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21 November 1950

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SUMMARIES OF TRENDS AND DEVELOPMENTS

USSR

1. The new Soviet-Iranian \$20 million trade treaty represents an economic, political and psychological victory for the USSR in a move to counteract Western aid to Iran and thus Western influence. While economically Iran will receive some benefits, they were won at the price of certain concessions.

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2. Increased Communist pressure on the Indian-Tibetan border areas will undoubtedly accompany Chinese Communist efforts to extend effective control over Tibet. Communist infiltration and influence have increased there recently. Soviet and Chinese Communist Propagandists have already claimed some of these border areas as Chinese territory and have charged that US-UK "imperialists" are attempting to use them as bases against the Peiping regime.

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3. The Soviet Union, failing to fulfill the requirements of the livestock plan, has issued a drastic decree designed gradually to eliminate private ownership of livestock, increase socialized livestock at a rapid rate, and maintain, if not increase, Government procurements of meat and livestock products.

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4. The Soviet Union is continuing its campaign of attrition with regard to West Berlin's viability and the ability of the West to retaliate against Soviet blockade

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measures. For example, during the past year the USSR has attempted with some success to have five Western European countries (Sweden, Norway, Denmark, Netherlands, Switzerland) transfer their telephonic communications terminals from West Berlin to the Soviet Sector. By these actions the USSR is apparently attempting to isolate the West Sectors of Berlin from communications with Western Europe and to increase the importance of the Soviet Section in the European communications net to the detriment of West Berlin's economy. If the USSR succeeds in its effort (which the US is attempting to nullify) to have Western European telephonic communications routed through East Berlin, West Berlin communications will be more dependent upon Soviet controlled facilities and the West will lose a counter blockade measure in the field of communications.

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EASTERN EUROPE
ALBANIA

5. The closing and sealing of the Albanian Legation in Belgrade on November 11 by the Yugoslav Government probably will not materially affect the already bad relations between the two countries because it is not a definite diplomatic break. It is more in the nature of retaliation for provocative Albanian border incidents, and earlier Albanian treatment of the Yugoslav representatives in Tirana which had necessitated the closing of the Yugoslav Legation in Albania in May.

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HUNGARY

6. A three-way conflict resulting from different

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viewpoints of Hungarians, West Germans and HICOM has caused temporary suspension of negotiations on the 1951 trade agreement. Western division on East-West trade policies has allowed the Germans to assume a position closer to that of Hungary than to that of the Tripartite nations.

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INTERNATIONAL COMMUNISM
AND PROPAGANDA ANALYSIS

7. The USSR's decision to abandon the planned World Peace Congress in Sheffield and to hold it, instead, in Warsaw represents an outstanding tactical victory for the West. The conditions under which Moscow ordered the last minute change prove conclusively that: (1) the British action caught the Peace Partisans completely by surprise; (2) the USSR is not willing to risk a Peace Partisans meeting unless the proceedings can be controlled to Moscow's advantage; and (3) the success or failure of the Peace Movement is an important element in Soviet foreign policy.

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8. Recent Chinese Communist diplomatic moves and propaganda have irritated the Governments of India, Burma, and Indonesia, and have increased public uneasiness in these countries with respect to the long term objectives of Communist China. This Chinese Communist indifference to South and Southeast Asian sensibilities may be expected to continue, and to lead to a very gradual stiffening of the attitude toward world Communism, of the majority groups in these countries.

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SPECIAL ARTICLE

9. Although Chinese Communist troops have intervened in Korea, the USSR has not yet shown a willingness to precipitate global warfare or to expand the Korean conflict beyond limits subject to a reasonable degree of Soviet control.

The fact that the Communist leaders did undertake an intervention in Korea reflects a greater possibility of overt Soviet or Satellite aggression elsewhere. Nevertheless, such action cannot be considered likely in the near future, since the Kremlin is probably aware that its instigation of another international crisis at this time might explode into global war, which it is still believed the USSR wishes to avoid.

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EASTERN EUROPE

U S S R

Soviet-Iranian Trade Treaty represents
a victory for USSR

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The new Soviet-Iranian \$20 million trade treaty represents an economic, political and psychological victory for the USSR in a move to counteract Western aid to Iran and thus Western influence. While economically Iran will receive some benefits, they were won at the price of certain concessions. Politically, the treaty will work to Soviet advantage. The USSR has been provided with a potent propaganda appeal and Iran has already begun to follow a policy of greater friendliness to the Soviets, as is evidenced by the termination of the VOA and BBC relay programs in Tehran and by greater restrictions on Americans travelling in Northern Iran.

A virtual Soviet monopoly over the agricultural exports of the northern provinces of Iran will increase the economic ties of that country with the USSR. Iranian trade with the West will be curtailed, with Soviet exports of cotton piece goods replacing, at least to a considerable extent, those of the US and the UK. While Soviet agricultural purchases will provide a stimulus to the economy of the northern provinces, Soviet exports of cotton piece goods - depending on their price - may serve to depress the domestic textile manufacturing industry, especially in central Iran. Tabriz commercial circles are skeptical as to the commercial advantages and are concerned over the effect on local textile markets. Moreover, it is doubted that Iran can export the quantities of foodstuffs specified, especially rice, in view of the fact that there remains little surplus of the Azerbaijan crop for export this year. Under the agreement, the USSR may take up to 60,000 tons of rice out of an estimated 70-80,000 tons available for export.

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While the USSR seems to have made concessions in the treaty negotiations, they may be more apparent than real. On the other hand, the extent of Iranian concession is indicated by the fact that Prime Minister Razmara signed the treaty before the arrival of a Soviet negotiator to discuss the problem of Iranian gold held by the Soviets. Previously he had maintained that no agreement would be concluded before that question was settled. Razmara did indicate later, however, that actual implementation of the treaty would depend on the outcome of the gold negotiations. The Soviet Ambassador did finally agree to an Iranian proposal that trade be conducted through Government-established companies. This, however, was only an informal and verbal assurance which does not appear either in the present protocol or in the 1940 treaty to which it is annexed. Whether the USSR lives up to this oral commitment remains to be seen.

The agreement has been acclaimed in Iran as inaugurating an era of increased friendliness with the USSR, and hope is expressed that it will end tension between the two countries. The Iranian Government had already ended Western radio programs distasteful to the Soviet Union and has replaced the propaganda minister who was considered to be pro-American. Similarly, Soviet anti-Iranian broadcasts have noticeably slackened. However, the Soviet Union does not appear to be willing to make any concrete concessions to Iran. Although the USSR is participating in a boundary commission (the establishment of which was likewise hailed as contributing to a relaxation of tension between Iran and the Soviet Union) Soviet border posts in the disputed area were strengthened just before the commission began its survey in northern Iran.

The USSR may be expected to take full advantage of the good-will engendered by the signing of the trade treaty for publicity and propaganda purposes not only in Iran, but throughout the Near and Middle East. (SECRET)

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Communist pressure on Indian border regions is increased

"A"

Increased Communist pressure on the border areas between Tibet and India¹, and even on India itself, will undoubtedly accompany Chinese Communist efforts to extend effective control over Tibet. Soviet and Chinese Communist propagandists have already claimed some of these border areas as Chinese territory and have asserted that US-UK "imperialists" are attempting to use them as bases against the Chinese Communist regime -- the same charge used to justify action against Tibet. Communist infiltration and influence have also increased there recently, although the remoteness of the region precludes full or accurate information.

A year ago the authoritative Soviet publication, New Times, claimed that Ladakh, Sikkim, and Bhutan has been "severed from China in the past by Britain." (See D/EE Wkly, 17 Jan 50). The official People's Weekly in Peiping recently stated that Sikkim was Chinese territory and Chinese Communist maps are reliably reported to include Nepal and northern Burma² as part of China.

The US and UK have been accused of establishing bases in Kashmir, Nepal, and Sikkim in order to attack the Communist regime in China. These charges have been leveled by Moscow and Peiping especially during the past month. It is claimed, however, that in Nepal the local Communist Party, "warmly supported" by the population, is working to defeat the "imperialists" and the "clique of usurpers" who form the government. Various reports suggest that Nepalese

¹ Kashmir, Nepal, Sikkim, Bhutan, northern Assam and Burma.

² Chinese Nationalist maps also showed 77,000 sq miles of northern Burma Chinese territory.

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Communists have been trained by their Indian comrades and that agents have been infiltrating into the mountain kingdom. The present revolution was first described as a "bourgeois" but "antifeudal" campaign with which the Nepal Communists were willing to cooperate in a united front. More recently, however, Moscow had decided the reform movement is merely another "imperialist" device to gain control of this strategic region.

Covert Communist activity has also been reported from Kashmir, especially from Ladakh, the eastern Buddhist section. Sheikh Abdullah, head of the Kashmir Government, and Indian Communists both favor the establishment of an independent state. Sheikh Abdullah is reported to have pro-Soviet and pro-Communist leanings and Moscow recently referred to his "progressive government." An independent state on Chinese Communist borders would certainly be more susceptible to Communist pressure and subversion and would weaken the defenses of both India and Pakistan.

The undemarcated Northern boundaries of Burma provide a semi-legal basis for the claim that it is Chinese territory and for exerting pressure on the Burmese Government. Reports indicate that Chinese Communists have been actively developing roads in the Sino-Burmese border area, have induced some Kachin tribesmen to go to China for education and indoctrination, and have crossed northern Burma in advancing on Tibet. The Sino-Assamese border is also not clearly defined and Communist centers and subversive activity have been reported from remote sections of Assam.

India itself is being subjected to direct diplomatic pressure from Communist China, in addition to propaganda and covert activity in the border regions. Peiping has charged India with unfriendly action in closing a Chinese Communist cultural exhibit which depicted US "imperialists" killing Chinese children. This followed closely the deliberately brusque rejection of Indian suggestions on Tibet and the official statement that Tibetan

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affairs were no concern of India's. This approach clearly indicates that Peiping regards no non-Communist government as its friend.

The Soviet Union, however, has continued to pursue an officially friendly policy toward India. This tactic, combined with Peiping's rebuff, will be to Soviet advantage, since close relations between Communist China and non-Communist India will be discouraged, while Soviet-Indian relations are unaffected. (SECRET)

USSR strengthening its food supply potential "A"

The Soviet Union, failing to fulfill the requirements of the livestock plan, has issued a drastic decree designed gradually to eliminate private ownership of livestock, increase socialized livestock at a rapid rate, and maintain, if not increase, Government procurements of meat and livestock products. These drastic measures for increasing livestock numbers and at the same time providing for increased Government meat procurements were written into an order under the apparently harmless title of "Wintering of Livestock."

Collective farms are forbidden to slaughter collectivized livestock except for required deliveries to the state. This will facilitate a rather rapid increase of socialized herds and will decrease private holdings by forcing farmers to slaughter their own livestock to obtain meat for their own consumption.

Normally, the collectives consume or sell on the free market about 75 percent of the meat from slaughtered livestock, with 25 percent delivered to the Government.

A greater proportion of these deliveries is to be made with hogs, thus giving further emphasis to increasing

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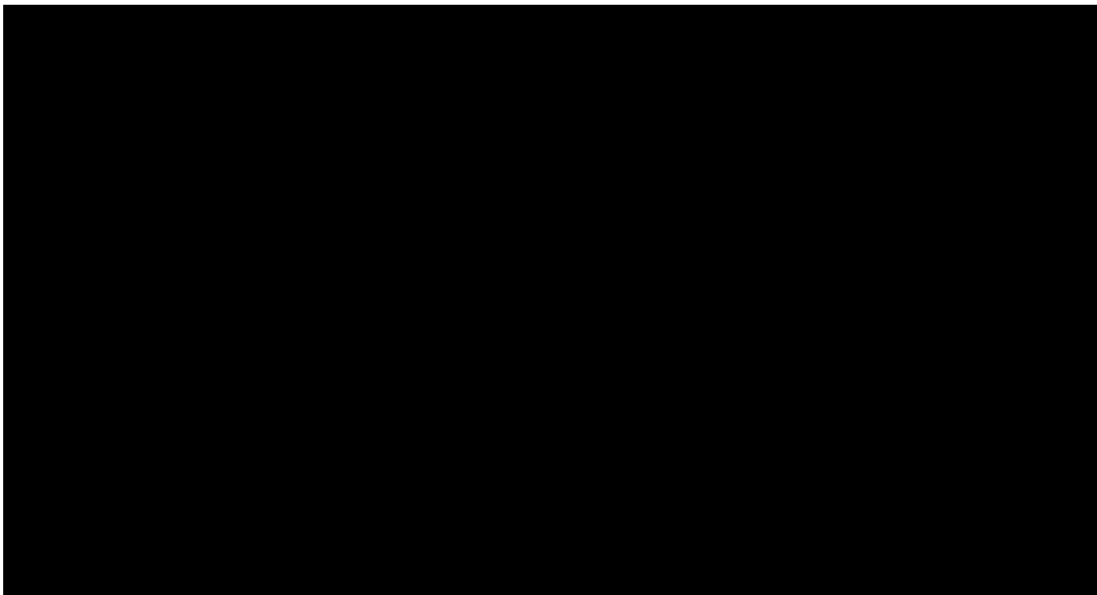
cattle and sheep numbers.

The Soviet Government has strongly hinted in the past its desire to eliminate personally-owned livestock. Besides using the subtle method of forcing the collective farmers to consume their privately-held livestock, the collectives are ordered to step up purchases from the collective members and urban workers. Thus without forcing outright acquisition of all non-collective livestock, the Government will eliminate this sector by purchases, forced slaughtering and the old method of taxation.

Although this decree is proclaimed ostensibly for the purpose of fulfilling the requirements of the current three year plan for livestock numbers, it may well be that heavily increased meat procurements from the collectives have retarded any natural increase in numbers.

If the decree obtains the desired results, the Soviet Union will have greatly increased its potential for emergency procurement and for building sizeable stockpiles of livestock products. (CONFIDENTIAL)

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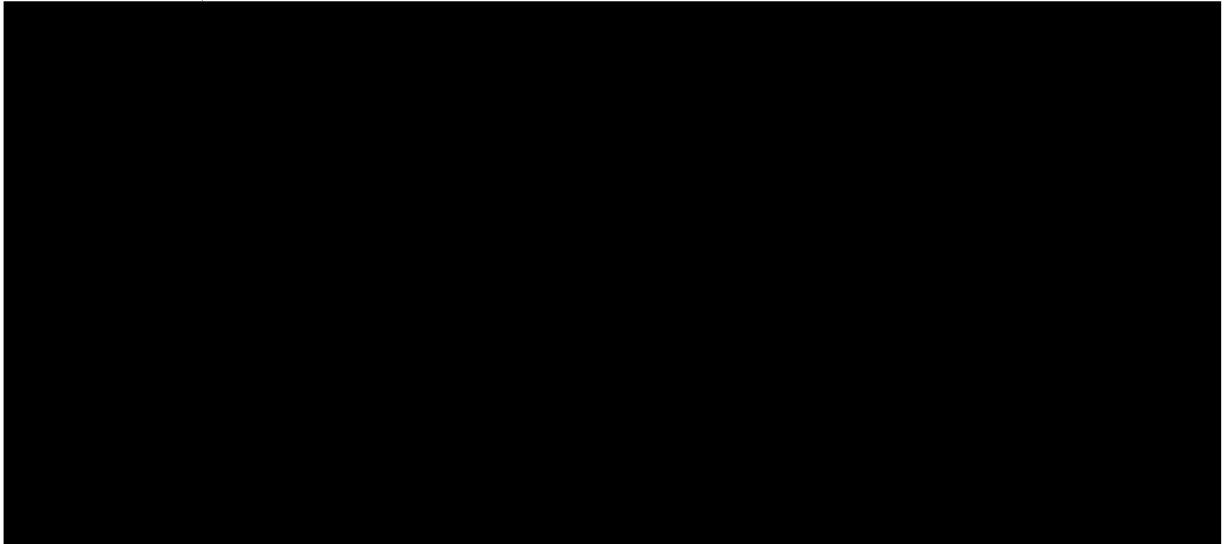


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INTERNATIONAL COMMUNISM
AND PROPAGANDA ANALYSIS

Peace Congress shift from Sheffield to Warsaw
is tactical victory for West

"B"

The USSR's decision to abandon the planned World Peace Congress in Sheffield and to hold it instead in Warsaw represents an outstanding tactical victory for the West. The conditions under which Moscow ordered the last minute change prove conclusively that: (1) the British action caught the Peace Partisans completely by surprise; (2) the USSR is not willing to risk a Peace Partisans meeting unless the proceedings can be controlled to Moscow's advantage; and (3) the success or failure of the Peace Movement is an important element in Soviet foreign policy.

The fact that Moscow waited until literally the last minute before ordering the switch of the Congress from Sheffield to Warsaw (despite various indications that the British might keep out some of the key delegates) shows that

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the USSR placed a great deal of confidence in the British sense of "fair play" and in Anglo-Saxon traditions of free speech and freedom of political action. This is even more surprising since the British Government had refused to issue visas to an advance party of Congress organizers who, as a result, were forced to meet in Prague. Moscow's failure to consider the possibility of such extreme British action indicates the extent to which the Soviet Government is relying on the West to "dig its own grave" by following its well-advertised philosophical and political concepts, and how effectively the USSR can be outmaneuvered if the West departs from such tactics.

Moscow preferred to admit publicly that it had been outwitted by the British action and to risk a tremendous loss of prestige for the Peace Partisans Movement, rather than take a chance on a rump Congress in Sheffield which might have had the features of real debate and differences of opinion. This was underlined by the elaborate security precautions during the one-day session at Sheffield City Hall when Peace Partisan guards sought to prevent admission into the hall of any but known sympathizers.

The shift to Warsaw involving extensive new preparations and tremendous expenditure of funds, and the strong emphasis which Soviet and Satellite information media gave to the circumstances surrounding the change demonstrate Moscow's determination to salvage the Peace Partisans Movement despite severe setbacks. It was Moscow's eagerness for success of the Peace Movement in the West, and the need to identify the "Movement" with Western symbols, which first influenced the Communists to schedule the Congress in Sheffield and which then blinded them to the obviously impending action of the British.

The role of the Peace Movement in Soviet foreign policy which stated quite frankly last summer by Leontyev in Voprosy filosofii: "The champions of peace have set themselves a great objective -- to render impossible a new world war. The task is truly a great one, for never in the history

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of mankind have the masses of the people possessed sufficient power to prevent war, to hinder the plans of the ruling, exploiting classes, which have always and everywhere been the organizers of war....It is now not merely a question of the imperialists 'losing' their soldiers in the course of the war; they can lose their soldiers even before the war starts." Moscow, apparently, is willing to devote all of its propaganda facilities to achieve this goal. (SECRET)

Ineptness of Chinese Communist diplomacy
and propaganda

"B"

Recent Chinese Communist diplomatic moves and propaganda have irritated the Governments of India, Burma, and Indonesia, and have increased public uneasiness in these countries with respect to the long term objectives of Communist China.

Typical examples of Chinese ineptness are: Peiping appointed a mediocre ambassador to Indonesia whose principal qualification for such an assignment was his long record as a faithful propagandist for Chinese and world Communism. Immediately upon his arrival in Djakarta, the Ambassador gave a public address in which he violently condemned "criminal American aggression" in Asia and called for a united community of overseas Chinese, with clear implication that the overseas Chinese should be united to help China itself "crush once and for all reactionaries and imperialists." When the American Ambassador protested this breach of diplomatic courtesy, the Indonesian press, which is frequently anti-American, gave a nearly unanimous verdict against the Chinese Ambassador. More recently, the Chinese Embassy has again become embroiled in difficulties with Indonesian authorities over the establishment of Chinese consulates in various Indonesian cities.

A somewhat parallel situation was created in Burma, with the arrival on 5 September of the Chinese Ambassador to that country. The Chinese community in Rangoon responded on

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this occasion with a display of organized strength which prompted a Burmese daily to comment that "Rangoon was turned temporarily into a Chinese community." Burmese suspicions were aroused also by the Chinese Ambassador's unnecessarily large staff; by the presence on his staff of a person suspected of subversive activity, who had fled the country within a year previously; and by discovery that the Chinese diplomatic party had secretly brought radio transmitters into Burma. As a result, the Burmese authorities set up a special branch of the police to watch Chinese activities, and ordered registration of all Chinese in Burma.

In India, the Communist Chinese Consul in Bombay decorated the Chinese booth at a Children's Week Exhibition with pictures purporting to show Chinese children "being massacred by Japanese and American imperialists." When the sponsors of the Exhibition ordered the Chinese exhibit closed, the All-China Democratic Women's Federation blandly handed the Indian Ambassador in Peiping a note expressing the "surprise and indignation felt by Chinese mothers at this rudeness." Communist China's brusque rejection of the Indian Government's recent notes protesting the military penetration of Tibet is an obvious further example of Chinese Communist indifference to Indian sensibilities.

Deep-seated anti-Western sentiment throughout most of South and Southeast Asia, predisposes the Governments and peoples of this area to assume an attitude of tolerance toward the emergence of any regime in China which is firmly anti-colonial, and therefore anti-Western. This attitude will not change rapidly. On the other hand, it is highly improbable that the Stalinist-dominated Government of China will alter its present undiplomatic handling of international relations and propaganda. If the overall balance of forces in the world does not greatly change in the next few years, a gradual stiffening of attitude toward Communist China may, therefore, be expected in most of the countries of South and Southeast Asia. (SECRET)

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SPECIAL ARTICLE

Evidence of Soviet intentions with respect
to the Korean conflict

Although Chinese Communist troops have intervened in Korea, the USSR has not yet shown a willingness to precipitate global warfare or to expand the Korean conflict beyond limits subject to a reasonable degree of Soviet control.

The presence of Chinese troops in large numbers in Korea, the massing of several hundred thousand additional troops in Manchuria, appearance of Soviet-made jet fighters in the air over the Yalu River border, reports of recently initiated or accelerated defense preparations in Manchuria and China, and the increasingly warlike tone of Soviet and Chinese propaganda, all afford indications of a more militant disposition. Furthermore, the USSR has alleged that Japanese troops are being used in Korea and that the US is secretly negotiating a military alliance with Japan. In this connection, the recent publication of the text of the Chinese-Soviet treaty of mutual assistance (in the Journal of the USSR Supreme Soviet after recent formal ratification) may be significant in view of a key provision that one nation will come to the aid of the other in case of an attack by Japan, or any nation allied with Japan. Some observers interpret such indications as evidence of an intention on the part of Communist China with direct or indirect support from the Soviet Union to resort to the extensive use of armed force against UN forces, and possibly against non-Communist countries in other areas of the Far East.

There exists, indeed, a distinct possibility that Communist China will commit itself in the near future to all-out intervention in Korea. However, the USSR can scarcely overlook the very real danger that such a commitment would ultimately result in World War III. So far there is no evidence that the Soviet Union itself is taking any

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extraordinary precautionary measures for coping with an outbreak of general hostilities in the near future, in spite of its evident support of the Chinese action.

The recent speech of Politburo member Marshal Bulganin asserting that the USSR does not have "weak nerves" or "cannot be scared with threats", as well as the militant Soviet and Chinese propaganda line and the threatening Chinese military moves may be designed to emphasize that the Soviet bloc is not so unwilling to fight that it can be progressively faced down wherever there develops a conflict of interests between East and West.

Regardless of the number of troops Communist China has actually sent into Korea, there has as yet been no irrevocable commitment on its part to any course of action. Communist China does not state whether or not its troops will drive the UN forces out of Korea; that it will negotiate on the Korean question; or, whether it has limited objectives in intervening in Korea, or that it will not be content until a Communist regime is restored with complete control of Korean territory. Thus, the sum total of what has happened so far in the Far East is that the USSR and Communist China have created a real fear of general war. This they did without jeopardizing to any substantial degree their freedom of action, either to: (1) proceed further with military operations against UN forces aimed at driving them out of areas they now hold; (2) hold the present positions of Communist forces in North Korea; (3) abandon those positions leaving North Korean Communists to fight on as best they can; or (4) enter into negotiations. In the present situation, the Communist allies are free to calculate the advantages to be gained by any of these moves, adjusting their actions, if necessary, to the US and UN reaction to any given situation.

The reaction of the UN is probably of utmost importance. Having sent Communist troops into Korea without evoking any violent reaction up to this time, the USSR and China may calculate that the scope of Korean military operations can be extended still more without substantial risk.

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If the UN reaction to an extension of these operations were to approve the bombing of Communist bases and supply lines north of the Yalu River, it does not necessarily follow that Communist China would become immediately involved in an all-out war with the West or commit its forces to an all-out intervention in Korea, which would probably result in a general war. The Communist leadership can make as much or as little of UN offensive action as it desires. The decision of this leadership to embark on all-out war is likely to be the result of a cold-blooded decision, and it appears probable that by intervening in Korea, Communist China had to reckon with retaliation and indeed expected that its subsequent course of action might at some point provoke an attack on Chinese territory. This does not mean, however, that the Chinese intervention signified an acceptance of, or invitation to general war with the West.

The fact that the Communist leaders did undertake an intervention in Korea reflects a greater possibility of overt Soviet or Satellite aggression elsewhere. Nevertheless, such action cannot be considered likely in the near future, since the Kremlin is probably aware that its instigation of another international crisis at this time might explode into global war, which it is still believed the USSR wishes to avoid. (SECRET)

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