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31 October 1950

SUMMARIES OF TRENDS AND DEVELOPMENTS

USSR

1. In response to evidences of renewed US-initiated efforts to negotiate a Japanese peace treaty, the USSR has expressed its willingness to discuss, informally, US peace proposals and, possibly for the same reason, after an absence of nine months has returned its delegate to the Far Eastern Commission. Since there is little likelihood that the Soviet Union will reverse its fundamental policy regarding a Japanese treaty, Soviet participation in peace treaty discussions seems intended to serve chiefly as an obstructionist and delaying tactic.

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2. Molotov's recent attendance at the Prague Conference of Satellite Foreign Ministers indicates that, in addition to any specific duties he may have, he is still concerned with the USSR's foreign policy on the broadest possible scale.

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3. The Prague Conference of Foreign Ministers of the USSR and its European Satellites, including East Germany, appears to be a major propaganda and diplomatic attempt to exploit opposition in France and West Germany to West German rearmament.

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4. On the basis of the third quarter report, it is estimated that the number of workers and employees in the national economy of the USSR will be between 37 and 37.5 million at the end of 1950. The goal for the end of the

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NEXT REVIEW DATE: 1989
AUTH: HR 70-2
DATE: 3 Dec 79 REVIEWER: 006514

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Five Year Plan will thus be exceeded by 3.5 to 4 million. Of the total new workers, the proportion assigned to industry, construction, transport, and state farms and forestry again increased over the previous quarter, indicating continued emphasis on the expansion of production.

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EASTERN EUROPE
BULGARIA

5. The Soviet drive to create a Bulgarian Communist Party has set the stage for the almost inevitable downfall of all present Bulgarian Communist leaders.

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FINLAND

6. A formula for the settlement of strikes in the Finnish metal industries has been agreed upon and the conclusion of other strikes is at hand. While the terms of the settlement will enhance the political prestige of the Social Democratic Party, there will be greater inflationary pressure on the Finnish economy and no long-range wage-price stabilization is foreseen.

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HUNGARY

7. The current excess of Hungarian imports over exports in trade with Western Europe could create difficulties for Hungary's Five-Year Plan. Unless exports are increased, receipts of essential materials from the West will probably be curtailed.

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POLAND

8. The Catholic Church in Poland will shortly lose two of its traditional sources of income. While this move will seriously curtail the financial resources of the Church, no immediate harmful effects upon the Church's position are expected, although its long-range ability to resist Communist demands will be seriously weakened.

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RUMANIA

9. Rumanian peasant resistance to the Communist regime is apparently considerably more widespread and violent this year than in the past.

(Page 13)

10. The recent Rumanian spy trial aimed at the French Legation indicates that while the US remains the primary target of the anti-Western campaign, pressure on other Western nations will probably increase. Propaganda relating to the trial alleged that the US was actually the motivating force behind the case, since the US had been forced to turn to France, its "Marshallized ally," to carry on espionage work, its own operations having been compromised.

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TRIESTE

11. Trieste port traffic has become a casualty of the East-West conflict. This leaves the port primarily dependent on Austrian, and to a minor extent Italian and Yugoslav, business in competition with Venice and Rijeka.

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INTERNATIONAL COMMUNISM
AND PROPAGANDA ANALYSIS

12. Soviet propaganda during recent weeks was noteworthy not only for its efforts to quiet Western war fears, but also for endeavors not to increase the war fears of the Soviet people. While this strong and consistent "peace" theme may be designed to create a false sense of security in the West and to slow down Western rearmament, the fact remains, that it also has a negative effect on any effort to create a "war morale" in the Soviet Union. On this basis, it would appear that the USSR is not preparing its people psychologically for early direct participation in an armed conflict.

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SPECIAL ARTICLE

13. The new Soviet system of freight rate effective January 1949 and modified in 1950 is increasing the efficiency of rail transportation largely through the reduction of uneconomic long hauls. Items of military importance, however, will continue to receive favorable rates on long hauls.

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EASTERN EUROPE

U S S R

Soviet delaying tactic evident
in Japanese Peace Treaty negotiations

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In response to evidences of renewed US-initiated efforts to negotiate a Japanese peace treaty, the USSR has expressed its willingness to discuss informally US peace proposals and, possibly for the same reason, after an absence of nine months, has returned its delegate to the Far Eastern Commission. In making these gestures, patently designed to appear conciliatory, the USSR probably hopes to distract attention from the Soviet defeat in Korea, to diminish Japanese antipathy to the USSR and to gain support for the Soviet peace offensive, as well as to undermine efforts of non-Communist nations to agree on a peace treaty for Japan. Additionally, an important motive may be to prove to the Chinese Communists that the USSR, by its willingness to discuss the question of a peace treaty, is working to effect those terms in the Sino-Soviet Treaty which are concerned with Manchuria and has, therefore, no imperialistic designs on that border area. Specifically, these terms provide for the withdrawal of Soviet troops from Port Arthur, the return of the Chinese Changchun railway, Port Arthur and Dairen to the Chinese People's Republic by 1953 or at the conclusion of a Japanese peace treaty.

The USSR may be expected to repeat its public declaration favoring a peace treaty and the withdrawal of occupation troops, and may also take part in exploratory discussions on Japan. There is little likelihood, however, that the USSR will reverse its fundamental policy regarding a Japanese peace treaty and will continue to maintain that the Potsdam Agreement specifically intended that the treaty would be prepared by the Council of Foreign Ministers (CFM). In addition to demanding that the Peking regime represent

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China in all treaty negotiations, the USSR may be expected to: (1) charge that a separate Japanese peace is invalid, (2) claim that Japanese rehabilitation is designed to serve US military purposes, and (3) insist that continued occupation disregards the interests of the Japanese people.

The Soviet Government has consistently refused to give up the veto right on international bodies such as the CFM and the UN Security Council and has maintained that the Japanese peace treaty should be considered by the CFM under the "unanimity rule". In order to participate in a peace conference, the USSR would probably have to accept the US position, according to which the treaty would be prepared by the nations of the FEC operating under two-thirds rule, and without the veto. The USSR might consider that participation under such conditions could produce certain advantages, mainly those of propaganda and limited obstruction, particularly if Peiping were to represent China. However, in the event of Soviet participation, Moscow would probably refuse to ratify the final draft of the treaty, leaving the Kremlin free to negotiate a separate peace treaty with Japan under circumstances more favorable to the USSR. Nevertheless, since the USSR apparently would gain no substantial advantages from accepting U.S. treaty conditions that could not be achieved by other diplomatic means, it is now considered unlikely that the USSR would retreat from its previous stand. Therefore, informal talks with the US and renewed participation in the FEC seem intended to serve chiefly as an obstructionist and delaying tactic. (SECRET)

Molotov's Prague appearance suggests
his continued interest in foreign affairs

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Molotov's appearance in Prague on 20 October to head a Satellite Foreign Ministers' Conference provides a clue as to his present area of official responsibility, which has been unknown since March 1949. At that time he was relieved as Minister of Foreign Affairs, presumably to free him

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from administrative detail so that he could devote all his energies to high level policy considerations. Although he retained his position in the Soviet inner cabinet as a deputy chairman of the Council of Ministers, there was no information available as to his specific duties.

In December 1949, when all Politburo members published testimonials to Stalin on the occasion of his 70th birthday, Molotov's contribution indicated a catholicity of interests embracing both internal and external policy. Some even speculated that he was being groomed to take over the Communist empire from an "aging and tired Stalin." A theory that he had been given the Far East as his own special area and that he was particularly concerned with relations between the USSR and China emerged from his presence at Mao's reception given by Stalin in December 1949 and rumors of a visit to Peiping last August. Therefore, despite whatever other duties he may have assumed, it would seem that Molotov, who continues to be officially listed as Stalin's number one lieutenant, is still concerned with the the USSR's foreign policy on the broadest possible scale. (CONFIDENTIAL)

Recent Prague Conference apparently designed to exploit "A" West German-French opposition to West German rearmament

The recent Soviet note to the Western Powers on German rearmament and the declaration issued by the Prague Conference of Foreign Ministers of the USSR and its European Satellites, including East Germany, appear to be a major propaganda and diplomatic attempt to exploit opposition in France and West Germany to West German rearmament. These statements serve as a warning to the West regarding West German rearmament and, at the same time, give a surface indication of Soviet "willingness" to settle the German problem in the interest of unity and peace. The USSR apparently believes that these declarations will strengthen French and West German fear of provoking Soviet military action by West German

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rearmament, and will arouse hope in West Germany of obtaining unity by peaceful means. The Soviet maneuver may have been timed to precede the recent French Assembly debate on German rearmament and to take advantage of an apparent increase in West German sentiment against rearmament, as exemplified in the recent resignation of Minister of Interior Heinemann and the statements of Pastor Niemöller.

Although these declarations demonstrate Kremlin concern at increasing Western rearmament and the possibility of West German contribution to it, neither the content of the declarations, the propaganda treatment of them, nor recent Soviet tactics in East Germany indicate that the USSR, in order to forestall Western rearmament, is considering any substantial alteration in its current German strategy -- the communization of East Germany and its integration into the Soviet orbit. However, East German official statements and propaganda treatment of the Prague declaration suggest that the USSR may carry its recent actions a step further in order to bolster its claim that the West is interested in neither peace nor German unity. East Germany, for example, may formally request the West German Government to fulfill the Prague proposal, particularly the provision calling for creation of an "All German Constitutional Council" to prepare the formation of a provisional "All German sovereign government." If the USSR decides upon a formal move, it will be in the full realization that the Prague proposal, which makes no provision for free elections in all Germany and which demands a Constitutional Assembly with parity representation of East and West Germany, is not acceptable to either West Germany or the Western Powers. (SECRET)

EASTERN EUROPE

BULGARIA

Continuing purge is reducing Bulgarian Communist hierarchy to fear-ridden uncertainty

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The Soviet drive to create a Bulgarian Communist

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Party, which is both an implement of Soviet imperialism and a strong internal persuasive and coercive force, has set the stage for the almost inevitable downfall of all present Bulgarian Communist leaders.

Communists who ruthlessly crushed Bulgarian opposition leaders and their followers in the first three years after Bulgaria's "liberation" now find themselves being given similar treatment. Warned by the success of Tito's defiance of Soviet omnipotence, the Kremlin set the pattern for insuring absolute Bulgarian subservience with the "discovery" of the Kostov deviation in January 1949. Since that time a continuing purge and program of criticism and self-criticism has reduced the Bulgarian Communist hierarchy to a state of abject and fear-ridden uncertainty.

The fate of Kostov and those alleged to have been his followers has convinced other Communists of the wisdom of unquestioning acceptance of Moscow directives. Despite their willingness, however, these Bulgarians have been unable to carry out Soviet demands for the wholesale exploitation and rapid communization of Bulgaria. Their failure has provided and will continue to provide a ready justification for the removal, whenever the Kremlin so directs, of any Bulgarian Communist who has outlived his usefulness. Approximately one-third of the Central Committee has been purged since its election in December 1948. Full knowledge of his personal dilemma will continue to make each of these cowed leaders a mouthpiece for the glorification of the USSR and his own self-abasement to conceal the part Moscow is playing in the systematic destruction of all individual rights of Bulgarians.

Anxious to please Moscow and thus prolong their own uncertain existence, Bulgarian Party leaders have in turn become vassals in the accomplishment of the purge of the vast rank and file of the Party in which approximately 100,000 were removed from its ranks in June 1950. For the second

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time this year, the Central Committee has announced that the "annual" account--electoral meetings of all Party organizations will be held, from 15 October to 30 May 1951. The previous meetings ran from February to June when the Party Conference announced the purge results to date. Since the uncovering of mistakes, criticisms and self-criticism have been announced as an integral and important part of these primary group meetings, it can be expected that the ranks of the expelled will be considerably increased during the next few months.

Paralleling the rapid and deliberate Soviet campaign to eliminate present Bulgarian Communists is a concerted drive to educate the coming generation in the acceptance of Soviet supremacy and the ultimate destruction of any separate Bulgarian nationality. Bulgarian Communists now furnishing the facade for the Kremlin can only look forward to existing until these younger party members are considered sufficiently well-trained to take their place in the art of accepting and performing Soviet orders. (CONFIDENTIAL)

FINLAND

End of strikes in Finland near

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A formula for the settlement of strikes in the Finnish metal industries has been agreed upon and the conclusion of other strikes is at hand. The remaining unions which are out on strike will use as a pattern whatever final agreement is accepted by the metal workers.

The stalemate over the settlement of the strikes was broken late last week when the Central Federation of Finnish Trade Unions (SAK) accepted a mediation proposal offered by the Government Mediation Commission. The proposal offered, as a prerequisite for the settlement of the strikes, the provision that a new higher basic wage rate be used in negotiations to meet union demands.

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The Social Democratic leaders of SAK were well satisfied by the Commission's proposal, inasmuch as it will serve to enhance the political prestige of the Social democratic Party as the only Party able to obtain gains for the workers. However, because of the wage increases there will be greater inflationary pressure upon the Finnish economy, and no long-range stabilization of the wage-price picture is foreseen. (CONFIDENTIAL).

HUNGARY

Hungarian-Western European trade
faces serious difficulties

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Hungary's foreign trade with Western Europe is threatened with serious difficulties. Imports, running 10 percent above 1949 (based on a partial monthly average comparison) have far exceeded exports which have been averaging 35 percent under last year. If this trend continues, a deficit of approximately \$30 million will accrue for 1950. Import balances in trade with Western Europe, in addition to hampering future procurement of essential items, will limit Hungary's ability to liquidate claims for nationalization of foreign properties,

Certain economic aspects of the Hungarian situation bear a similarity to the Yugoslav problem. Both countries have extensive industrialization programs dependent in varying degrees on equipment from the West: the paucity of foreign assets and the inability to earn sufficient foreign exchange through exports necessitates financial assistance from abroad. Moreover, if Hungary's drought is severe, a serious underfulfillment of agricultural export commitments could also result. Thus, the manner and speed with which the USSR supports the superior Hungarian economy will make an interesting contrast to the United States' program for Tito.
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POLAND

Catholic Church in Poland to lose
financial resources to state

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The Polish Government intends shortly to eliminate two of the traditional sources of income of the Catholic Church, a move which will seriously curtail the financial resources available to the Church in its struggle against the encroachments of the State upon its remaining independence. Curtailment of Church income has been a successful Communist tactic elsewhere in the Church-State struggle in Eastern Europe.

The Polish Government plans to give a monopoly on the sale of all religious articles in Poland to Caritas, the former Catholic welfare organization now under State control. The Government also intends to award exclusive rights on the sale of sacramental wine to an association of Catholic pro-Government priests. Undoubtedly a large proportion of these lucrative sources of income will find its way into State coffers. The assets of the liquidated Catholic journal Tygodnyk, amounting to some ten million zloty, are to be turned over to Caritas. These developments, plus the loss of much of its lands last spring when the Government nationalized all Church holdings of over fifty hectares, will severely reduce the income of the Church.

Before these steps are announced, the State will undoubtedly revive its dormant propaganda campaign against the Church, probably charging it with violations of the Church-State agreements. Although no immediate deleterious effects are expected from the curtailment of the Church's revenues, without its broad financial resources the Church's power and its long-range ability to resist Government demands will be seriously weakened. The new attack developing against the Church shows every sign of being the most vicious that has yet occurred and will probably result in the loss of the few remaining prerogatives of the Church. (SECRET)

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RUMANIA

Peasant unrest in Rumania increasing

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Rumanian peasant resistance to the Communist regime, which annually causes some sabotage at harvest time, is apparently considerably more widespread and violent this year than in the past. There are indications that in the late summer resistance was especially strong in Transylvania and Moldavia, in the north, the Dobruja, in the southeast, and in the area around Bucharest. There are instances of peasants burning crops to prevent them from falling into the hands of authorities, driving out militiamen sent to aid in the collection of grain, and even seizing control of some isolated localities. Attempts to murder local Communist officials are made with increasing frequency, judging by the volume of press accounts of trials of peasants charged with the crimes. Some peasants have fled to the mountains or swamps after clashing with security forces, but so far none of them have formed an effective resistance organization.

A prolonged summer drought has aggravated the peasants' dormant resistance to Communist authority. The drought, which reduced the production of coarse grains in Oltenia (along the Danube) and the Dobruja, has heightened peasant resistance in these areas towards the delivery of grain to the state. The peasants receive extremely low prices for these compulsory deliveries of produce, and recently a ceiling was put on the price of farm products sold in the open market. This, in conjunction with excessive taxation, will seriously reduce peasant purchasing power. Finally, the peasants' realization that the Bucharest Regime is relentlessly pressing forward its planned collectivization of agriculture has probably induced a sense of extreme desperation.

Despite the extent and intensity of peasant unrest, resistance will probably not get out of control in the immediate future. Means of repression available to the state

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are capable of dealing with local outbreaks, and the recalcitrant peasants are unsupported by any organized resistance organizations. Nevertheless, manifest peasant willingness to combine efforts in undertaking dangerous sabotage suggests that as pressures on the peasants are intensified, the potential of opposition will increase.
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Rumanian spy trial aimed at France
as "Marshallized" ally of US

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The recent trial of French and Rumanian citizens accused of carrying on criminal espionage on behalf of the French Legation indicates that while the US remains the primary target of Rumanis's anti-Western campaign, pressure on other Western nations will increase. The trial will probably be used as a pretext to oust the present French military attache, Colonel Parisot, as persona non grata, and to reduce the strength of the French Legation staff. French officials have maintained their staff at twenty, despite a Rumanian demand in July that the number be reduced to five or six. If Parisot is ousted, the French will probably demand the removal of the present Rumanian military attache in Paris, but they are at a disadvantage in bargaining with the Rumanians on the strength of their respective Legation staffs. While the Rumanian Legation in Paris employs only five or six Rumanians, it also has on its staff a large number of French citizens, presumably Communists, and the French Government would be unable to reduce their number in retaliation without a special law. In addition to effecting personnel cuts, the trial will make it more difficult for French representatives to exploit traditional French-Rumanian ties for their own purposes, and will further dissuade the people from contacting Western representatives or even harboring pro-Western sentiments.

The handling of the case, both in the preparatory stages and in court indicates that the Rumanian security

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agencies attached considerable importance to Parisot's operations, which were evidently extensive. From the indictment of the eleven defendants and their testimony in court, there emerges a picture of Parisot as the unscrupulous master-spy, organizing and directing several espionage and subversive nets throughout Rumania. Four of the defendants were French citizens and one of them was a local employee of the French Legation, so that the case is the first in recent years in which a national of a Western diplomatic mission has been tried and convicted in Rumania.

Although the trial was aimed directly at the French, propaganda material on the subject alleged that the US was actually the motivating force behind the case. It was charged that the US had been forced to turn to France, its "Marshallized ally," to carry on espionage work, its own operations having been compromised by resounding failures in the People's Democracies, a theme which will probably be employed in subsequent attacks on Western diplomatic activity throughout Eastern Europe. The Vatican was also implicated in the trial, through Parisot's close relations with the nunciature, and the fact that one defendant was a Roman Catholic priest.
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TRIESTE

Soviet orbit abandoning use of Trieste as port

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Trieste port traffic has become a casualty of the East-West conflict. This leaves the port primarily dependent on Austrian and to a minor extent Italian and Yugoslav business in competition with Venice and Rijeka. In 1949, Czechoslovakia was second to Austria as the most important shipper using the port of Trieste. At present Czechoslovak traffic is dwindling to limited scattered trade with the Middle East and the Soviet Balkan satellites. Increased routings by Hungary to Albania still comprise only a small part of the total transit shipments. For the first half of 1950 as compared to 1949, the

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combined volume of Czech, Hungarian, and Polish traffic through Trieste dropped almost fifty percent from 244,000 tons to 112,000 tons. Strategic goods comprised only a small fraction of the latter figures.

Abandonment of Trieste by the Soviet Orbit countries stems from two causes: the Orbit's program of utilizing Northern European, particularly Polish, ports to conserve foreign exchange and escape the surveillance over shipments; and a need for diversion to evade difficulties caused by AMG's implementation of the 1949 UN resolution banning military type shipment via Trieste to Albania and Bulgaria. In line with this shift, Albania's small postwar fleet has apparently been transferred from the Trieste-Duress run to service between Duress and the Black Sea.

The more serious long-range problem impeding Trieste's development are the difficulties caused by multinational control. The interests of Italy, the US, the UK, and Yugoslavia regarding Trieste are seldom in harmony. Insufficient earnings from trade with Italy, along with dollar port and service charges, limit transit shipments. Revitalization of Central and Eastern European commerce and competitive ports and transport systems (both barge and rail) has adversely affected the use of the port, and the Tito-Stalin split has resulted in some detours through Austria. No permanent improvement to Trieste trade problems will be found until the territory has an established status, or free intra-European commerce again prevails. (SECRET)

INTERNATIONAL COMMUNISM
AND PROPAGANDA ANALYSIS

Soviet propaganda attempts to reduce war fears
in the West and in the USSR

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Soviet propaganda during recent weeks developed a

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variety of approaches apparently designed to regain the propaganda initiative for the USSR in a situation where Western psychological, political and military warfare has become increasingly effective. The common denominator of all these Soviet propaganda steps, however, was "peace." Not only was there an effort to quiet Western war fears and thus slow down Western rearmament, but Soviet domestic propaganda, as it has ever since the outbreak of the Korean war, avoided any items which might increase the war fears of the people of the USSR. While this strong and consistent "peace" effort may be designed to create a sense of false security in the West, the fact remains that it also has a negative effect on any endeavors to create a "war morale" in the Soviet Union. On this basis, it would appear that the USSR is not preparing its people psychologically for early direct participation in an armed conflict.

Among the chief items in Soviet foreign propaganda during the week was the Prague declaration which was made part of a broad USSR "peace" offensive. This offensive has a wider base than the "peace campaign," the latter having now become merely a segment of the entire Soviet propaganda endeavor. Besides contributing to world-wide Soviet peace propaganda, the Prague declaration was used to undermine US policy with respect to Germany, particularly West German remilitarization.

Another major topic was the United Nations, with the Moscow radio taking full advantage of United Nations Day to proclaim the USSR's interest in the success of the organization. Accompanying this theme, however, was a new and potent line to the effect that the capitalist majority nations in the UN are actually not representative of the majority of the world population but rather that the vetoing, non-participant and abstaining nations (USSR block, Communist China, Indonesia, and India) are the true representatives.

The most important item of the past week was the Soviet All-Union Peace Congress which elected delegates to the forthcoming Sheffield (England) World Peace Congress (13-19 November). While the treatment of the All-Union Peace Congress

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was characterized by the usual belligerency of the "peace" campaign, other propaganda stressed conciliatory lines to the effect that war was not inevitable and that "coexistence" was a possibility.

The Soviet people, themselves, were treated to such reassuring items as a New York Gallup poll which purportedly showed that the majority of the American people support the resolution of differences between the US and the USSR.

Most interesting, however, was the Kremlin's failure to exploit the strafing of a Siberian airfield by US planes, even after the US had conceded its responsibility for the incident. This was in line with the treatment of the shooting down of a Soviet plane over Korean waters. In both cases, Soviet propaganda, although having excellent opportunities to arouse the people of the USSR to a fever pitch over specific incident, avoided any alarmist lines. (SECRET)

SPECIAL ARTICLE

New Soviet freight rates aid in increasing rail transportation efficiency

The new Soviet system of freight rates, effective January 1949 and modified in 1950, is increasing the efficiency of rail transportation largely through the reduction of uneconomic long hauls. Items of military importance, however, will continue to receive favorable rates on long hauls.

In a speech in June 1950 before the Supreme Soviet, Minister of Railroad Transportation Beshchev, stated that the new railroad rates had exerted a considerable economic effect on enterprises which used transportation inefficiently. The exaction of higher surtax rates for hauls from long distances when goods are available closer by, illustrates what is meant

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by the USSR in the statement that Soviet freight rates are based on "the value of transport." The "social value" of transport in the USSR, (according to Soviet freight rate practice and theory,) forces certain types of freight movements into specified channels and eliminates other freight at the source. The new rail rates also hamper short hauls and force a shift to motor transport. Coal and ore are an exception and short rail hauls of these two commodities are not discouraged because of the advantages of mine-to-mill movement in rail hopper or gondola cars.

Soviet rail freight rates are apparently designed to penalize the dependence of heavy industry in several of the newer centers on "irrational long hauls" in order to develop local self-sufficiency. In the case of oil, however, the rate does not increase per ton-kilometer above 1100 kilometers, probably because of the strategic need for POL movement to the Far East. Soviet economists make much of the fact that US rail rates are based on the exploitation of the monetary value of the commodity, whereas in the USSR rolled steel and rails, for example, move at the same freight rate as pig iron and the freight rates do not increase per ton-kilometer after 1500 kilometers. Thus, strategic movements of steel and petroleum to the Soviet frontiers are outstanding permissible exceptions to the higher freight rates or fines for "irrational long hauls."

Railroad freight rates in the USSR were temporarily modified in the spring of 1950 with an increase in some rail freight rates and a decrease of inland waterway charges, to encourage water movement when the rivers are free of ice. The pressure to induce river traffic by cheap rates has led to complaints from the Ministry of the River Fleet. It is argued that the low rates are not properly compensatory and that the increased volume of traffic cannot always be handled economically. There have also been serious complaints in the technical press that bulk river shipments of oil and timber should not be considered cheap freight.

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The policy of price reductions, which characterizes current Soviet economic policy, has also been applied to truck freight rates. However, the continued failure to build enough roads, the maintenance of freight rate differentials which favor cartage and short truck hauls, and the seasonal increases in truck rates in the spring and fall when the roads are very bad, discourages the development of motor transportation of the US type.

Soviet transportation is, of course, designed to serve Soviet industry and trade, but is directed and controlled by Moscow in accordance with economic plans. Soviet freight rates, ~~therefore~~, vary inversely with the value of the transport to the States, and only secondarily take account of the costs of the service. The USSR is only partially concerned with the value of the commodity to the private consumer. Competition between rail lines or between rail and other transport media is generally discouraged. Transportation in the USSR is made to serve as an instrument to control industrial growth according to the pattern set by the State. (SECRET)

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