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25 July 1950

SUMMARIES OF TRENDS AND DEVELOPMENTS

USSR

1. The Stalin-Nehru exchange of messages underscores the present Soviet tactic of promoting friendly official relations with India. Recent changes in Indian Communist Party policy may also be designed to conciliate Nehru.
(See page 6)
2. The intention of the USSR to form a pan-Mongol bloc, with the Mongolian People's Republic (MPR) as a nucleus, may be forecast by a suggestion from Kim Il Sung, Premier of North Korea to Choi Balsan, Premier of MPR, that the "Mongolian people establish a new people's entire Mongolia." In addition to increasing the protection of the strategic Lake Baikal industrial area, this defense-in-depth measure would enable the USSR to: (1) strengthen its position with regard to Manchuria; (2) exert pressure on the Chinese Communists by control of Kalgan, a strategic approach to China; and (3) resist Chinese penetration northward by Soviet support of a pan-Mongol bloc.
(See page 6)
3. The presence, at the SED Congress of top international Communist leaders from at least twenty-three parties, indicates that important international Communist plans were communicated to the various representatives.
(See page 8)
4. Entry of the Socialist Unity Party (SED), the East German Communist Party, into the Cominform would not foreshadow any new or startling development in Soviet tactics toward Germany. There is no firm indication as to whether the SED will or will not enter this organization at some future date.
(See page 9)

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5. In signing a long-term trade agreement with Afghanistan, the USSR has assured itself of a continuing flow of desired raw materials, encouraged Afghanistan to challenge Pakistan still further, and increased Afghan economic dependence on the Eastern Orbit.

(See page 10)

6. Despite the wide publicity given by the USSR to the need for tank cars, the situation is not critical.

(See page 11)

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7. Reported negotiations for a Soviet-Mexican barter deal indicate that the USSR is still interested in obtaining Mexican henequen, wishes to increase its exports to Mexico, and is attempting to conserve its dollar resources. The proposed exchange of Soviet machinery, automobiles, and wheat for 20,000 tons of henequen would be the first barter arrangement between the two countries. In the past the USSR has paid for Mexican henequen with US dollars.

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EASTERN EUROPE
GENERAL

8. Large numbers of Soviet civilians who have reportedly been infiltrated into Satellite countries could substantially augment the Soviet-Satellite armed forces and contribute to strengthening of Soviet information and control in Bulgaria, Rumania and Hungary.

(See page 12)

9. Intensification of West German-Czech competition is indicated by a major slash in Czech textile exports to Turkey. Czech cotton goods, which were quoted in the Istanbul market at

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85 cents in March 1950, were dropped to 40-45 cents during the following two months to counter a West German price reduction to 65 cents.

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EASTERN GERMANY

10. Walter Ulbricht, East German Deputy Premier, announced at the recent Socialist Unity Party (SED) Congress that East Germany would enter the Economic Council for Mutual Assistance (CEMA). The entry of the German Democratic Republic (GDR) into the so-called Soviet counterpart of the Marshall Plan is a logical step in the integration of East Germany into the Soviet orbit. It may be designed, in part, as a counter measure to West German entry into the Council of Europe. The coordination of the East German five year plan with the economies of the other Satellites will probably be directed by CEMA.

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RUMANIA

11. The socialist transformation of agriculture in Rumania was carried one step further by a decree which provides for the pooling of small and scattered plots of farm land. This may prove to be the hardest blow thus far aimed at the moderately successful peasant (kulak).

(See page 13)

12. Dislocations still exist in Rumanian domestic trade, in spite of sporadic reorganizations and personnel changes. In order to draw off the anticipated surplus cereal production, the Government will try to take corrective measures.

(See page 14)

YUGOSLAVIA

13. Yugoslav concern over the possibility of a Soviet-inspired aggression is apparently growing, although no official

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anxiety has been revealed. On the basis of available evidence, however, it appears unlikely that a Soviet-inspired attack on Yugoslavia is imminent. Satellite armies, even if equipped with available Soviet armor and equipment, are still believed incapable of overrunning the country without direct Soviet participation.

(See page 15)

14. Unfavorable weather conditions in Yugoslavia are having an adverse effect upon spring planted crops. It is unlikely that there will be a large amount of grain available for export purposes and there is a slight possibility of a grain deficit. This will reduce Yugoslavia's foreign trade earnings.

(See page 17)

15. Preliminary production estimates are that the white corn crop in Yugoslavia will be less than the 100,000 ton commitment to Egypt and may, therefore, affect their cotton procurement program.

(See page 18)

SPECIAL ARTICLES

16. Although maritime traffic between European USSR and the Soviet Far East increased substantially during the first six months of 1950, the net increase in the Soviet Far Eastern merchant fleet during the same period was only two vessels. Extensive additions to that fleet in the near future are not required, either for economic or military purposes. Future efforts will probably be directed toward the accelerated repair of vessels now in the area, rather than toward any substantial net increase in their number.

(See page 18)

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17. Recent attacks against the Social Democrats in Hungary have been aimed not only at those who refused to collaborate with the Communists but also at those who have been the Communists' most docile puppets. The influence of Social Democrats, from the President of the Presidium to the unskilled laborers, is being eliminated in an effort to stamp out potentially dangerous opposition.

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Stalin welcomes Nehru's proposals

"B"

The Stalin-Nehru exchange of messages underscores the present Soviet tactic of promoting friendly official relations with India in an attempt to encourage Indian "neutrality" and to promote a rift between Indian and Western leaders. Since 14 January when Stalin, contrary to his usual custom, personally received the new Indian Ambassador, Soviet and Satellite diplomats have displayed especial cordiality to Indian officials both in Europe and in New Delhi.

An additional reason for Stalin's ready acceptance of Nehru's proposals is that Nehru advocated seating the Chinese Communists in the UN, a major Soviet objective, while avoiding any mention of the Security Council resolution on Korea. It has been alleged that Moscow requested Nehru to make his offer of mediation and suggested some points to be included. It is not surprising, therefore, that Nehru's appeal was warmly received by Stalin and hailed by Soviet propagandists as "backing the Soviet point of view without reservations."

Another development which may be calculated, at least in part, to conciliate Nehru is the recent change in Indian Communist Party policy. Abandoning its tactics of violence and sabotage, which have been roundly condemned by Nehru in India and on his tour of Southeast Asia, the Indian Communist Party announced on 19 July that it would concentrate on a united front "agrarian reform" movement. (SECRET)

USSR moves toward possible
Mongolian unification

"B"

On the 29th anniversary of the founding of the Mongolian People's Republic (MPR), Kim Il Sung, Premier of North Korea sent a congratulatory message to Choi Balsan, Premier of MPR, in which he expressed the wish that the Mogol

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people "establish a new people's entire Mongolia." In view of the USSR's pro-Mongol policy and increased Soviet activity in peripheral areas of the Far East, it is likely that the USSR instigated the North Korean suggestion and will promote its implementation. In addition to increasing the protection of the strategic Lake Baikal industrial area, this defense-in-depth measure would enable the USSR to: (1) strengthen its position with regard to Manchuria; (2) exert pressure on the Chinese Communists by control of the strategic approach from Inner Mongolia to China; and (3) resist Chinese penetration northward by Soviet support of a pan-Mongol bloc. Specifically, Mongol unification would enable the USSR to bring under more direct control, the region of Hulunbuir in northwestern Manchuria and the area of the Inner Mongolian Autonomous Government (IMAG) which comprises western Manchuria and the northern sections of Jehol, Suiyuan and most of Chahar Province. It is also possible that the USSR would delineate the boundaries of a new Mongol state to include all, or at least additional portions of Suiyuan and those areas in Ningsia and Sinkiang populated by Mongols.

Soviet plans to orient all Mongols toward the USSR crystallized following World War II. During the past year, this trend has become more pronounced and is evidenced by developments intended to enhance the position of MPR as the nucleus for this project. (See D/EE Weekly, 7 Apr 50). This is illustrated by: (1) expanded international relations of the MPR with Soviet Satellites in Europe and Asia, initiated by the elevation to embassy status of the Mongol mission in Moscow; (2) adoption by MPR of the Russian alphabet and expansion of Soviet-Mongol cultural relations; (3) gearing of the administrative apparatus for more active functioning, evidenced by personnel shifts in the ministries of Foreign Affairs, Trade, Education, Health and Defense, the latter headed by Major General Zhanchiv, reportedly a former Soviet MVD officer; (4) expanded communications in the form of a newly-completed railway from Ulan Bator to the Soviet border and the Trans-Siberian railway, the construction of airfields and the reported expan-

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sion of the radio network in the MPR; (5) increased trade relations, evidenced by a Mogol trade mission to Moscow and MPR trade agreements with the USSR and reportedly, with IMAG. Furthermore, the establishment in January 1950 of the IMAG capital at Kalgan, not originally included in IMAG territory, while probably initiated by Peking, under unification would give the USSR control of another strategic rail approach to China.

Militarily, the USSR is interested in the protection of the MPR, and according to one report, maintained an army of 60,000-70,000 Soviet troops there during World War II. Recently, there have been unconfirmed reports that the USSR has furnished the substantial military equipment to the Mongols in Chahar and western Manchuria.

The effect of Mongol unification on Soviet-Chinese Communist relations is now only speculative. In view of mutual Mongol-Chinese antagonism, it is not surprising that the Soviet-inspired suggestion for unification originated in North Korea. So long as Soviet-Chinese Communist relations remain friendly, Peking may accept Soviet sponsorship of Mongol nationalism and increasing Soviet encroachment on Chinese borders. Should Sino-Soviet relations become strained, however, development of such a plan would add to the friction. (SECRET)

SED Congress scene of high level
International Communist talks

"A"

The presence of top international Communist leaders from at least twenty-three parties at the SED Congress in Berlin last week indicates that, in addition to questions concerning Germany, important international Communist plans were communicated to the various representatives. Although the attendance of many foreign guest delegations at national party congresses is not unusual, the SED Congress included many top Communists from Europe, indicating the high degree of importance attached by the

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USSR to this particular meeting.

In addition to questions of mutual interest concerning Germany, it is likely that the foreign delegates were instructed by Suslov and Pospelov, the Soviet representatives, concerning the present Communist peace campaign, the Korean situation, and perhaps general plans for new Communist campaigns in Europe for fall and winter.

While speculation has held that this gathering of high ranking Communists either constituted a Cominform meeting or was held in conjunction with a Cominform meeting, these conclusions should be discounted. The representation was too large for a Cominform meeting, which is generally limited to just the eight member parties, and since the ends of a Cominform meeting have been achieved at the SED Congress (opportunity for propaganda and transmittal of instructions), another high level Communist meeting at this time would be superfluous.

(SECRET)

Possibility of SED (East German Communist Party
entry into the Cominform

"B"

The participation in the recent Socialist Unity Party (SED) Congress of high-ranking Communist officials of all Cominform countries raises the possibility of the entry of the SED into the Cominform. SED entry would be a logical step in the formal integration of the German Democratic Republic (GDR) into the Soviet orbit, would in no way be counter to current Soviet tactics in Germany, and would, to some extent, provide the Kremlin with a counter measure to West German entry into the Council of Europe. East German renunciation of the Oder-Neisse territory and the right of Germans to re-settle in the Sudetenland has paved the way for such a development. On the other hand, formal integration of East Germany into the Soviet orbit is in no way contingent on SED membership in the Cominform. Albania, a full-fledged Satellite, has never

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entered it. No non-Satellite Communist Party, except the French and Italian, is a member. Even the fairly important Communist Parties of those countries (Finland, Greece and Norway) which have contiguous borders with the Soviet orbit have never entered. It may also be significant that no Communist Party has entered this organization since its formation. Moreover, there has been no public agitation, which might well precede entry into the Cominform, for membership by either the East German government or the SED. On the contrary, the East German President stated in a speech at the SED Congress that, while "firm ideological ties" existed, the SED was not a member of the Cominform and had no organizational links with it.

The development of the GDR as a "Peoples Democracy" and its integration into the Soviet orbit is already progressing along well-defined lines. A Soviet decision to have the Communist Party of the German Democratic Republic (GDR) enter the Cominform would not in itself foreshadow any new or startling development in Soviet tactics toward Germany. (SECRET)

USSR and Afghanistan sign long-term
trade agreement

"B"

The 17 July four-year trade treaty with Afghanistan, the first post-war long-term Soviet economic agreement with this southern neighbor, will enable Afghanistan to challenge Pakistan still further, thus promoting tension and possibly armed outbreaks in South Asia. This will effectively further Soviet objectives in this area. In addition, the agreement more immediately provides the USSR with: (1) desired raw materials, including wool, cotton, and hides; (2) increased possibilities for economic penetration; and, (3) propaganda material to substantiate the avowed Soviet policy of support, through trade, of "backward" areas.

The agreement calls for an exchange of goods originally reported at \$10 million but later quoted as \$20 million each

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way during the life of the treaty. Trade in recent years has been running about \$3.5 million each way. Afghanistan will reportedly receive more critically needed gasoline than under the 1948-49 agreement with the USSR. This is despite the fact that, from the strictly economic point of view, the Soviet Union cannot afford to export gasoline outside its Orbit. The USSR is apparently selling the gasoline at a favorable price and is paying a fair amount for Afghan wool. The USSR may send Afghanistan agricultural advisers as well as farm machinery. In addition, it is logical that, as a result of strained relations with Pakistan, Afghanistan sought an alternative trade route. Moreover, it was reported that the Afghan trade mission was scheduled to proceed from Moscow to Prague, to negotiate for arms, ammunition, and possibly additional agricultural machinery from Czechoslovakia, which previously supplied these materials.

The USSR may hope to gain political advantages in return for such concessions, at least indirectly through Afghan intransigence towards Pakistan. Soviet or Czech economic advisers - if admitted by Afghanistan in sufficient numbers as a result of continued economic pressure from Pakistan - could constitute an effective instrument of penetration and could counter Afghan reliance on Western advisers. The USSR has evidently seized the opportunity provided by the Afghan-Pakistan situation to boost Soviet stock in Afghanistan, to assure a continuing flow of materials from that country, and to increase Afghan economic dependence on the Eastern Orbit. (SECRET)

Soviet tank car shortages
not acutally critical

"B"

Periodic shortages of tank cars in the USSR have been reported, but their size and importance are of only limited significance in peacetime. Requirements for rail transport of petroleum, are heavy during the spring when the ice-locked rivers of the Soviet Union cannot supplement rail movements. Consequent-

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ly a temporary delay occurs which is gradually cleared up in the warmer months of April and May.

The Ordzhonikidze System was reported in March 1950 to be "10,000 tank car loads behind plan for the past year." This is the maximum number of such cars reported for the USSR, however it represents only a small shortage based on total petroleum production and movements and was apparently made good on other routes.

The 8,200 average daily carloadings of petroleum in the USSR demonstrate that the local and usually seasonal shortage of tank cars represents no large deficiency. Although shortages of tank cars are sufficiently serious to warrant Soviet managerial attention, it is not a crippling shortage on the present Soviet scale of petroleum movements. Petroleum production is believed well ahead of plan and shortages even in the most critical periods are probably less than five percent of the cars loaded daily. (SECRET)

EASTERN EUROPE

GENERAL

Soviet infiltration in Satellites
strengthens Kremlin controls

"B"

The probability that considerable numbers of Soviets have been infiltrated into the Satellites during the postwar period is strengthened by a recent report estimating that 48,000 Soviet civilians are in Bulgaria and 30,000 or more each in Rumania and Hungary, spread throughout the countries. Presumably they are in addition to those Soviet citizens who have been admittedly brought in as military advisers, army personnel permitted to the USSR to maintain its lines of communication, and "specialists" invited by the puppet governments to assist local ministries. These estimates may be high, but both official and

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covert sources have from time to time made similar reports, particularly in 1948 when the USSR was forced by the Peace Treaties to reduce the size of its forces or remove its troops.

The Soviet penchant for giving a gloss of legality to its moves to strengthen control of the Satellites could easily extend to the granting of citizenship to those Soviet civilians. Since 1948 Hungary has had a provision in its citizenship law permitting the Minister of Interior to waive the three year residence requirement and immediately naturalize aliens "if the naturalization is justified by serious state interests." It has been reliably reported that in May 1950 Bulgaria similarly amended its law; and it is probable that Rumania also has such a provision.

Aside from the possibility that, in the event of war, many of these ex-Soviets might supplement Soviet-Satellite armed forces, their presence among the native population would be extremely valuable to the Kremlin for information purposes, to spearhead propaganda activity, and to control local disturbances.
(SECRET)

RUMANIA

Rumanian government issues decree
pooling small plots of agricultural land

"B"

The socialist transformation of agriculture in Rumania was carried one step further by the recent publication of a government decree which provides for the pooling of small and scattered plots of farm land, and their acquisition by "working peasants," tillage associations, collective farms and State agricultural holdings.

The small plots involved in pooling or compulsory land exchange are, generally speaking, such sections of good land

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not taken from their owners by previous expropriations, or which have not already been put into collective farms. Several different procedures are provided for pooling, none of which takes into account the desires of the owners. A successful peasant may thus be required to give up the land he has cultivated and improved and take, in exchange, a plot of exhausted land from one of his neighbors.

This pooling of small plots may prove to be the bitterest blow thus far aimed at the moderately successful Rumanian peasant (kulak). The decree, added to the pressures already being exerted upon the kulaks, may tend to increase reported acts of sabotage and outbreaks of violence. Such acts of violence and sabotage, however, will probably remain localized.
(CONFIDENTIAL)

Further reorganization of Rumanian
domestic trade expected

"B"

Dislocations in the Rumanian domestic trade system, which have occurred sporadically over a long period of time, continue in spite of reorganizations and personnel changes. The Government has a definite interest in rectifying the situation, particularly the continuing severe shortage of meat and other staples. Supplies must be obtained for urban workers, and basic production needs must be supplied to farmers.

To aid in increasing agricultural produce for urban areas, a new compulsory crop quota collection program was introduced earlier this year, and farmers were permitted to sell surpluses direct to consumers. Now the Government claims that the cooperatives have not acquired a sufficient supply of the village products, at least partially because of the lack of non-agricultural goods necessary to induce farmers to sell their products. Further difficulties arose from the restrictive practices of the state commercial monopolies and their competition with cooperatives.

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In line with the recent editorial in Scanteia by Secretary Vasile Luca, of the Rumanian Workers Party "decentralization" of state commercial monopolies, measures for the improvement of the organization of the activities of both state and cooperative enterprises, closer control of private and clandestine trade, and the encouragement of small private and handicraft production are anticipated.

Since this year's production of cereal crops is expected to be larger than that of last year, the Government will probably try to implement the above measures as soon as possible in order to supply rural areas with goods to draw off the farm surplus above collection quotas. Hence, unless increased exports reduce the supply available for domestic consumption, the urban population should receive more agricultural products, particularly grain, during the 1950-51 consumption year. (RESTRICTED)

YUGOSLAVIA

Yugoslav concern over possible Soviet aggressive intentions apparently growing

"A"

Although the Yugoslav Government officially has not displayed anxiety over the possibility of a Soviet-inspired attack, the growing Cominform propaganda barrage against Yugoslavia as a US base for attack on the "People's Democracies" has apparently begun to cause some concern in Belgrade. The Tito Government is well aware that its ideological deviation from the Kremlin marks it as the primary target for Soviet aggression in the Balkans, especially in view of the lack of success of past Soviet pressures. Recent reports indicate that the Yugoslavs may now be strengthening their security troops on the eastern frontiers and undertaking precautionary civilian defense measures in the capital. In order to refute Cominform allegations of Yugoslav aggressive plans, the Yugoslav Committee for the Defense of Peace has issued a call for

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inspection trips of the country by Western leftists and Peace Partisans. Despite these indications of increased concern, however, the Tito Government is unwilling to request direct military assistance from the West, allegedly because it fears that such aid would tend to substantiate Cominform propaganda and might be taken by the USSR as direct provocation.

Although the flow of reports regarding the imminence of Soviet aggression against Yugoslavia continues at a somewhat reduced rate, these reports have not been confirmed by US or Allied observers. On the other hand, it is generally agreed that significant quantities of Soviet military equipment have been introduced into the Southern Satellites.

A recent reevaluation of Satellite military capabilities points to the probability that the Satellite Armies alone would still be incapable of successfully bringing about the defeat of Yugoslavia, even if Satellite troops were provided with available Soviet armor and equipment. At best a Satellite attack would force the Yugoslav Army to withdraw to a good defensive line in the mountains, provided that an adequate and prompt flow of supplies arrived from the West.

Current estimates indicate that Soviet forces at least double those now present in the Cominform countries on the Yugoslav periphery would be required to launch a Soviet-Satellite invasion of Yugoslavia with a reasonable prospect of successfully overrunning the country. Official reports from Austria, Germany, the USSR, and Eastern Europe, however, are generally negative with respect to the rumored Soviet troop build-up in the Soviet Satellites adjacent to Yugoslavia. On the basis of available evidence, Soviet troop strength in the Balkans has remained relatively unchanged during the past six months, with two divisions each in Austria, Hungary, and Rumania, and a Soviet military mission of 2000-3000 in Bulgaria. However, Bulgaria and Rumania must be considered largely as "unknown quantities" in which rumored military activity can neither be readily confirmed nor disproved.

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Because of the poor prospects of a quick victory, it is considered unlikely that the USSR would inspire a Satellite attack on Yugoslavia in the immediate future. In view of strong Yugoslav defensive capabilities, it is improbable that such victory could be obtained without the commitment of a sizable force of Soviet troops. Unless the USSR is prepared to commit its own troops, or would be content with only a limited initial objective, it appears unlikely that a Soviet-Satellite attack on Yugoslavia is imminent. (SECRET)

Weather in Yugoslavia having adverse effect upon 1950 agricultural production

"A"

The deficiency of soil moisture during the spring months, climaxed by a week (July 2-7) of high temperatures and dry winds will probably have serious effect upon Yugoslavia's spring planted crops. Rye and barley, which were already harvested, escaped serious damage. The wheat crop, although mostly harvested by now, was slightly reduced by accelerated ripening. According to tentative estimates by U.S. officials, the most serious damage was suffered by early potatoes, corn, hemp, sugar beets, and oats.

Preliminary estimates have reduced the hemp, oats, and early potato crops by 50 percent and sugar beets and corn by possibly 25 percent. Unless preliminary estimates are greatly in error, it seems reasonably certain that there will be no significant exportable surplus of corn. There may even be a deficit. Hemp and hops are among other crops of which exportable supplies will be reduced both in quantity and quality. There has been no official recognition of the problem. All published statements indicate a normal crop. Obviously, official announcement of possible food shortages might cause public uneasiness.

The most important effect of the shortage will be decreased exports, with a consequent reduction of Yugoslavia's foreign exchange. (CONFIDENTIAL)

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Insufficient Corn crop may affect
Yugoslav cotton procurement

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Preliminary production estimates are that the white corn crop in Yugoslavia will be less than the 100,000 ton commitment to Egypt and may therefore affect their cotton procurement program. An agreement was recently made to sell Egypt 100,000 tons of white corn. The terms are similar to those of the 1949 contract which has not been completely fulfilled. White corn is grown specifically for Egypt, whereas the corn generally produced in Yugoslavia is of the yellow type.

In view of the fact that no additional acreage was planted to white corn during 1950 and that soil moisture in the region where this corn is being produced is well below normal, indications are that the crop will probably be 25 to 50 percent below the planned production of 100,000 tons. Since Yugoslavia depends upon Egypt for a large share of her cotton imports, this may force the government to use critically needed foreign exchange for the purchase of cotton in order to supplement the loss in the planned procurement through the sale of white corn.
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SPECIAL ARTICLES

USSR merchant ship movements between European USSR
and Soviet Far East, January-June, 1950

In 1949 the movement of Soviet merchant vessels between ports of European Russia and those of the Soviet Far East suggested a trend toward the expansion of the Far Eastern merchant fleet at the expense of the Baltic and Black Sea fleets. Evidence available for the first six months of 1950, however, indicates no acceleration of that trend, nor does it show any very significant

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changes in the type of goods carried to the Soviet Pacific ports by the Soviet merchant marine. Traffic, however, was much larger in volume.

During 1949 twenty-six Soviet merchant vessels of 1000 gross tons and over sailed for the Soviet Far East, while only eight ships made the voyage from the Far East back to western and southern Russia, thus giving the Soviet Far Eastern merchant fleet an apparent net gain of eighteen ships in 1949. During the first six months of 1950 twenty-two vessels of 1000 gross tons and over moved east and sixteen west; most of them were between 5000 and 8000 gross tons. The net gain in the Far East was, therefore, six vessels, or just over two percent of the total number based in the area. Of these six, four were new, 1100 gross ton cargo vessels delivered by Hungary to the USSR for use in the Far East. Apart from merchant vessels of 1000 gross tons and over, seven fishing schooners, built in Finland and delivered as reparations, moved to the Far East via the Panama Canal; two other fishing craft were transferred from the Black Sea to the Pacific; and three floating drydocks were towed from the Baltic to the Far East. This last addition is significant in that it represents a potential increase in the Soviet Far Eastern fleet capacity to facilitate an accelerated rate of repair for vessels in the area. Another possibly significant movement, now underway and therefore not included in the above totals for January-June, is the transfer to the Far East of the newly-repaired ex-German liner Asia. The vessel, with a passenger capacity of 1000, passed Port Said in ballast on 5 July.

Although eastbound merchant shipments did increase from two transits each in February, March, and April to five in May and eight in June, while westbound shipments declined from four in March and April and five in May to one in June, cargoes carried were not unusual. Flour, salt, cement, one shipment of manganese ore, and two tanker loads of Diesel fuel moved east during the six-months period; westbound cargoes through June 1950 included rice, soy beans, paper, and rubber. The movement

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of tugs and landing craft from European USSR to the Far East was reported, but in small numbers only; namely, fourteen landing craft and four tugs.

Except for the drydock movement, the first six months of 1950 revealed little of strategic or economic significance in Soviet merchant ship movements between eastern and western USSR. The trend in May and June was definitely toward heavier eastbound traffic, but at present it does not appear likely that the not increase in the Far Eastern merchant fleet in 1950 will exceed that registered in 1949. Some 1,000,000 gross tons or 55 percent of the total Soviet merchant fleet is based in the Far East at the present time, and economically, Soviet waterborne trade within the area is not large enough to justify further expansion. Furthermore, it is unlikely that many additional merchant ships are needed in the Far East to support possible military action in that locality. Future efforts will probably be directed toward the accelerated repair of vessels now in the area, rather than toward any substantial net increase in their number. (SECRET)

Hungarian Social Democrats under fire

Recent measures taken to reduce Social Democratic influence in Hungary again clearly reveal the duplicity of Communist tactics. The forced resignation of three former Social Democrat cabinet ministers, the arrest of popular Social Democrat leaders, who, although purged from the Social Democrat Party for their opposition to the merger of the Social Democrat with the Communist Party, have been unmolested for the past two years, and the widespread attacks on Social Democrat workers indicate that the campaign is not limited to the elimination of a few individuals, but rather is directed at liquidating the non-totalitarian left as one of the most dangerous potential enemies of the regime.

The Communists, aware of the threat from a party whose ideological appeal infringed on their own territory,

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began in 1945 to solicit the Social Democrats as allies. Early failures (the Social Democrats refusal to join the Communists on a joint list in the 1945 elections) compelled the Communists, with the aid of certain unscrupulous Social Democrats under the leadership of Arpad Szakasits, to get rid of the recalcitrant Social Democrats in preparation for the fusion proceedings in 1948. Once they had reduced the Social Democrat party to a docile group, the Communists united the two parties into the Hungarian Workers Party.

It wasn't long, however, before even these observers, who felt that such close cooperation with the Communists would insure the continued existence of the Social Democrats, realized that the merger had merely been a trick to destroy not only the Social Democrat organization but also the members. For two years (1948-50), the Communists kept up the pretense that the new Hungarian Workers Party was a joint party of Communists and Social Democrats. The Communists loudly denounced accusations that the mass screening of the HWP, instituted immediately after the merger, was aimed at eliminating indigestible Social Democrats, although the purge resulted in the expulsion of 200,000 members most of whom were Social Democrats. Also during this period, former Social Democrats were gradually being weeded out of Government and party positions. The number of Social Democratic representatives in Parliament, compared to the number of Communists, fell from two-thirds of the CP strength in 1948 to one-third in 1949.

Social Democrats who had been instrumental in delivering their party into the hands of the Communists and who had been rewarded with high government positions have now outlived their usefulness as Communist puppets. They are being replaced by real Communists in fulfillment of the Communist plan to have all top government posts occupied by bona fide party members. Thus, in the past four months Istvan Kossa, Minister of Finance, Sandor Ronai, Minister of Foreign Trade, Istvan Riesz, Minister of Justice, and Arpad Szakasits, President of the Presidium, have all been ousted. It is reported that the last

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Social Democrat remaining in the Cabinet, Gyorgy Marosan, Minister of Light Industry, will be replaced in the very near future.

The great strength of the Social Democrats in the Hungarian trade union movement was a strong deterrent to too great pressure on the party in the early postwar period. With the unions now under their full control, the Communists are arresting the more popular Social Democratic leaders. Social Democrat workers who have shown signs of independence, or who are suspected of passive resistance, are being arrested and tried daily in workers' courts in factories throughout the country. Thus, the fate that awaits even collaborators of the Communists is no better than that of their strongest opponents.
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