao rather than attempt to destroy it.

The American minister in Vientiane believes that the Laotian government is yielding unduly to nationalistic motives, and that French influence is being whittled down too fast. Under the cease-fire agreement, the French retain a garrison of 3,500 in Laos and a training mission of 1,500, but the morale of these forces is dangerously low.

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The reduction of French influence in Laos will probably be accompanied by a Laotian move toward closer relations with Thailand. Premier Katay favors such a development and apparently does not intend to press the issue of suspected Thai involvement in the murder of the Laotian defense minister last September.

The concept of negotiations with the Pathet Lao, although generally favored by Laotians, has encountered the strong and perhaps decisive opposition of Prince Savang--the most powerful political figure in Laos. Savang's stand probably derives in some degree from his fear that his own influence might be diminished by a grant of amnesty or political office to the rebel Prince Souphanouvong, a member of a rival branch of the royal family. Similarly, Foreign Minister Phoui Sananikone's opposition to Katay's policies toward the Pathet Lao and Thailand may be partly attributable to his long-standing rivalry with the premier.

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WEST GERMAN REARMAMENT AS A DOMESTIC PROBLEM

Popular sentiment against rearmament in West Germany and the political problems involved in remilitarization are becoming matters of increasing concern to the government of Chancellor Adenauer. Although most of the present vocal opposition to rearmament will probably evaporate once West Germany has its sovereignty and the formation of an army is begun, continuing sharp disputes are foreseen over the nature and control of the new armed forces.

Young West Germans have become progressively less enthusiastic about conscription in the past year, particularly since the defeat of EDC, which had been viewed as offering an idealistic justification for military service. The proximity of the draft, fear of reviving the caste system of the old German army, and the decrease in public fear of Soviet attack are all factors in this antimilitary feeling.

This sentiment is strongest in the opposition Social Democratic Party (SPD), which for some months has been waging a widespread campaign against the projected army. Convincing evidence of the success of SPD tactics are the resolutions against rearmament passed last September by overwhelming majorities at the conventions of the West German Federation of Trade Unions and the Trade Union Youth Federation. The drive against rearmament is also being pushed independently by some 300 Evangelical pastors led by Martin Niemoeller. The West German Communists have had considerable success in organizing anticonscription demonstrations.

Nevertheless, rearmament is still supported by a substantial majority of the general population. A recent public opinion poll, sponsored by the American high commission, showed 61 percent of those interviewed as favoring rearmament and only 22 percent opposing it. The Social Democrats themselves seem to have little hope of success in their present campaign, and the party is reported to have hired a former German General Staff officer to advise its deputies in the Bundestag on technical points of defense legislation. Officials of the government's Defense Planning Office, headed by Theodor Blank, believe that the current resistance to military service can be kept within manageable limits provided the Paris agreements are ratified without undue delay.

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Aside from this problem of politically stimulated anti-rearmament sentiment, the Blank office faces a number of serious difficulties in building a permanent army cadre. Virtually all World War II lieutenants and noncoms are now over 30, and their ability to get along well with younger recruits is questionable. The age problem is even more acute for the air force.

Many of those best qualified for military commissions are reluctant to leave their civilian jobs. Moreover, according to officials of the Blank office, the Finance Ministry will not agree to a satisfactory military pay scale and refuses to make funds available for the establishment of committees to select and examine candidates for officer posts down to the rank of major.

Meanwhile the status of the future German soldier is a subject of controversy. Blank and Generals Speidel and Heusinger favor giving him the rights and privileges enjoyed by his American counterpart, but are opposed by a group of former officers who consider the old type of Prussian discipline essential. Parliament and most veterans' organizations support the plans for democratization of the new army.

The question of control over the new army is an extremely serious one for most Germans. Adenauer and many responsible West German leaders have had misgivings about rebuilding an army on a national basis rather than the supra-national basis envisaged in EDC. Great care is accordingly being taken to see that the army will be strictly controlled by the civilians in the Defense Ministry, and will be under constant scrutiny by a parliamentary committee. Opposition to such arrangements is reported within the defense office, however. Blank believes strongly in civilian control, but Heusinger and other officers want a semi-independent Military Division within the ministry. The ability of the Federal Republic to keep this military group subordinate will remain uncertain for some time.

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YUGOSLAV-ORBIT TRADE TO EXPAND

By February 1955, Yugoslavia will have negotiated official long-term trade agreements with the USSR and nearly all the Satellites, thereby formalizing on a government level the trade which has been developing slowly since the spring of 1954. For both political and economic reasons the Yugoslavs will undoubtedly try in these agreements to increase their trade with the Soviet bloc, which stands now at less than 4 percent of their total goods exchanges. While such trade may, after a few years, reach the pre-1939 proportion of 25 percent with the area, it will almost certainly not climb to the 50-percent level prevailing at the time of Tito's break with the Cominform.

The USSR was first to suggest trade negotiations at government level to extend the three-month agreement signed on 1 October. On 11 December, the Yugoslav radio announced forthcoming talks, also apparently of an official nature, with Hungary, Czechoslovakia, Bulgaria, Poland, and Rumania. "Unofficial" agreements between Yugoslav and Satellite firms or chambers of commerce have been signed since May 1954 with Hungary, Czechoslovakia, East Germany, and Bulgaria. Three of these early arrangements with the Satellites expire at the end of 1954, but that with East Germany extends until July 1955. No short-term agreement between Yugoslavia and Poland or Rumania has been announced for 1954.

Orbit trade will be attractive to Yugoslavia as an additional source of the raw materials necessary for its industrial expansion, and transport costs will in most cases be lower than from the West. Even internal transport costs may play a role in this. Yugoslavia intends to import some Hungarian cement inexpensively by way of the Danube, freeing for export equivalent amounts of cement produced near the Yugoslav Adriatic coast.

Although they may be somewhat overoptimistic, the Yugoslavs hope that the USSR and the northern Satellites will provide industrial equipment, needed in quantity. Belgrade may also be motivated by a desire to place its trading pattern on a sounder basis in anticipation of a gradual decrease in American and other Western aid which has served as an economic buoy.

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Although trade with Yugoslavia would not be of much economic importance to the bloc, the USSR probably sees it as a means of fostering Western suspicions concerning Yugoslav intentions and of proving to Belgrade the sincerity of "normalization." Offers of commodities which are particularly desirable to the Yugoslavs may be used as bait. For example, Soviet crude oil, artificial fertilizers from East Germany, and Czech spare parts and machinery were included in the first Orbit trade lists. The Soviet Union was not, however, willing to grant Yugoslavia a large quantity of wheat, which would have made a deep impression on the government because of the drought-caused shortage in Yugoslavia this year.

Efforts to broaden Yugoslav-Orbit trade may be complicated by problems of unfulfilled commitments and debts dating from the period before 1948. The trade debts of Hungary, Albania, and Rumania to Yugoslavia are estimated at \$5,500,000 more than those of Yugoslavia to the USSR, Czechoslovakia, East Germany, Poland, and Bulgaria. If the Yugoslavs press collection of this debt, the Soviet Union would probably be willing to back financial concessions by the debtor Satellites. Yugoslavia is not likely to press the point, however, because it owes \$72,000,000 to the USSR on a separate account for military equipment and industrial goods received before the break.

Barring spectacular trade offers from the bloc, the Yugoslavs are not likely to alter radically the Western orientation of their trading pattern, nor to cease their general co-operation with Western export controls. They turned down Soviet and Czech requests that strategic goods be included in the first trade lists and in mid-September reasserted their intention to co-operate "to the fullest extent possible" in controlling such exports.

Moreover, in the past year, the Yugoslavs have shown special interest in cultivating South American and Middle Eastern markets, and their economic relations with Austria, West Germany, and Italy, all important Western trading partners, have improved. The incipient co-operation of the three Balkan Pact powers in economic matters constitutes another Yugoslav economic tie with the West.

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INDIAN-PORTUGUESE TENSION MOUNTS AGAIN

The dispute between India and Portugal over enclaves on the subcontinent continues, and Portugal's alarm has intensified again (see map, p.14). The Lisbon government's international attitude is colored by the issue, and a renewed effort to gain American support appears likely.

India recently has been harassing the Portuguese enclaves, administered from Goa, with the economic pressure and tactics that proved so successful against the French establishments on the subcontinent. The Portuguese fear that if New Delhi's present tactics fail, it will try more forceful measures. They also fear that Indian takeover of the enclaves might encourage an Indonesian move against Timor, a Chinese move against Macao, and nationalist agitation in Portuguese Africa.

Direct pressure by the Indians was partially successful last summer when "volunteers," in part Communist-led, took over two isolated Portuguese subdistricts. A later march of "volunteers" on Goa fizzled when the Indian government, apparently impressed by international disapproval and the Portuguese resolve to shoot any invaders, took steps to discourage it. The Indian government's subsequent economic blockade has led to a cessation of trade with Goa, and the other Portuguese enclaves, and Indian refusal to transship Portuguese goods. Besides trade with India, three of the largest sources of Goa's income have been tourism, smuggling, and remittances, all of which have been curtailed. Although Portugal will try to make up the loss caused by the blockade and to keep the colonies afloat economically, in the long run the embargo is likely to have a serious effect. Most Goans have found it more profitable in the past to live under the Portuguese flag. If it becomes apparent that this is no longer true, popular sentiment might turn toward union with India.

In his opening address to the Portuguese National Assembly on 30 November, Prime Minister Salazar mentioned and rejected three possible methods of settlement: (1) transfer of sovereignty to India through negotiations; (2) war; and (3) granting Goa its independence. He then called for negotiations to establish a "peaceful coexistence" and implied a willingness to make concessions, as long as they did not involve a transfer of sovereignty. In what appeared to be an

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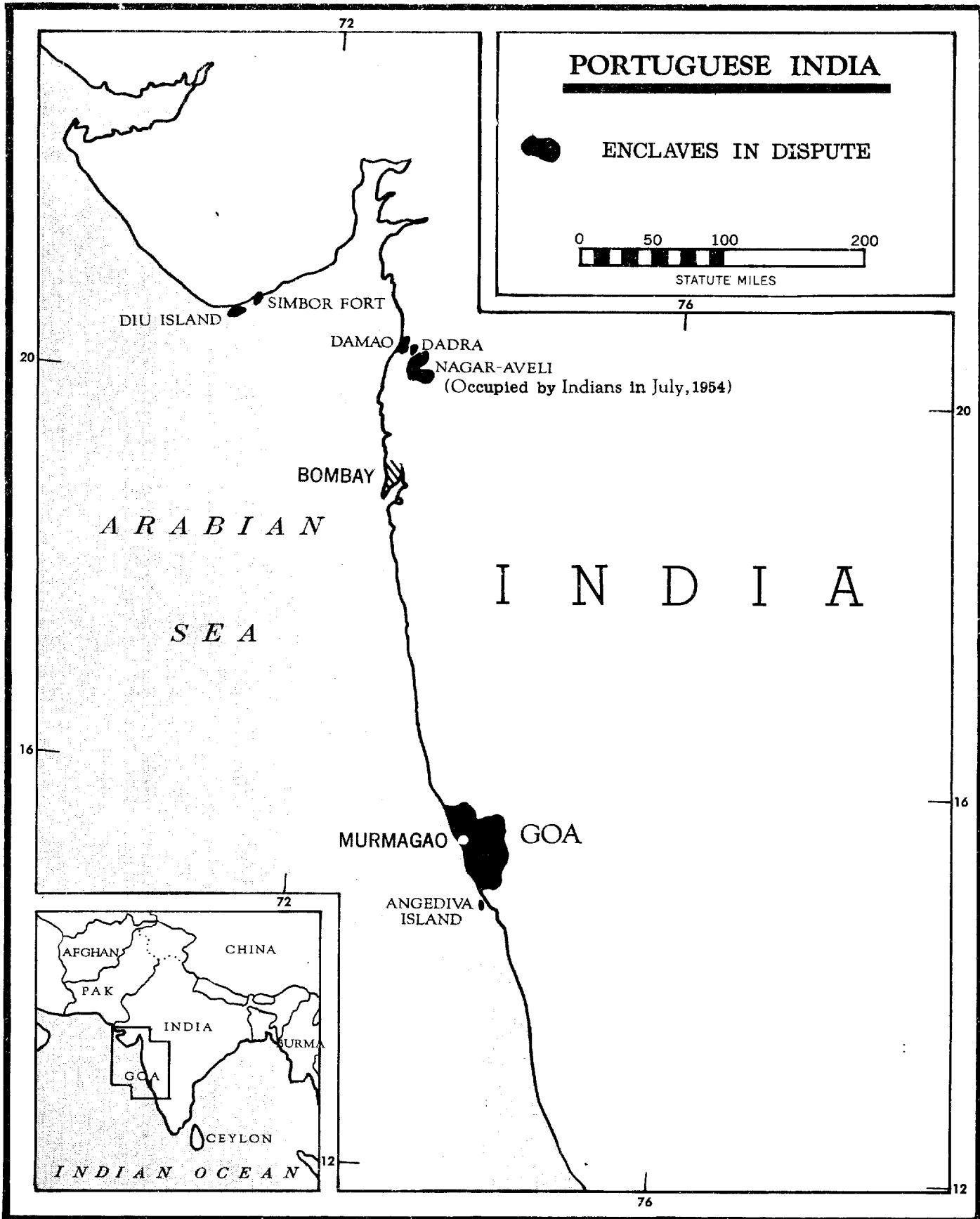
answer to Indian allegations that civil rights are denied the Goans, Salazar announced a forthcoming basic statute for Portuguese India, implying that it would be more liberal than present legal provisions.

Most Portuguese officials fear that India is determined to annex Goa, and that if this is not accomplished peaceably, the Indians will again send large numbers of "volunteer" agitators across the borders to create an excuse for an Indian army "police action." In a direct clash with Indian armed forces, the 7,000-odd Portuguese and African troops in Goa would probably put up a strong initial resistance, but with little chance of holding out for long. There is no present indication, however, that India is planning military action.

The Portuguese, on the other hand, have shown some signs of wanting to re-invade their lost territory. They have been working to complete an airport near Murmagao in Goa within a year. The defense minister recently told an American official of a scheme for parachuting troops into Nagar-Aveli, and the Portuguese have shown interest in buying American helicopters for use in India. Although officially New Delhi has no connection with the provisional government set up by the "volunteers" to administer Nagar-Aveli and Dadra, any Portuguese military move against it would undoubtedly meet Indian counterforce.

From the beginning of the Indian controversy, Lisbon has been hypersensitive about the American policy of remaining publicly aloof. The Goan crisis has aroused so much patriotic emotionalism among government leaders that anger at Indian "aggression" can easily be translated into bitterness at United States "nonsupport." If Indian pressure should increase sharply, Portugal can be expected to employ the leverage provided by its NATO membership and the bilateral base rights agreements with the United States to appeal more insistently for American support.

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COMMUNISTS GAIN IN JORDAN

The Communist Party of Jordan, although illegal, emerged from the October parliamentary elections as the strongest and best-organized party in the country, and it is now in a position to win further support. Communists, running as independents, won two seats in the Chamber of Deputies, giving the party parliamentary representation for the first time in Jordan's history.

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[Redacted]

The Jordanian Communist Party is small, with an estimated 250 hard-core members and 4,000 active supporters, but it has greater discipline, more energy, and a better organization than any other political group in the country. The impoverished conditions of some 470,000 Arab refugees among the 1,300,000 population, as well as strong antigovernment sentiment in West Jordan (Arab Palestine), offer the Communists unusual opportunities for exploitation.

Communist activities have increased steadily during the past two years, and the party has gained substantial support from non-Communist groups as it has managed to identify itself with popular grievances against the government.

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[Redacted]

Exploiting the particularly strong antigovernment and anti-Western sentiment in West Jordan, the Communists are likely to intensify their efforts to bring about the fall of Abul Huda and his replacement by a weak, neutralist prime minister. While such an opportunity does not seem to exist now, it might arise if the government became involved in a serious frontier incident with Israel like the Qibya attack of last year and then failed to satisfy popular Jordanian sentiment for a tough approach.

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**THE SOVIET DRIVE FOR INCREASED ADMINISTRATIVE
ECONOMY AND EFFICIENCY***

The effort of the Soviet government to reduce administrative costs and increase efficiency, which began shortly after Stalin's death, has brought about the transfer of many workers in government and industry from administrative to production jobs, and the movement of workers from the central government in Moscow to regional or field organizations. Concurrently, managerial flexibility and responsibility at lower administrative levels in both government and industry have increased, and serious attempts are being made to bring the administrative apparatus closer to the working level.

Numerous articles on the need for better administration have been published in the USSR since mid-1954, suggesting that the drive for greater efficiency has accelerated in recent months. By October 1954, according to a recent article by Minister of Finance Zverev, 200 chief directorates or independent offices, 147 trusts, 895 supply organizations, and 4,500 other smaller units had been abolished in 46 ministries and departments of the central government. Furthermore, he stated that "the measures being undertaken now are only the beginning of the great work of perfecting the government apparatus."

These administrative changes are one aspect of the regime's efforts to raise industrial and agricultural output by increasing the effectiveness and productivity of the total labor force. Because of the high degree of centralization inherent in the Soviet dictatorship, however, the chances for lasting success of present efforts to erase the stultifying effects of bureaucracy are dubious.

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One recent indication of the magnitude of these changes was [redacted]

[redacted] that over a million workers were to be transferred from government administrative posts to productive sectors of the economy. This figure probably represents the total administrative reduction throughout the USSR since Stalin's death, in addition to future planned reductions.

Finance Minister Zverev wrote that "from 1952 to 1954" the size of "the central apparatus of ministries and departments" was reduced by 20.6 percent. This probably refers only to the Moscow area, and includes both the reduction of administrative workers there and the transfer of many from Moscow to other administrative jobs in regional or field organizations.

*Concurred in by the Office of Research and Reports.

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Complementing this economy drive have been serious efforts to bring the bureaucracy closer to the working level, and even to "humanize" Soviet administration in small measure. Khrushchev, in a February 1954 speech, urged that administration be moved closer to production, so that the bureaucrats would no longer sit in Moscow and "cast from there their paper nets." The most striking action of the regime in this direction was the establishment during the first half of 1954 of ministries in individual Soviet republics for several key industries, such as ministries of ferrous metallurgy and the coal industry in the Ukraine, and a ministry of nonferrous metallurgy in Kazakhstan. In agriculture, also, administrators have been urged to move from the district centers to the collective farms, from the provinces to the districts, and from Moscow to the provinces.

A major corollary of these measures has been a moderate increase in the authority of lower-level officials, and a large reduction in the number of details concerning the country's economic production accounted for in the National Economic Plan. Many details are now to be included only in the plans of individual ministries or regional bodies. According to a recent article by two staff officials of the State Planning Commission (GOSPLAN), the list of commodities whose allocation is strictly controlled by the central government will only be half as large in 1955 as in 1953.

This does not, by any means, imply a decentralization of control in this magnitude, since most of the decrease results from a merger of individual items into broader categories. For example, in 1953, 106 different types of centrifugal pumps were carried individually on this list, while in 1955 the number of types will be reduced to 18 simply by making each type a broader category.

The same kind of change has been effected in the central plan for 1955 in such fields as agriculture, labor, and capital investment. While all these changes do not appreciably reduce the over-all central control of the government, they should substantially increase the flexibility of administration at ministerial levels and below, and lead to an improvement in industrial management.

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