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22 August 1950

SUMMARIES OF TRENDS AND DEVELOPMENTS

USSR

1. The Soviet objective in Indo-China is to eliminate Western influence and to extend the control of the pro-Soviet regime over all of Viet Nam. Even failing this, it is to Soviet advantage to have French troops heavily committed in Indo-China, thus hampering the stabilization of the French economy and European defense plans. To achieve this goal, wholly or partially, the Ho forces are expected to launch an offensive against one or more important French-Viet Nameese positions in the near future, aided by covert Chinese Communist equipment, arms, training, and advisors.

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2. Soviet revision of SC records softening the USSR's previous position that the Korean problem and Chinese Communist representation in the UN are "inseparable" is a further indication that the USSR is trying to obtain greater freedom of action in dealing with the Korean issue. By disentangling itself from a commitment to obtain a seat in the UN for Chinese Communists before agreeing to a settlement of Korean issue, the USSR would be free to agree to a negotiated settlement at the moment most advantageous to its own interests.

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3. While recent Soviet actions could foreshadow a policy of systematic encroachment on Austria's political sovereignty, they may well be nothing more than probing actions in the Soviet Union's continuous war of nerves against the Austrian Government.

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4. The vast potash deposits of the Sovzone of Germany have provided the USSR with one of its strongest bargaining media in international trade.

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5. The USSR has for some time been rebuilding and preparing the direct transportation facilities from Moscow to Smolensk-Minsk-Brest.

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6. Although there is no confirmation regarding the rumored visits of Vice-Premier Molotov to Peking, the various reported movements of Soviet and Chinese officials concerned with political as well as military affairs indicate that the USSR may be conducting high-level conferences in Peking and Mukden. In this event, conversations probably center on a re-evaluation of overall policy to accommodate the changed situation developing from US action in Korea and Formosa, and discussion of Soviet support to the Chinese Communists whose plans for the attack on Formosa were probably blocked by the initiation of hostilities in Korea. However, lacking firm information, any estimate regarding the holding of conferences and discussions therein, is wholly speculative.

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EASTERN EUROPE  
GENERAL

7. Hungary and Poland have submitted to ECE lists of industrial machinery available for export, which is interpreted as largely a maneuver to discourage parallel export control action.

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BULGARIA

8. Bulgaria's demand that Turkey repatriate 250,000 Bulgarian citizens of Turkish origin is probably primarily designed to embarrass Turkey through inability to comply with conditions set out in the Bulgarian note. At the same time, the move will enable Bulgaria to increase the rate of removal of this dissident and potentially dangerous minority.

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9. The June domestic trade decree is being implemented in Bulgaria with the expansion of free trade facilities and increased supplies of industrial consumers' goods to rural areas. The latter is particularly emphasized for the purpose of eliciting larger and quicker deliveries of cereals from the peasants.

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HUNGARY

10. Eugene Varga, the USSR's famous economist, who has been visiting in Hungary since June, is reported to have become an important economic advisor to the Hungarian Government. Of Hungarian origin, he served as Minister of Economics in the abortive Bela Kun regime, and in 1919 escaped to the USSR. After World War II, Varga became the central figure in a much publicized controversy revolving around certain of his unorthodox views; he was forced to recant in 1949 and was given the comparatively minor task of working on a plan to introduce scientific techniques into the economy.

If he is now, in fact, serving as an economic advisor to the Hungarian Government, it would appear as a combination of circumstances: (1) Varga had lost much prestige and was no longer permitted freedom in his field; (2) Hungary

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badly needed experienced economists; (3) Varga, now 70 and aware of his insecure position in the USSR, was probably content to spend his remaining days in his native country as a relatively inconspicuous advisor.

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11. Continued failure to coerce the Hungarian Bench of Bishops into accepting its version of a Church-State agreement may compel the Hungarian Government to stage another Mindszenty-type trial. Since May, Bishop Petery has been under constant attack in the press, and recently the Hungarian National Peace Council demanded that the Government "put an end most urgently to the Bishop's activities." Accused of being a fascist, an agent of the imperialists, and an enemy of the people, Petery is being subjected to the same kind of propaganda preparation which led to Mindszenty's arrest and trial.

Petery is not alone among the Bishops in his recalcitrance, therefore the reason for singling him out for special berating may be that his national reputation would make him a more effective scapegoat than the less well-known Bishops. The threats against Petery, may, in themselves, serve the Government's purpose of bringing the Church to terms, although in view of their continued stubborn opposition, it seems likely that further pressure must be brought to bear before the Bishops are completely broken.

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YUGOSLAVIA

12. Rumors that Yugoslav and Soviet emissaries met to seek a rapprochement in late July or early August are probably fabrication. Not only is evidence to support them lacking but the disadvantages of such an agreement would tend to militate against its occurrence.

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Soviet-Communist Plans for Viet Nam offensive

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The Soviet objective in Indo-China is to eliminate Western influence and to extend the control of the pro-Soviet regime over all of Viet Nam. Even failing this, it is to Soviet advantage to have French troops heavily committed in Indo-China, thus hampering the stabilization of the French economy and European defense plans. To achieve this goal, wholly or partially, the Ho forces are expected to launch an offensive against one or more important French-Viet Namese positions in the near future, aided by covert Chinese Communist equipment, arms, training and advisers. Simultaneously, increased terrorism and propaganda in the French-Viet Nam cities will attempt to intimidate and/or persuade Viet Namese and overseas Chinese of the advisability of siding with the Viet Minh and of the inevitability of a "democratic" victory. In addition, sabotage of French depots and US arms aid, now arriving in Viet Nam, can be anticipated.

Soviet aid and advice for this move has been delivered primarily through the Soviet Legation at Bangkok and through the Chinese Communists. It is probable that the Soviet Legation at Bangkok has provided funds and advice to the Viet Minh. The French Far Eastern Command has reported that Soviet advisers and technicians are actually with Viet Minh forces. Soviet military personnel in South China and Hainan are reported to be supervising Chinese Communist aid to Viet Minh forces as well as joint preparations for the fall offensive.

Closer Chinese Communist-Viet Minh cooperation apparently dates from early 1950, when Ho Chi-minh was recognized by the Peiping regime and the USSR. Recently Chinese Communist aid to the Viet Minh is reported to have been greatly increased. Arms and equipment, and probably advisers and technicians, have been sent from South China and Hainan. Roads, air bases, and training camps have been constructed or repaired in China near the border. Between 10,000 and 20,000 Viet Minh troops have been trained and equipped in China and some have

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apparently engaged in joint operations with Chinese Communist units against anti-Communist guerrillas in China.

The Ho radio has increasingly stressed the role of Viet Namese Chinese in the "liberation movement." Recently it announced a conference to unify the combat forces of various Chinese organizations in South Viet Nam and emphasized the directive of the Peiping Government to all overseas Chinese to cooperate in the "fight for the liberation" of countries in which they reside. These moves are probably designed to prepare public opinion for Chinese Communist-Viet Minh cooperation, as well as to pressure overseas Chinese into supporting the Ho regime.

Despite Chinese Communist propaganda hints that an excuse for "defensive action" against the French may be sought, open entry of Chinese Communist forces into Viet Nam is not expected for several reasons. First, the USSR apparently is desirous of keeping Communist actions localized at this time. While a Viet Minh offensive would probably not result in an extension of warfare beyond Indo-China, where fighting has been continuing for several years, the overt participation of Chinese Communist troops might have widespread repercussions which would not be sufficiently counterbalanced by the more rapid Communist conquest of Viet Nam than the Viet Minh could accomplish with clandestine and disguised aid. Second, the Chinese Communists are already committed to two military tasks (Taiwan and Tibet) and, in addition, the internal security situation would discourage the Peiping regime from dispatching troops to non-Chinese territory. Finally, the Viet Namese generally dislike and suspect all Chinese, and the Ho regime would be handicapped by open alliance and support of Chinese Communist troops in Viet Nam. (SECRET)

Malik Revises Soviet position  
for Security Council records

"A"

Soviet UN Delegate Malik's recent efforts to

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revise the records of the SC suggests that the USSR is softening its previous position that the Korean problem and Chinese Communist representation in the UN are "inseparable." On 10 August Malik revised the SC records so that his earlier statements in the SC with respect to the "close and indissoluble" connection between representation of China and the peaceful settlement of the Korean question were amended to read that these two issues are "connected questions." Previously, the USSR had consistently maintained that Communist China must be represented in the SC before any action could be taken on the Korean question, and in his reply to the Nehru proposal Stalin made it clear that the USSR considered the participation of Communist China in the UN "obligatory" for a settlement of the Korean issue.

Malik's revision of the SC records is a further indication that the USSR is trying to obtain greater freedom of action in dealing with the Korean issue. By disentangling itself from a commitment to obtain a seat in the UN for the Chinese Communists before agreeing to a settlement of the Korean issue, the USSR would be free to agree to a negotiated settlement at the moment most advantageous to its own interests.

Because the voluntary Soviet return to the SC without the prior admission of Communist China has lessened the urgency of this problem, the USSR must now realize that the admission of Communist China will probably have to await a settlement of the Korean issue. The USSR may hope, however, by separating the two issues, to utilize more effectively the problem of Chinese representation as a wedge to divide the non-Communist world when the Korean issue has been solved. (SECRET)

Recent Soviet actions in Austria

"B"

Soviet officials in Austria have recently made demands which, if implemented, would encroach on Austria's political autonomy. The Provincial Government of Lower Austria

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has been notified by the Soviet Commander of the province that henceforth a Soviet observer will attend all Provincial Cabinet sessions. The Provincial Government has replied that such action would violate the Austrian Constitution and the Allied Control Agreement, and that the appearance of a Soviet observer at any session would result in immediate dissolution of the meeting.

The local Soviet Commander of Wiener Neustadt, who recently prevented the execution of a court order against a Communist, has notified the court that he would soon issue a list of Austrian laws which could be executed without prior Soviet approval. The execution of all other laws would apparently require prior approval. Soviet officials have consistently refused to honor Austrian court orders to evict Communists who illegally occupy apartments and other housing, but this is the first time that a Soviet official has assumed the right of direct control of a court in its execution of all Austrian laws. The Austrian Government has decided to convene a special Parliamentary protest session if the Soviet authorities attempt to implement either of these announced intentions.

While these actions could foreshadow a Soviet policy of systematic encroachment on Austria's political sovereignty, they may well be nothing more than probing actions in the Soviet Union's continuous war of nerves against the Austrian Government. The USSR has, in the past, retreated from similar demands which encountered vigorous reaction on the part of the Austrian Government. (SECRET)

USSR exploiting East German potash  
in international trade

"B"

The vast potash deposits of the Sovzone of Germany, with an estimated 1,200,000 tons annual production, have given the Soviet Union with its own production of 400,000 tons control of nearly 45 percent of the world's output of this important fertilizer and provided the USSR with one of its strongest bargaining media in international trade. The present Soviet policy is to

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derive every possible immediate advantage from this favorable export position without regard for future economical working of the deposits.

Soviet influence in the potash trade is shown in several instances. Through sales in Canada and the US, normally supplied by US producers, the double purpose of breaking existing prices and also obtaining US dollars without regard to production costs has been achieved. The normal potash markets in the U.K. have been disrupted by prolonged negotiations over terms of sale and delay in shipping. Soviet relations with Dutch and Belgian interests have been more cordial and, by barter arrangements, materials which are in critically low supply in the Sovzone, have been obtained.

The potash mines and processing plants are being exploited at the maximum possible rate with no attempt being made to modernize or rehabilitate the installations and, as a consequence, production is already on the decline. This may be simply another example of short-sighted production policy, but it may have a more sinister explanation. In the event of total war mobilization, potash production would be curtailed appreciably, as it was during World War II, in order to divert the manpower into more direct war use and to conserve the large quantities of coal used by the potash plants. (SECRET)

USSR improves Moscow-Minsk-Warsaw line

"B"

The USSR has for some time been rebuilding and preparing the rail, highway, and air transportation facilities along the Moscow-Smolensk-Minsk-Brest-Warsaw route.

The construction of many airfields along this route has been reliably reported and an American observer in mid-May noticed fairly large numbers of air force personnel travelling or waiting in stations between Moscow and Brest.

The improvement of the Moscow-Smolensk-Minsk highway, one of the very few first class Soviet highways, is now

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being extended from Minsk.

Railroad service has also been improved and the trans-loading yard at Brest is one of the largest in the USSR. New station facilities are being constructed, notably at Smolensk, and the roadbed is being improved. An American traveler in May of this year reported a smooth ride. This is unusual in the USSR and probably is a result of strengthening the roadbed to support heavy loads. (SECRET)

EASTERN EUROPE

GENERAL

Hungarian and Polish data submitted to ECE  
in maneuver to forestall stricter export control

"B"

Hungary and Poland have reported to the Industry and Materials Division of the UN Economic Commission for Europe, a wide variety of engineering products available for export to Western Europe. Motors, machine tools, steam locomotives, and combine harvesters, some of which are now being exported in limited quantities are among the items listed. In furnishing the lists, the Communists follow their usual practice of withholding any data of value - prices, quantities and delivery dates. The Industries and Materials Committee of ECE has always received strong Communist support because the Kremlin considers it a vehicle for undermining the influence of OEEC and ECA.

These lists were probably also submitted with a view to confusing Western export control negotiations and to provide a propaganda device. Proclaiming the ability to export industrial items which appear to fall within the "strategic commodity" categories would substantiate: (1) the Orbit contention that it is Western not Eastern Europe which is dependent

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upon East-West European trade, and (2) Communist claims that export controls are useless and may as well be abandoned. In spite of the impressiveness of the products itemized, there has been no easing of Orbit effort to acquire similar categories of commodities from Western Europe. (SECRET)

BULGARIA

Bulgaria demands repatriation of minority group by Turkey

"B"

Constant bickering on the propaganda and diplomatic fronts between Bulgaria and Turkey, featuring charges and denials of Communist maltreatment of the Turkish 700,000 racial minority in Bulgaria, has culminated in a Bulgarian note demanding that Turkey repatriate 250,000 of its former citizens within the next three months.

During the past two years Bulgaria has issued passports to, and the Turks have admitted, at least 15,000 Bulgarian citizens of Turkish origin. At the present time, Turkey is admitting about 600 per week. Inasmuch as a Bulgarian condition of immigration is the confiscation of all property, even the present influx is taxing Turkish resettlement facilities. The new Bulgarian demand would raise the number to approximately 20,000 per week.

The Bulgarian note is an admission that the Communists have found the Bulgarian Turks increasingly recalcitrant. Although the urgency implied by the Bulgarian note might indicate that the Kremlin contemplates Bulgarian aggression, in which event the large and homogeneous Turkish minority would present a major control problem, it is more likely that this is a Soviet maneuver to embarrass the Turkish Government by Turkey's inability to comply within the time set.

Although Turkey is anxious to repatriate its racial minorities in Communist controlled territory, literal compliance with the demand within the time set will probably

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be impossible. The fact that all such immigrants will be completely indigent and that Bulgaria will attempt to infiltrate the group with Communist agents will necessitate time-consuming resettlement arrangements and minute individual screening. The expense involved will be a significant drain on Turkish economy.

Ample justification can be found in this Bulgarian maneuver for a further strengthening of charges of violation of human rights. Bulgaria cites as authority for the demand, a Bulgar-Turkish Convention of 1925 covering the rights of nationals of each of the two countries resident in the other. However, Bulgaria has always treated these ethnic Turks as Bulgarian citizens. This mandatory mass emigration and confiscation of property constitute violations of fundamental human rights. If Bulgaria is now contending, as it would appear, that these Turks are Turkish nationals, Bulgaria has denied to them the privileges and rights provided for such nationals by the Convention. (SECRET)

Rumors of Tito-Kremlin rapprochement discounted

"A"

Despite persistent rumors emanating from various European capitals that Yugoslav and Soviet emissaries met in late July or early August to seek a rapprochement, there is little ground for believing that such a rapprochement is possible. The original sources of the rumors are tenuous and the best efforts of US observers to confirm them have been unavailing. Moreover, the logic of the situation is against such a reconciliation. Although Yugoslav leaders are concerned about Soviet menaces in Yugoslavia's present plight, the Yugoslav hierarchy must be well aware that the only conditions acceptable to the Kremlin would lead to their capitulation and eventual elimination. It is doubtful if even the imminent threat of Soviet aggression would prompt Tito to this course of action.

For its part, the Kremlin would find a volte-face on Yugoslavia extremely difficult to execute, in view of Soviet

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pressures on Tito during the past two years. Moreover, at the present period of crisis, when the lines are being more clearly drawn between the East and West, the Kremlin could ill afford to allow Satellite Communists in Europe and Asia to assume that the Kremlin might countenance an equality among sovereign Communist states, such as a rapprochement with Tito would signify. Any indication that Tito had succeeded in effecting a reconciliation, however uneasy, would undermine the Kremlin's point that the Soviet Union will not countenance the least opposition within its orbit.

Thus it would appear that the rumors are fabrication. They may have been spread by: (1) Soviet agents in order to deter the US and other Western powers from bolstering Tito's economy at a critical stage, (2) Greek representatives attempting to guarantee a steady flow of US aid to Greece by raising the specter of a Yugoslav-Soviet combination, or (3) anti-Communist Yugoslavs in an effort to weaken the Tito regime and thus perhaps strengthen their own position. (SECRET)

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