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EASTERN EUROPE

Significant Personnel Changes in Soviet Government

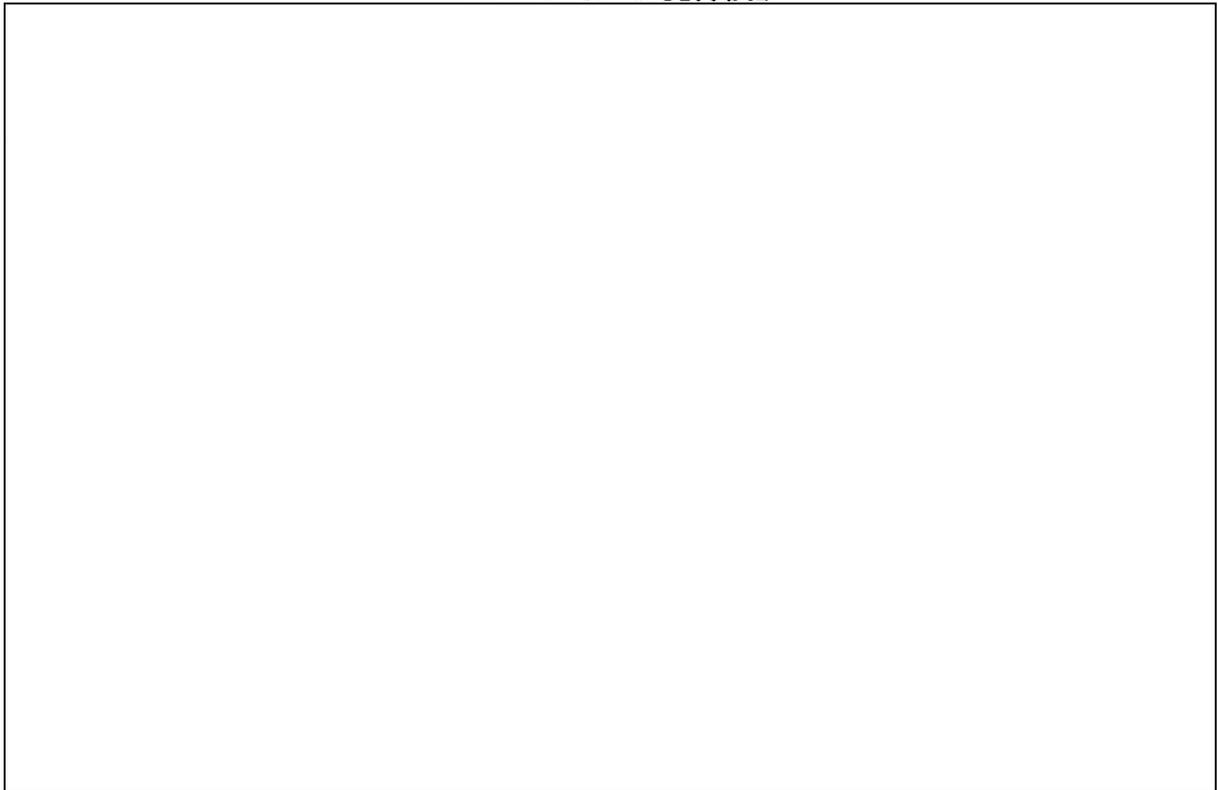
Recent changes in Soviet political personnel indicate a desire on the part of the Kremlin to clarify and strengthen administrative responsibility among Politburo members and to facilitate the solution of the pressing problems created by growing nationalism and agricultural breakdowns in the Ukraine.

The appointment of Lazar M. Kaganovich as First Secretary of the Ukrainian Communist Party surpasses in importance that of General Bulganin as Stalin's successor in the post of Minister of the Armed Forces (a change believed to have been an administrative fact for some time). Kaganovich, one of the most energetic and forceful of Soviet administrators, is expected to campaign vigorously against Ukrainian nationalism -- a matter of grave concern to the Kremlin -- and for improved agricultural production in the Ukraine. Andrei Zhdanov's resignation as Chairman of the Council of the Union is expected to leave him free for his more important duties as a member of the Politburo, the Orgburo, and the Central Committee Secretariat of the Communist Party.

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EASTERN EUROPE



Anti-Communist Trend in Czechoslovakia

The Communist Party in Czechoslovakia is gradually losing ground despite its overwhelming victory in the May 1946 elections. Barring direct Soviet interference, Czechoslovakia, because of the intense nationalism and individualism of its people, will probably emerge as a modified Socialist state friendly to but not patterned on the USSR. Particularly in the economic field, Czechoslovakia's orientation toward the West should gradually increase.

Following the country's liberation, the Czechoslovak Communist Party attained substantial popular support by avoiding an extremist position. Subsequent Communist efforts to by-pass Parliament, to widen the scope of the nationalization program, and to control the police, the army, and the press have, however, alienated many former supporters. Successful resistance by the Moderates to Communist efforts to dominate the country is demonstrated by (1) the refusal of Parliament to delegate

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authority to the Cabinet; (2) the reduction of Communist control over the Secret Police; (3) the removal of Communists from many local governing bodies; and (4) the maintenance of cordial relations with the West.

The Social Democrats, upon whom the Communist Party depends for the small leftist majority in Parliament, have voted recently against the Communists on all major issues and have won decisive victories in several labor union elections. A recent split within the Czech Communist Party over the extension of State ownership of industry beyond the limits of the two-year plan indicates basic Czechoslovak opposition to Soviet regimentation.

The integration of Czechoslovakia's economy with that of the USSR and its satellites has also become increasingly difficult. The nation's two-year plan presupposed substantial imports of raw materials from the East, which, in actuality, are not being received in sufficient quantity and quality. Czechoslovakia must, therefore, make up this deficit by imports from the West which, in turn, can only be paid for by exports to free exchange countries. Barter trade with the East must, therefore, be reduced. Because the Communists bear the major responsibility for the execution of the two-year plan, they may be forced to divert trade from the East to the West rather than to jeopardize the entire nationalization program.

The Soviet attitude will, in the final analysis, determine the success of the Moderates in preventing Communist domination of Czechoslovakia. The Kremlin is aware that strong-arm methods would meet with stubborn resistance and substantially reduce the value of its most important Eastern European source of supply. The USSR, therefore, probably will avoid direct interference in Czechoslovakia's internal affairs as long as Czechoslovakia has a "friendly" Government and continues to supply the USSR with vitally needed industrial products.

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