

PROCESSING COPY

CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

This material contains information affecting the National Defense of the United States within the meaning of the Espionage Laws, Title 18, U.S.C. Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

S-E-C-R-E-T
NOFORN

25X1

COUNTRY U.S.S.R./Poland/Hungary/East Germany/
Communist China
SUBJECT Summary of Recent Developments

REPORT

DATE DISTR. 4 January 1957

NO. OF PAGES 1

DATE OF INFO.

REQUIREMENT NO. RD

PLACE ACQUIRED

REFERENCES

25X1

THE SOURCE EVALUATIONS IN THIS REPORT ARE DEFINITIVE.
THE APPRAISAL OF CONTENT IS TENTATIVE.

25X1

Attached is a discussion
of recent developments in the Sino-Soviet bloc.

39

S-E-C-R-E-T
NOFORN

25X1

STATE	ARMY	NAVY	AIR	FBI	AEC	OCR	X
-------	------	------	-----	-----	-----	-----	---

distribution indicated by "X"; Field distribution by "#".)

25X1

~~SECRET~~
SECRET
NOFORN

23 November 1956

25X1

I. Political**1. USSR**

- a. (1) The Soviet leaders during the last days have made every effort to reverse the winds which for a time piercingly blew into their faces from Poland and Hungary and to make them blow westward again. Part of these efforts were the notes handed in London, Paris and Tel Aviv which because of their unrestricted demands showed that the Soviets wanted to drown out the protests voiced against the Soviet Union in view of the brutal quelling of the uprising in Hungary and to react to political defeat and exposure with a political offensive. Another such effort was their new disarmament initiative which tried to convert the political setbacks in the Satellite countries into the moral virtue of a peace demonstration and into the practical advantage of an elimination of Europe as a factor of power by way of its neutralization. This Soviet move was also to obviate in time the danger of a renewed isolation of the Soviet Union and to counter from the outset the Western European demand for unity and reinforced political and military security which was consequent on the events in Eastern Europe. In the political section of their pronouncement, the Soviet reiterated old plans which had already been known and were connected with the name of Molotov. They add up to connecting a limited recognition and guarantee of the present state of possessions and spheres of influence in Europe with the establishment of an advanced area which already today would create favorable conditions for the launching of a subversive, political and possibly military offensive at a later date. Regarding the cut-down of the Soviet armed forces, it may be assumed that the recent Soviet proposal like those they made previously reflects a certain serious interest of the Soviet leadership in setting free labor for industries from the armed forces, particularly since the strength of the year classes available for labor will decrease as a result of WW II losses.
- (2) Worthy of note are the unexpected concessions in the question of aerial inspection whose effectiveness was, however, significantly restricted to an area which does not affect the two biggest powers of the world. The tendency which becomes apparent in that new variant shows that the Soviets want to make overtures to the US and to take into account American public trends and desires for a permanent global peace settlement by the two world powers. This coincides with observations [redacted] that the Soviets are still trying to avoid any direct provocation of the US wherever possible and on the Balkans as well as in the Middle East. They want not to make impossible direct talks through which they hope to paralyze the American policy by the employment of diplomatic means. As Shepilov put it before representatives of the Eastern Bloc at the First London Suez Conference, Moscow seeks to obtain from the US a recognition of the present political situation (status quo) as the "only realistic basis for peaceful coexistence" - a goal which, judging from the development in Hungary, they seem to have already attained for their possessions in Eastern Europe.
- b. The strength which the Soviets are presently demonstrating toward the outside world and within their own orbit conceals a continued instability of their leadership in regard to both personnel and basic conceptions which resulted from the critical development in the Satellites in Eastern Europe.

25X1

~~SECRET~~
SECRET
NOFORN

SECRET
NOFORN



25X1

Khrushchev's repeated massive insults to Western diplomats cannot veil the fact that the Soviet leadership and their policies presently show some uncertainty. The speech e. g., which Zaslav in his capacity as guardian of an ideological and political firmness of principle and as responsible organizer of Communist party interconnections made on the occasion of the 39th anniversary of the Russian October Revolution reflects elements of both a revolutionary uncompromising attitude and policies of coexistence, which made it possible that this speech was subject to conflicting interpretation abroad depending on the wishes of those who read it.

- c. (1) The problem of Titoism again forces the Soviets to take a stand after rifts in their relations with Moscow had developed again and had become apparent to the outside world. In spite of all consequences, which a definite clarification of the question as to whether Tito (who was called a "true Leninist" by Bulganin during his last visit to the USSR in the summer of 1956), gave Soviet Communism medicine or poison, would have for the composition of the leading collective and the basic line of the XX Party Congress, the Soviet leaders cannot possibly avoid such a decision in the long run. In view of the importance of this problem, the Soviet Union must even be expected to be prepared to exert political pressure on Tito to obtain such a "clarification".

- (2) [redacted] Khrushchev's influence is increasing again because of the chaotic situation which developed in Hungary and could not yet be overcome and which seems to justify his policies. He can, however, not accept the criticism of the Soviet system which Tito made in Pola and his assaults against the Soviet leadership. The open conflict which now again broke out between Moscow and Belgrade sheds a significant light on the difficult situation of Tito as well as of Khrushchev.

25X1

- (3) [redacted] the basic readiness for compromise toward Gomulka [redacted] and [redacted] shows that the Soviets want to avoid a development in Poland, similar to that in Hungary. [redacted] the outcome of the talks in Moscow was satisfactory for the two parties involved, and [redacted] the Soviets succeeded in holding Gomulka by a longer but no less firm leash. It remains doubtful, however, whether Gomulka is able to remain master of the situation in Poland as a result of the temporary agreement he reached in Moscow and whether the real substance of the Soviet economic aid will suffice to satisfy the still restless people in Poland.

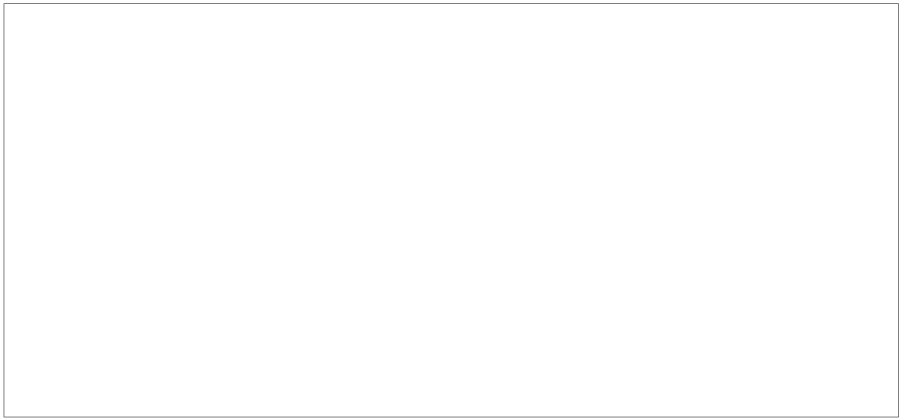
25X1

25X1

25X1

- d. (1)

- (2)



SECRET
NOFORN

SECRET
NOFORN

- 3 -

25X1

2. Satellites and Yugoslavia

- a. (1) Recognizing a certain measure of Polish independence and again guaranteeing the Oder-Neisse line as the Western border of Poland, the Soviets in their talks in Moscow with the Polish delegation obtained the consent to the continued presence of Soviet troops in Poland from the Polish Government. Poland, [redacted] will receive economic aid which makes it possible for the country to continue at least for one year [redacted] Warsaw, on the other hand, had to promise not to make any economic or social experiments which could shake the people's democratic system in Poland. Warsaw and Moscow also agreed on close foreign-policy collaboration and Gomulka refrained from acting as mediator between Budapest and Moscow and left Hungary to her fate. The Soviets also insisted on a cooling down of Poland's relations with Yugoslavia. 25X1
- (2) Following up her policies of democratization, Poland ousted a number of prominent Stalinists from Government, Party and Labor Unions and, [redacted] planned a better food stuff supply for the population and greater concessions to individual farmers. Gomulka clearly emphasized, however, that Poland would not leave the Eastern Bloc and the camp of Socialism. In view of this development, there is small wonder that, [redacted] the Polish people and particularly the population in Western Poland is cool to the Gyrankiewics Government and openly criticizes the staying in office of Stalinist Zenon Nowak. Students' associations [redacted] also criticized the attitude of the Polish representatives [redacted] when the question of Hungary was being discussed and the workers voiced complaints at the general assembly of the Labor Union Council that their interests had not been properly regarded - a complaint which alarmed the Polish Government. [redacted] if the Government was unable to raise effectively the low living standards of the working masses, new disturbances would probably result. 25X1
- b. (1) [redacted] the Kadar Government still has no basis of trust. [redacted] Kadar's attempt partially to resist to the Soviet occupation regime, was supported by Tito's Pola speech and continued that Kadar is fighting both the Soviets and those who stand for a restauration. He earnestly tried to prevent the deportation of freedom fighters to the Soviet Union and when he failed he had the deportations broadcast. They would undoubtedly have weakened further his situation if he had failed clearly to dissociate from this Soviet measure. 25X1
- (2) [redacted] the Soviets may replace Kadar with Defense Minister Muennich. Kadar would then again become First Secretary of the Communist Party. The Soviet leaders unsuccessfully tried to make Nagy take over again; he refused to collaborate, however. Still [redacted] Moscow realized that the resistance of the Hungarian population could not be broken by forcible measures alone and ordered the other Satellites to send aid to Hungary. 25X1

SECRET
NOFORN

SECRET
NOFORN

- 4 -

(3) In an attempt to gain the confidence of the Hungarian population, Kadar ousted numerous politicians including former Prime Minister Hegedus from the party on charges that they had participated in Rakosi's crimes. He also promised free elections to which all parties would be admitted. He made the significant reservation, however, that only those parties which accepted the Socialist form of government could be admitted. Farmers would be free to leave collective farms.

- c. On leaving Budapest, the Czech delegation which, headed by Prime Minister Siroky, had paid a visit to Hungary endorsed the line of argument followed by the Kremlin and the Hungarian Government for the Soviet intervention in Hungary. The composition of the delegation indicates that the abovementioned economic aid to Hungary figured prominently in the talks held during the visit. [redacted] the events in Hungary aroused the Hungarian minority in Southern Slovakia and [redacted] the Slovaks were disgusted at the continued tutelage by Prague which was not abolished despite all promises. 25X1
- d. [redacted] indicated increased tensions in Bulgaria which the government tried to counter with precautionary arrests. [redacted] stated that the Stalinist elements became more influential in the leadership of the country while those following Tito's line and particularly the Titoists among the young party membership were ruthlessly suppressed. 25X1
- e. [redacted] indicate increased activities by Albanian resistance fighters, particularly in the mountains close to the Yugoslav border. The economic situation in the country reportedly deteriorated and the population was said to live in distressed circumstances. 25X1
- f. The differences which developed between Tito and some of the Soviet leaders as a result of mutual accusations regarding their responsibility for the outbreak of the Hungarian uprising became even more bitter by public pronouncements of the two parties. [redacted] the Communist Party of Yugoslavia was divided over the policies to be followed after the events in Hungary. [redacted] Tito's Pola speech also did not clear the situation. 25X1

3. Soviet Zone of Germany

- a. The 29th Plenary Session of the SED Central Committee took place from 14 to 16 November and, among other things, made a decision as a "basis for discussion of the rights of workers in factories". [redacted] 25X1
- [redacted] Nor has it become known whether and to what extent the speeches made contained conclusions regarding the SED policies to be pursued after the events in Poland and Hungary; the SED will, however, scarcely be in a position to avoid taking into consideration the changes which occurred in Poland (the development in Hungary is still fluid). There is the impression, however, that the Central Committee including those who oppose Ulbricht consider the situation too dangerous to allow any changes. This is also indicated by the following official guidance which was issued by the SED Central Committee:

"The blunders and reshuffles made in Hungary and Poland are no subject of discussion in the GDR. We do not discuss this ... We will not make any changes in the Party or State machinery in our GDR ... The class enemy must not be given any opportunity to get a foothold in the Party and Government."

A statement by Semenov indicated that the Soviets ordered the GDR

SECRET
NOFORN

SECRET
NOFORN

- 5 -

Government to make any effort to keep the situation in the GDR quiet.

- b. A Czech delegation headed by Fierlinger, President of the Czech Parliament, which arrived in East Berlin for a visit on 18 November, primarily tried to coordinate the policies of Czechoslovakia and the GDR as the two East Bloc countries in Central Europe not affected until now by the changes which occurred in other Satellites.
- c. Ambassador Pushkin asked the GDR to make speedy preparations for the sending to Egypt of technical specialists in the fields of motor vehicles, machine building, ship engine construction, arms and chemistry. They were to be employed as "voluntary assistants" together with technicians from Czechoslovakia and would work under the command of Soviet engineers. No military volunteers have as yet been sent from the Soviet Zone of Germany to Egypt. The action was presently in abeyance.

25X1

4. Red China

- a. (1) Red Chinese propaganda is still trying to keep the Suez question boiling. Peking emphasized that Red China could not remain inactive when Egypt's sovereignty was being violated. The official registration of volunteers for Egypt started throughout the country on 13 November 1956. Peking wanted to demonstrate its determination to bring political pressure on the Western powers and UN. On the occasion of his speech commemorating the 90th birthday of Sun Yat Sen on 11 November, Chou En Lai promised Egypt support.
- (2) Chou En Lai in that speech also called on all patriots to liberate Formosa. He appealed to the patriots living in Red China and to those in Formosa and thus again tried to address Chinese Nationalists to undermine Chiang Kai Chek's position from within.
- (3) Moscow and Peking used the celebrations of the day of the October Revolution and Sun Yat Sen's birthday to make a demonstration of the "permanent and incorruptible" friendship between the USSR and Red China. In its commemorating article on 7 November 1956, the semi-official Yen-min Jih-Pao newspaper in Peking stated for example that in view of the events in Hungary all Socialist countries would have to show greater solidarity and to improve their friendly relations with the Soviet Union. Similar phrases were also contained in a communique on the meeting of the Central Committee of the Chinese Communist Party which took place in Peking from 10 to 15 November 1956. The communique which was made public on 15 November 1956 expressly approved of the Soviet military intervention in Hungary and underscored the dominant role of the Soviet Union in the world camp of Communism.

25X1

SECRET
NOFORN

SECRET
NOFORN

- 6 -

25X1

- [REDACTED]
- b. Chou En Lai began his expected Asia tour with a visit he paid to Hanoi on 18 November 1956. He will have to take a stand there on the difficulties with which the Communist regime is faced. The Government of North Vietnam had to admit that dissatisfaction with the methods of the land reform was widespread and that disturbances against the Government occurred. The Government promised a less severe and more correct collectivization based on justice and a democratization of the political system.
- [REDACTED]

25X1

II. Economic**1. Economic Results and Aims on the 39th Anniversary of the October Revolution****a. Soviet Bloc**

- (1) The speech which Juglov made on 6 November in connection with the Soviet Government pronouncement on 30 October 1956 indicates that in spite of the blows which the Soviet system received in Poland and Hungary, Moscow is firmly resolved to maintain its direct control on its sphere of power and influence in the Satellite countries of Europe. Definite minimum demands as well as a number of concessions including economic concessions serve that purpose. These minimum demands of Moscow include a "Socialist" organization of the economy with nationalized industries and banks and a nationalized transportation and telecommunication system to secure Moscow's power. They apparently do not include the collectivization of agriculture and the nationalization of the remainders of private trade and handicraft. Moscow is prepared to make concessions in these fields. Moscow also generally emphasizes the principle of equality and the possibility of a different timing of the nationalization of the principal means of production and of other "Socialist" changes in the individual countries.
- (2) The farmers in the Satellite countries will consider the abolition of forced collectivization the most important concession. The principle of speedy collectivization which had been announced at the beginning of the present five-year plan was thus dropped. The farmers were also promised that forced deliveries would be cut down and prices for agricultural products would be normalized. They were also told that they would receive state support. Previous statements by Gomulka show, however, that the collectivized type of agriculture will remain the ultimate goal of the new Communist leadership.
- (3) The Soviet Union practically left it for the Satellite countries to decide when and at what speed they want to liquidate private farming which presently still is of decisive importance and to eliminate the excessively small remainders of retail business in some of the Satellite countries and the insignificant percentage of private industries in the Soviet Zone of Germany. In addition to these social concessions, the Soviet Union was also prepared to allow a certain redirection of investments from heavy industries to industries of consumer goods and agriculture and to forego certain advantages in foreign trade. Moscow's concessions may be summarized to the effect

SECRET
NOFORN

SECRET
NOFORN

- 7 -

that the exploitation of the population in the Satellite countries was cut down in an effort to increase the living standards, grant a greater measure of individual freedom and give government and people the feeling of a certain political, economic and cultural liberty.

b. Soviet Union

Suglov's report on the industrial development of the Soviet Union in 1956 indicates no basic economic changes. Machine building (12 percent) and consequently the armament capacity, the production of power (13 percent) and the production of oil (19 percent) showed particularly high rates of industrial growth. The coal production in the Donbas area in the Ukraine, the production of crude iron and cement and the woodworking industry did not reach their plan targets. Supply shortages resulted from unavailable raw and basic materials. The production development is reflected in the following absolute figures:

	1955	1956	Plan 1960
Steel, million tons	45.3	49	68.3
Coal, million tons	391.0	430	593
Mineral oil, million tons	70.8	84	135
Power, billion kWh	170.1	192	320

Speedy mechanization and automatization and an improved industrial work organization were pointed out as the principal problems of the present and future economic development. Suglov also again emphasized the priority of industries of means for production which was also stressed in the present five-year plan and which is a matter of principle in the Soviet economy. There were, however, also promises that the living standards in the USSR would be raised. It must be doubted, however, that these promises can be made good in view of the present tensions. The bumper crop which Suglov mentioned admittedly is the largest grain crop ever attained in the Soviet Union, but does not exceed an estimated 110 to 112 million tons. Although the grain growing areas reached the greatest extensions (133 million hectares), the average yield was only between 830 and 840 kilograms/hectar as compared with 870 kilograms/hectar in 1913. It is to be expected that this good crop will increase the grain reserves and make possible higher deliveries to the Satellite countries. Suglov's statements on the increased per capita consumption of foodstuff during the period from 1940 to 1955 are at variance with the increased production.

2. The Economic Background of the Soviet Note Dated 17 November 1956 (Disarmament Proposal)

The Soviet Government stated in its note dated 17 November 1956 that "in the past year they had cut down their armed forces by 1,840,000 soldiers" and proposed to cut down the number of their armed forces as well as those of the United States and China to 2.5 million men within a year and to reduce the strength of their armed forces as well as of the armed forces of the United States and China to 1.5 million men within the then following year. The "past year" which the Soviet Government mentioned is not the year of 1955 but the period between October 1955 and October 1956. During that period, the Soviets wanted to downgrade their armed forces by 0.64 million men during the period from October to December 1955 and announced an additional 1.2 million men would be discharged during the period from May 1956 to May 1957. If the Soviet Government executed this plan, about 50 percent of the 1.2 million men planned

SECRET
NOFORN

SECRET
NOFORN

8 -

for the period from May 1956 to May 1957 would have to be discharged by October 1956. This would result in the following procedure:

- a. Prior to the discharges, the Soviet Armed Forces totaled 5 million soldiers in 1955.
- b. The discharges in the fall of 1955 would have brought this total to 4.4 million soldiers (5 - 0.6).
- c. The discharges during the period from May to October 1956 would have cut down the Soviet Armed Forces by an additional 0.6 million soldiers. Their strength consequently would be 3.8 million soldiers at present.
- d. According to the proposal of the Soviet Government, this total of 3.8 million soldiers is scheduled to be cut down to 2.5 million soldiers within one year's time, i. e. in the course of 1957.

According to the proposal of the Soviet Government, 1.3 million soldiers would have to be discharged in 1957 (3.8 - 1.3 - 2.5). The proposal of the Soviet Government envisaged that the 2.5 million soldiers are cut down to 1.5 million soldiers within an additional year and thus in the course of 1958. As many as 1 million soldiers would consequently have to be discharged in 1958 (2.5 - 1). The discharges during the period from 1956 to 1958 would be as follows:

1956	0.6 million
1957	1.3 "
1958	<u>1.0 "</u>
1956 - 1958	2.9 million

As had been indicated in "Nachrichten zur Wirtschaftslage und Wirtschafts-Politik No 14" of July 1956 regarding the unsatisfied demand of labor in the USSR, the cut-down of the Soviet Armed Forces is chiefly motivated by the desire to make up for the deficiency of labor for the execution of the present five-year plan. If the unsatisfied demand of labor during the period from 1956 to 1958 which had been stated in the study referred to above is compared with the scheduled and recently proposed discharges from the Soviet Armed Forces in 1955/1956, the following tabulation results:

Year	Unsatisfied Demand of Labor	Discharges from the Armed Forces
1956	400,000	600,000
1957	900,000	1,300,000
1958	<u>1,500,000</u>	<u>1,000,000</u>
1956 - 1958	2,800,000	2,900,000

The correlation of the two columns is obvious. This is evidence that the Soviet Government proposal for a reduction of the strength of armed forces was chiefly satisfied by the desire to satisfy the demand of labor for the execution of the five-year plan with discharges from the armed forces.

III. East Bloc Traffic System

Highways in the Soviet Union

25X1

1. the net of automobile highways in the European part of the Soviet Union and the highways planned by 1960. Additional highways

SECRET
NOFORN

SECRET
NOFORN

- 9 -

to Riga via Veliky-Luki and from Sverdlovsk to Serov (which is 360 km north of Sverdlovsk) are planned to be built at a later date. These highways may not be compared to German autobahns, but are long-distance roads which for Soviet standards and distances constitute a marked progress. The Moscow Ring is planned to have 2 roadways, each 7 meters wide.

2. The traffic system in the Soviet Union was previously operated on the theory that long-distance shipments must be handled by rail and short-distance shipments by road. The railroad, however, practically handles also shipments over short distances. Road traffic was unprofitable because of too few and too poor roads and unsatisfactory trucks and repair facilities. Road traffic prevailed only in industrial areas, in the areas close to towns and in remote regions where no railroad was available. The trucks presently used have only a load capacity which makes them capable of shipping over short distances. Trucks of 18 and 25 tons are being built only in insignificant numbers.
3. The problem of the purpose of the new automobile highway net in the USSR, the system of which resembles that of the German autobahn net, may be decided on the basis of the consideration that this net had not been made necessary by a threatening congestion of dirt roads similar to that which at the time threatened in Germany but rather is the beginning of planned motorization. Road shipping will not immediately become profitable upon completion of the new net, although the volume of road traffic in tons/km is scheduled to be doubled during the period from 1955 to 1960. This would require that filling stations and repair facilities were available in large numbers. The output of heavy trucks would also have to be increased considerably and the standards of drivers and servicing personnel would have to be improved, particularly since about one-third of all available trucks are not operational at present. The building of the net of automobile highways consequently seems to have been pushed for non-economic, i. e. military considerations. It must be noted that the net connects Moscow with all border areas, allows transversal movements and detours on byroads and makes movements of troop units independent from rail shipping if necessary, i. e. if the railroad net is destroyed. The economic unprofitableness may result in the course of years after the mentioned prerequisites have been fulfilled.

IV. Military

1. Soviet Zone of Germany

The Soviet troops in the Soviet Zone of Germany are presently engaged in activities which must be considered normal for the season. Guard employment which had been intensified seemed to have decreased in some posts. The personnel exchange program which continued up to the middle of November, diminished the state of preparedness for commitment of the Soviet troops.

2. Hungary

The Soviet troops are regrouping after the termination of the fighting. The combat groups which had been organized for the execution of special tasks during the period of fighting are being reincorporated with their previous units. On 18 November, additional Soviet units started arriving in Hungary from the Soviet Union. Two large units have so far been observed. One has already arrived in the area of Debrecen-Budapest-Győr, while the other was still en route in the direction of Budapest from the area of Vinitza via Chernovits and Makachevo on 18 November 1956. It cannot yet be decided whether these new arrivals are to relieve the divisions presently employed.

SECRET
NOFORN

SECRET
NOFORN



[Redacted]

in Hungary or to reinforce them again. No indications for a withdrawal from Hungary of major Soviet forces.

[Redacted] only indications that one or two divisions which had fought in the area of Budapest were withdrawn from commitment.

25X1

3. Rumania and Bulgaria

[Redacted]

25X1

[Redacted] one Soviet division was sent to Bulgaria by sea.

4. Albania

[Redacted] arrival of minor Soviet troop units by air and sea, possibly for the protection of industrial installations vital to the Soviets.

25X1

SECRET
NOFORN

Sanitized Copy Approved for Release 2010/02/16 : CIA-RDP80T00246A032000390001-3

Page Denied

25X1

Sanitized Copy Approved for Release 2010/02/16 : CIA-RDP80T00246A032000390001-3