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Joint Intelligence Committee Soviet Union - General File

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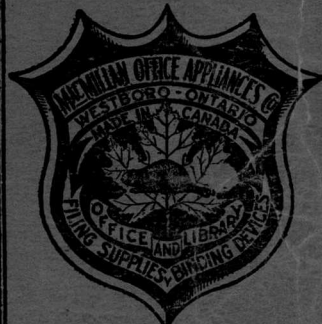
Subject: JOINT INTELLIGENCE COMMITTEE
SOVIET UNION - GENERAL FILE

File No. 50028-B-40
Volume SIX (6)
From APRIL 1, 1956
To May 31st 1956

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File No. 50028-B-40 Vol. 218

**FOR SUBSEQUENT CORRESPONDENCE
SEE NEXT PART OF FILE**

D.P. (27) / D.P. (27) / D.P. (27)

DEPARTMENT OF EXTERNAL AFFAIRS CANADA

DECLASSIFIED TO SECRET (FILE COPY)

NUMBERED LETTER

NOT A SECRET

CANADIAN EYES ONLY

Security: TOP SECRET

TO: THE OFFICE OF THE HIGH COMMISSIONER
FOR CANADA, LONDON

No: DS-733

FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Date: May 31, 1956

Enclosures: one

Air or Surface Mail: Air

Post File No:

Reference:

Subject: The JIC Semi-Annual Review

Ottawa File No.

50028-B-40

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References

Attached is a copy (No.17) of a Joint Intelligence paper No. JIC 183/3(56) entitled "The JIC Semi-Annual Review". This Review deals with policy trends in the Communist bloc, including Communist China, from October 1, 1955, to February 29, 1956.

2. We would draw your attention to the special classification of Appendix "A" which is being circulated outside Ottawa to your mission and to Washington only. Copies of the paper, without the appendix, are being referred to other missions abroad, to the Australian and New Zealand defence authorities through our missions in those two countries, and to the United Kingdom JIC and the United States IAC through service channels.

3. Any comments which you might wish to make on the attached paper would be read with interest in the Department and by our JIC.

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Enclosures:....one.....

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Subject:..JIC.Semi-Annual.Review.....

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50028-B-40.

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References

Attached is a copy (No.18) of a JIC paper, No. JIC 183/3(56), entitled "The JIC Semi-Annual Review of Trends in Communist Bloc Policy including Communist China", and covering the period October 1, 1955 to February 29, 1956.

2. We would draw your attention to the special classification of Appendix "A" which is being circulated outside Ottawa to your mission and to London only. Copies of the paper, without Appendix "A", are being referred to other missions abroad, to the Australian and New Zealand defence authorities through our missions in those two countries, and to the United Kingdom JIC and the United States IAC through service channels.

3. Any comments which you might wish to make on the attached paper would be read with interest in the Department and by our JIC.

Internal Circulation

for Under-Secretary of State
for External Affairs.

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DEPARTMENT OF EXTERNAL AFFAIRS CANADA

NUMBERED LETTER

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TO: THE PERMANENT DELEGATION OF CANADA TO
THE NORTH ATLANTIC COUNCIL, PARIS.
FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.
Reference:
Subject:
JIC Semi-Annual Review of Intelligence

Security: TOP SECRET
No: DS-344 ✓
Date: May 31, 1956
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References

Attached is copy No. 110 of a JIC paper entitled "The JIC Semi-Annual Review of Trends in Communist Bloc Policy including Communist China". This review covers the period from October 1, 1955 to February 29, 1956.

2. In addition to its distribution to other missions abroad, copies of this paper are being circulated to the United Kingdom JIC, the United States IAC, the Australian JIC and the New Zealand defence authorities.

3. Any comments which you might wish to make on this paper would be read with interest in the Department and by our JIC.

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for External Affairs

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DEPARTMENT OF EXTERNAL AFFAIRS

MEMORANDUM

in whole
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TO: The Under Secretary, Mr. Macdonnell
Mr. Holmes, Mr. Matthews, Mr. Weisbro,
....Mr. Ignatieff, Mr. Ford, Mr. Macleod.....

EYES ONLY
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Date May 31, 1956

FROM: ...Defence Liaison (2) Division.....

File No.

50028-B-40

REFERENCE:

SUBJECT: JIC Semi-Annual Review of Intelligence

Attached for your information is copy No.16 of a JIC paper entitled "The JIC Semi-Annual Review of Trends in Communist Bloc Policy Including Communist China", covering the period October 1, 1955 to February 29, 1956.

2. Copies of this paper are being circulated to missions abroad, to the United Kingdom JIC, the United States IAC, the Australian JIC and the New Zealand defence authorities. Copies containing Appendix "A" are being referred only to our missions in London and Washington.

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un

Trans to
DL-2:

JAL Southern
Defence Liaison (2) Division.

Para 88 sentence 4; there should be a semi-colon after "material";

Para 90 last sentence should read: "There has been little evidence either way to suggest that Viet Minh strength in South Vietnam in terms of the number of trained political and military cadres has either increased or decreased"

J. Mayhew

000301

31.5.17/05)

IN REPLY PLEASE QUOTE

COPY NO.....14

S E C R E T

TS1646-2 (DAI3-1)

29 May 56

8.10

Department of National Defence

FINAL REPORT OF

RCAF RECONNAISSANCE OF

RUSSIAN ACTIVITY

AT 78°23'N - 138°00'W

50028-B-40	
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INFORMATION

1 As the result of a report of activity of unknown character at position 78°23'N - 138°00'W, an RCAF aerial reconnaissance aircraft was despatched on 28 Apr 56 from Ottawa to carry out photographic and visual reconnaissance of that position and the area surrounding it. Visual reconnaissance at this time confirmed that a Russian encampment was in position 78°23'N - 138°00'W. Due to camera mechanical difficulties, the photographic reconnaissance was not clear and little interpretative value was obtained from the photographs taken (see report dated 8 May 56). Therefore, in order to provide further photographic coverage of the Russian encampment on the pack ice at 78°23'N - 138°00'W, an additional aircraft was despatched from Ottawa on 5 May 56.

SUMMARY OF FLIGHT

2 On 6 May 56 a 408(P) Sqn Lancaster proceeded to area 78°23'N - 138°00'W where the Russian encampment had been sighted on 30 Apr 56. The camp was not seen and a square search, with a visibility distance of 5 n.m. was carried out in CAVU weather which covered an area 50 miles square around this area. Nothing was sighted after a two-hour search in the area and the aircraft returned to base. On 8 May 56 the aircraft again proceeded to 78°23'N - 138°00'W and again nothing was seen of the Russian camp. The weather was good, however low cloud covered large areas near the target position. A square search with a visibility distance of 5 n.m. was again carried out but nothing was sighted. The aircraft then carried out a parallel search but nothing was sighted. The aircraft was flown for three and one-half hours on both searches. During the searches the ice was observed to be badly broken up with numerous leads of open water. No areas were seen where it could be considered safe to land any aircraft; the attached photographs illustrate this point.

INTELLIGENCE ITEMS

3 Although all photography taken during the 6 - 8 May 56 phase of this operation was examined stereoscopically, no evidence could be seen of the Russian camp previously photographed at 78°23'N - 138°00'W. The ice in the area searched was found to be broken up with numerous leads of open water, some leads measuring over 1,000 feet wide. The entire area searched was covered with pressure ridges and no areas were seen where it would be considered advisable to attempt to land wheeled or ski-equipped aircraft, other than helicopters.

S E C R E T

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*Circulated to:
Mr. Southern
European
D.L. (1)
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21 JUN 1956

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S E C R E T

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SUMMARY

4 The sizeable Russian operation which was photographed at 78°23'N - 138°00W on 28 Apr 56 has been moved to another location or has returned to the USSR. No evidence of the camp was seen in this position or in the area surrounding the position which was extensively searched on 6 and 8 May 56. The apparent reason for the moving of the camp was due no doubt to the ice break-up which is clearly shown in the photographs taken on 6 and 8 May 56.

5 Further reconnaissance is not contemplated in this area unless additional reports of activity are recorded.

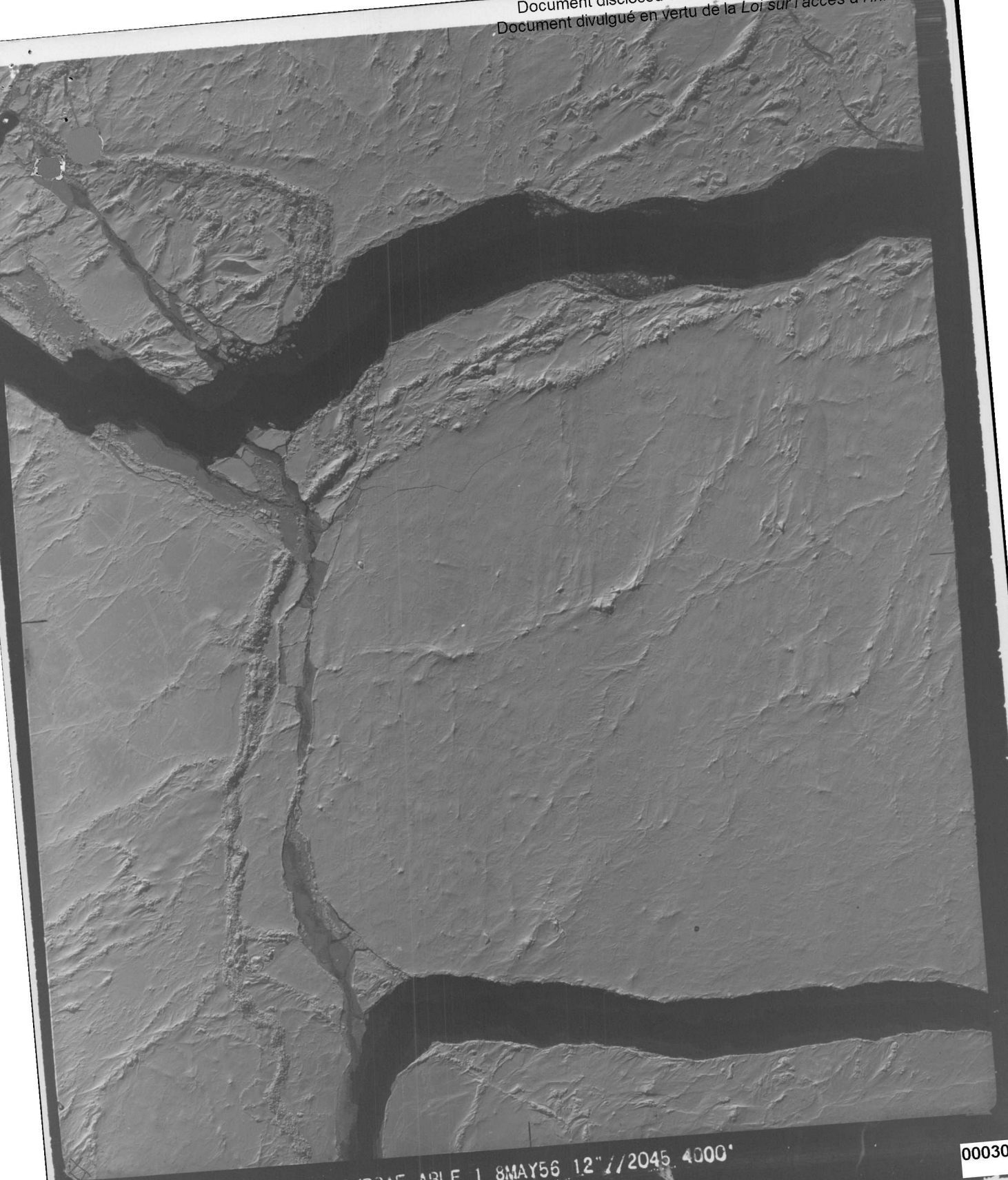
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Ottawa, Ontario.

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OTTAWA, May 29, 1956

Reference: Our letter of January 27, 1956

50028-T-40

Dear Mr. Rasminsky,

I am enclosing for your information a copy of a Joint Intelligence Committee paper (JIC 181/1(56)) dated May 11, 1956, entitled "Soviet Economic Penetration". Copies of this paper have gone to Mr. Plumptre, Department of Finance and to Mr. Sharp, Department of Trade and Commerce. I would appreciate it if you would treat this material on a "need-to-know" basis.

Yours sincerely,

G.H. SOUTHAM

for Under-Secretary of State
for External Affairs.

L. Rasminsky, Esq.,
Bank of Canada,
234 Wellington Street,
O T T A W A.

Similar letters to:

Mr. Plumptre, Dept. of Finance (Copy No.64)

Mr. Sharp, Dept. Trade & Commerce (Copy No.65)

000307

Copy No.63

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CANADA

IN REPLY PLEASE QUOTE

NO. CSC 2106-1 (JIC)

Department of National Defence

JOINT INTELLIGENCE COMMITTEE

f. 22

28 May 56

50028-B-40	
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MEMORANDUM FOR THE JIC:

Possibility of Soviet Drifting Research Stations Entering Canadian Waters

1. Attached for information is a copy of a report on the above subject, which has been received from JIB. This report brings up to date information available from unclassified sources.

J.C. McGibbon
J.C. McGibbon
Squadron Leader, RCAF,
Secretary.

JCM/2-5459/ff

c.c. JIB

29 May 1956

*and file
w/B*

*Thurs. 27 inform
H was passed to
Legal Division with copy to European
to answer the Flemings question L.
H. Interd. Affairs Committee
Enc.
*ff**

CS 2106-1 (316)

May 28/56

50028-B-40

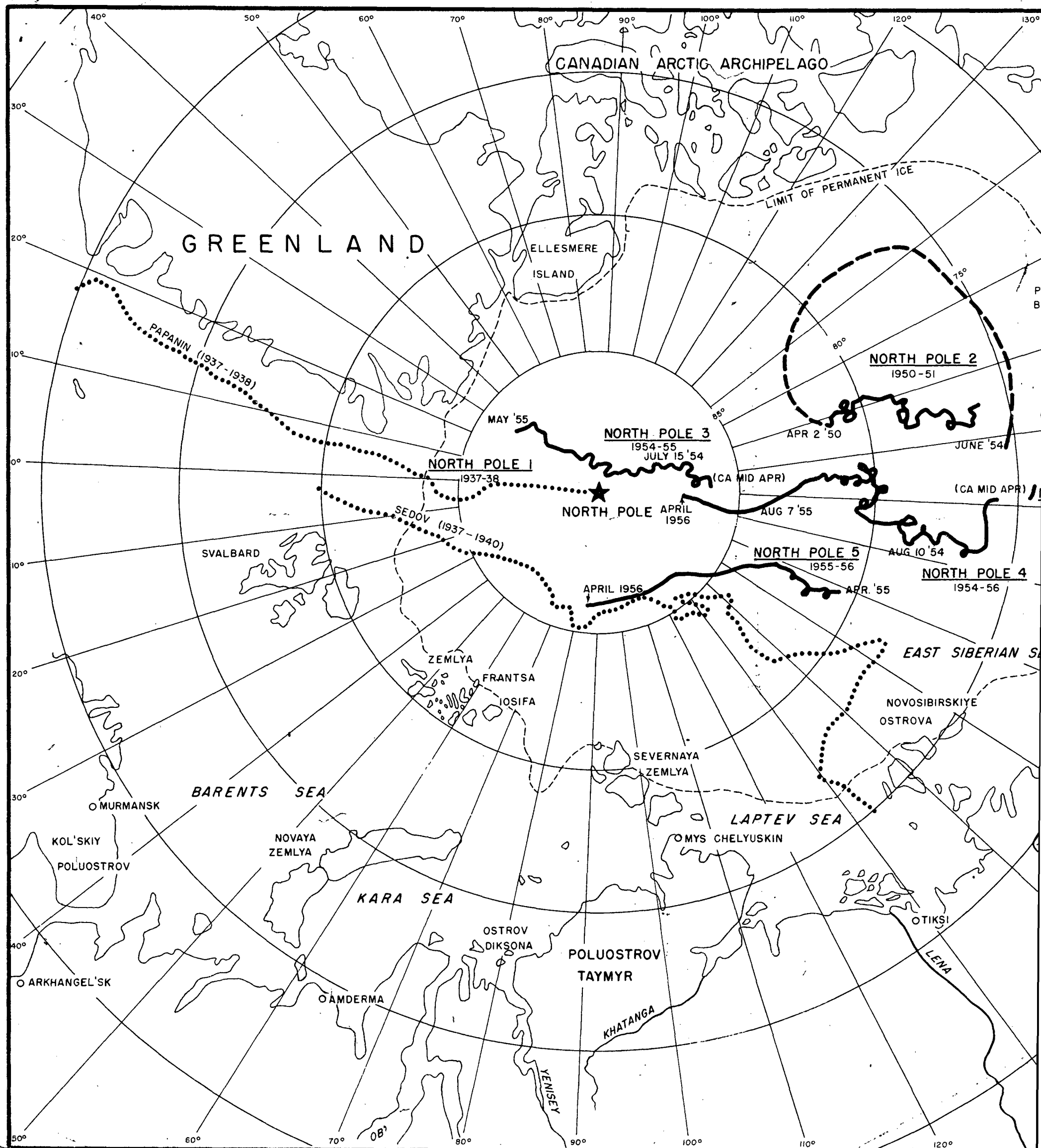
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U N C L A S S I F I E D

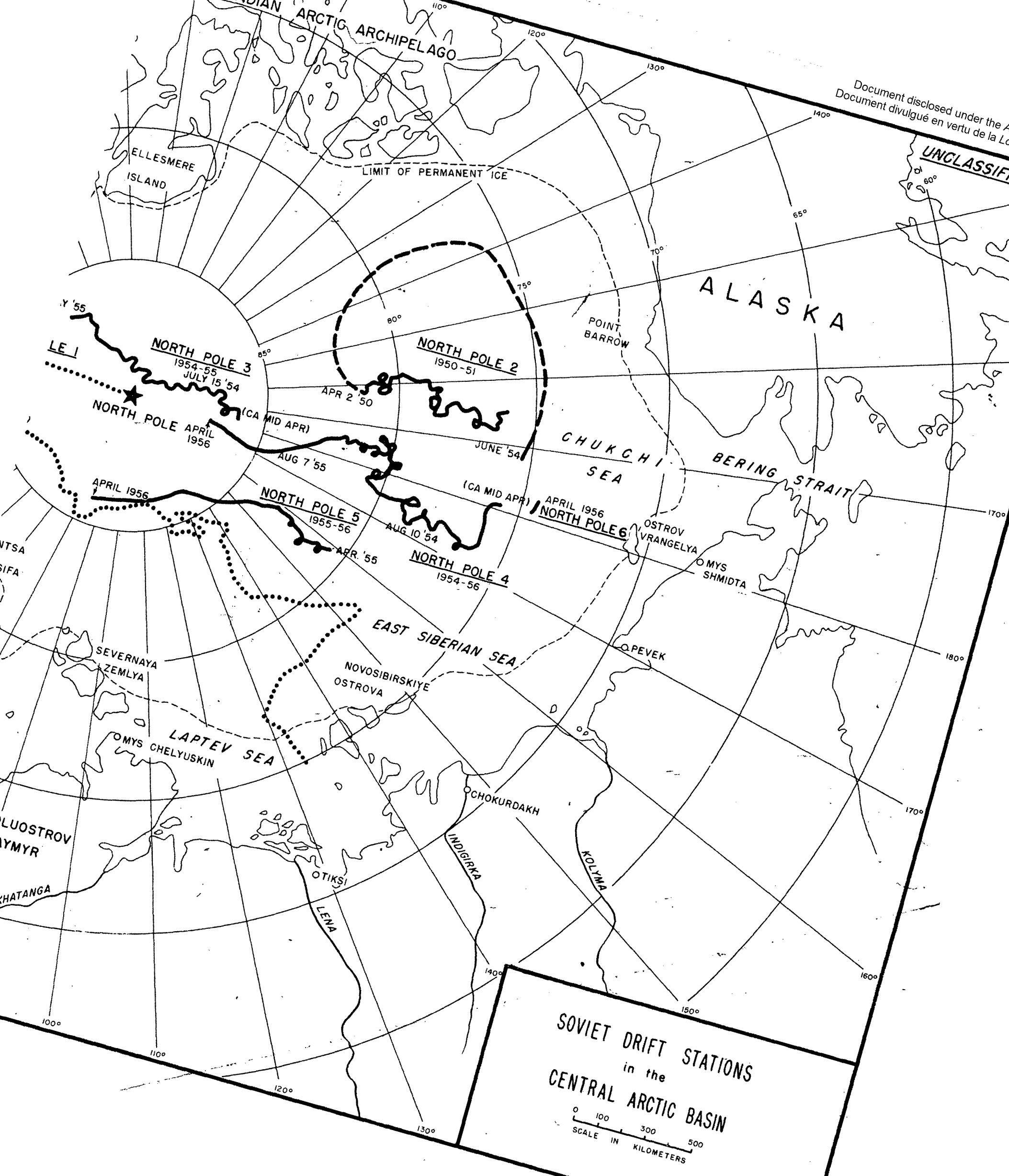
POSSIBILITY OF SOVIET SCIENTIFIC DRIFT STATIONS

ENTERING CANADIAN WATERS

1. The Soviet Union has mounted six Scientific Drift Stations to date. The first of these drifted in 1937-38 from the North Pole to approximately 76°N 14°W, on the east coast of Greenland. The second (SP-2) was established in the spring of 1950 at 81° 45'N, 162°W. The personnel were evacuated from this in 1951. Subsequently the ice-floe described a clockwise circular course, which brought it to within a few hundred miles of Prince Patrick and Banks Islands and the Alaskan coast.
2. Drift Station 3 (SP-3) drifted in 1954-55 more or less along the 170°E meridian across the Pole to the waters off northeast Greenland. During the drift it passed on the Canadian side of the Pole.
3. Drift Station 4 (SP-4), which is at present at approximately 87°N and 178°W appears to be following a line of drift northward across the Pole towards Greenland. If this continues, it is possible that the drift may bring it in 1956 to the Canadian side of the Pole.
4. Drift Station 5 (SP-5) is now approximately at 86°N and 87°E and is not likely to approach the Canadian sector at any time.
5. On April 21, it was announced by the Soviet Press that the mounting of Drift Station 6 (SP-6) was being made in the area of 74°N 178°W, approximately 250 miles northeast of Ostrov Vrangelya. Drift Station 6 may drift in the same direction as Drift Station 4. In this case it may pass in 1957 near the Pole on the Canadian side. However, it may possibly pass closer to the Northern coast of Canada.
6. It is possible that Drift Station 4 will move in 1956 across the Pole on the Canadian side. It is certain that Drift Station 5 will not enter the area between the Pole and the Canadian Northern coast at any time. It is likely that in 1957 North Pole 6 will enter the area between the Pole and the Canadian Northern coast.



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IN REPLY PLEASE QUOTE
No. CSC 1735-2 (JPC)

Department of National Defence

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JOINT STAFF JOINT PLANNING COMMITTEE

ADDRESS REPLY TO
CHAIRMAN
CHIEFS OF STAFF,
OTTAWA.

50028-B-40
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28 May 1956

C. Ref - 50031-B-40

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Joint Planning Committee

The JIC Semi-Annual Review of Trends in
Communist Bloc Policy including Communist China

1. Attached is a copy of JIC 183/3(56), the JIC Semi-Annual Review of Trends in Communist Bloc Policy including Communist China (1 October 1955 - 29 February 1956).
2. It should be noted that Appendix "A" is for "Canadian Eyes Only".
3. Forwarded for information.

H. J. Bartley
(H. J. Bartley) Squadron Leader,
Secretary,
Joint Planning Committee.

HJB/2-4972/mr

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is being dealt with by Mr. Black, D.C. (2).*

HJB

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JIC 183/3(56)
16 May 1956.

50028-B-40

X. Ref-50031-B-40

THE JIC SEMI-ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOC POLICY INCLUDING COMMUNIST CHINA

(1 October 1955 - 29 February 1956)

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JIC 183/3 (56)

THE JIC SEMI-ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOC POLICY INCLUDING COMMUNIST CHINA
(1 Oct, 1955 - 29 February 1956)

I. INTERNAL DEVELOPMENTS IN THE SOVIET BLOC

Internal Politics

1. Within the U.S.S.R. the major political developments described in the previous review have continued into the present period under the Khrushchev-Bulganin regime. To the three most important developments - the maintenance of "collective leadership", the increased drive for greater economic productivity, and the creation of a relatively freer feeling among the people must be added the destruction of the Stalin myth. All these developments can be traced back to the period just following the death of Stalin, but in recent months and especially with the convocation of the 20th Party Congress they have been most pronounced. Certainly a primary aim of Khrushchev and most of the other speakers at the Congress seems to have been to impress on the delegates and the people of the U.S.S.R. that Stalinist one-man dictatorship, has gone for good.
2. "Collective leadership" seems now to be firmly established. While both Molotov and Malenkov have come under fire for "ideological errors" they continue to hold down seats in the Party Praesidium and in the Council of Ministers. Khrushchev appears to be the dominant figure but there is no indication that he is likely to assume the old mantle of Stalinist absolutism. The team which he captains has operated more confidently and with greater flexibility than its predecessor, and with the passage of time the possibility of a return to a Stalin type dictatorship is likely to become more difficult. In spite of the stress on "collectivity", however, Khrushchev is succeeding in placing his candidates in some key posts in the Government and Party, and he probably controls the Party apparatus, the key to the rise to power of Stalin. For example, in December, the First Secretary of the Party in Uzbekistan, was replaced by the premier, who has since become a candidate member of the Praesidium of the Central Committee. In January, the premier of the Russian Soviet Federated Socialist Republic, A.M. Puzanov, associated with Malenkov, was replaced by Mr. Yasnov, the mayor of Moscow, who has worked closely with Bulganin and Khrushchev. And most important S.N. Kruglov was replaced as Minister of the Interior (head of M.V.D.) by N.P. Dudurov, the deputy mayor of Moscow whose career has been party rather than police.
3. The annihilation of the Stalin myth, the vehemence with which his once-loyal followers now attack him and his terrorist tactics, and the present denunciation of "the cult of individualism" lend further support to the thesis that for some time at least a collective group will guide Soviet policy. In a secret session of the Congress Khrushchev denounced Stalin as one who dominated the Soviet people through terror, and who murdered and purged his enemies in order to remain in power. It seems evident that the present regime hopes to consolidate its own popularity by laying the blame for previous crimes and oppression on Stalin and Beria. Although this course appears to have provoked some consternation and hostility within the U.S.S.R., it is apparently being pursued with vigour through local party and trade union cadres. The condemnation of Stalin, however, is not a denunciation of communist ideology and practice and there is clearly no intention of giving up any of the territorial and economic gains achieved by Stalin.

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4. The composition of the Praesidium of the Party remains the same, although the number of candidate members has increased from two to six. The new appointments are Marshal Zhukov, Minister of Defence, D.T. Shepilov, editor of Pravda, L.I. Brezhnev and N.A. Mukhitdinov, First Secretaries respectively of Kazakhstan and Uzbekistan and Mme. E.A. Furtseva, First Secretary of the Moscow City Party Committee. P.K. Ponomarenko, a former candidate member and now Ambassador to Poland, has been dropped. There are over fifty new members of the 125-men Central Committee, and 72 new candidate members; the staff of the Party Secretariat has been raised from six to eight. Non-Russian representation in the Party Committees seems to have been augmented and the present regime seems prepared to grant increased local autonomy under firm party control.
5. During the period under review the Party has strengthened its control over the other major instruments of power. At the local levels the authority of the party cadres has been increased. The influence of the secret police has been sharply reduced since the demise of Beria. A new emphasis has been placed on the legal rights of individuals, and it was announced in December that as a result of trials held in Georgia a number of leading MVD and MGB officials had been sentenced to death or to prison terms for serving the cause of Beria and carrying out acts of terror.
6. As a ruling team the regime has exuded confidence, even enthusiasm, in promoting its internal and external policies. It has admitted that there exist certain technical deficiencies in the Soviet economy compared to some of the capitalist states, but in the new sixth Five-Year-Plan it continues to lay emphasis on heavy industry in order to effect to a greater degree its long term goal of overtaking the USA in per capita production.
7. The Soviet government has made a number of concessions to public opinion and to consumers which reflect its confidence and its more flexible methods. It continues to permit relatively greater freedom of scientific and cultural thought and has officially recognized a number of Western cultural expressions including American jazz, French impressionistic art and functional architecture. It has published or broadcast, unedited, a number of statements of Eisenhower and Eden, and has lowered many of its restrictions on the entry and travel of Western visitors, delegations and journalists.
8. The suppression of the more arbitrary MVD practices has been accompanied by the liquidation of many forced labour camps and the rehabilitation of a large number of political prisoners. Living conditions continue to improve; new regulations reduce in theory the hours of work to six hours on Saturdays and days before holidays and promise further concessions to employees, especially women workers. While heavy industry is still the key to Soviet progress the regime promises to increase consumer goods, to improve the pension system and to step up the provision of housing facilities, though it is difficult to see how this can be accomplished if the heavy industry programme is to continue to take priority.
9. The present leaders are still committed to the monolithic structure of the Soviet state, and show no sign that they would tolerate criticism of their more fundamental aims and methods. As a result of their realistic and less oppressive rule, the Soviet regime is probably in a more popular position vis-a-vis its own citizens than at any time since the war. So long as it can maintain its "collective" unity it may not require the despotic techniques of Stalin to assure itself of continued domination over the people of the USSR. "However, if the trend toward greater freedom continued over a considerable period, the regime

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might find difficulty in maintaining its position without making further concessions or alternatively reimposing stringent measures".

The Economy

10. The shape and pattern of Soviet economic policies in the period 1956-60 have been more clearly defined in the last few months due to the announcement of the sixth Five Year Plan, the speeches at the Twentieth Party Congress, and the 1956 Budget. Essentially, the sixth Five Year Plan is designed to continue the development of the Soviet economy on the pattern of the previous plan, with an even greater accent on increasing industrial output and special emphasis on the rapid growth of the "means of production".

11. The sixth Five Year Plan asserts that it is the long-term goal of Soviet industry to "overtake and surpass the most developed capitalist countries in per capita production". The importance of heavy industry as the only "correct base" for continuing the development of the Soviet economy has been re-affirmed. Of the planned capital investment during the period 1956-60, (equal in total to the combined capital investment of the fourth and fifth Five Year Plans), some 60 per cent is allocated to the expansion of facilities in heavy industry; 20 per cent to social investment in housing, public utilities, schools hospital etc., and 12 per cent to agriculture. There is a major accent on the equipping of existing plant. The industrial base is to be expanded physically and the degree of regional self-sufficiency improved (industrial development East of the Urals is to be well above the rate for the country as a whole).

12. In view of the expanding labour shortage, arising from the birth discrepancies of the war time years, and the announced intention to reduce working hours, every effort is to be made to increase industrial productivity and efficiency through better management and organization technical training, modernization of equipment, greater specialization, and more extensive use of automatic processes. It is planned thereby to increase labour productivity in industry by 50 per cent in the period 1956-60. Heavy investment in agriculture is to continue in an all out effort to increase grain production and raise stock numbers. The plan suggests no further expansion of "newland" acreage beyond the present programme of 75 million acres which is to be sown to crop in 1956. The emphasis will rest on increasing the yield per acre on all crop land. The output of tractors and of chemical fertilizer will be more than doubled. Although there would appear to be no likelihood of their reaching these ambitious 1960 goals, marked improvement over the present per capita levels will undoubtedly occur.

13. Gross industrial output by 1960 is to increase by 65 per cent over 1955, as compared with an increase of 85 per cent during 1951-55. The heavy industry component is to increase by 70 per cent, and consumer goods by 60 per cent, as compared with a claimed 91 per cent and 76 per cent growth respectively in the previous five years. Although the planned rate of industrial growth during 1956-60 is lower than that achieved during 1951-55, the planned growth in absolute or physical terms is substantially higher. By 1960, Soviet industrial output may represent at least 40 per cent of projected industrial output in North America as compared with a present ratio of some 33 per cent. The margin of North American industrial superiority still remains substantial, but the sixth Five Year Plan indicates the tremendous effort that the USSR is making in order to narrow the gap.

14. By the end of the Sixth Five Year Plan, it may be expected that the economic stature of the USSR in terms of total output of goods and services will be at least one-third higher than in 1955. In terms of

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industrial war potential, however, the USSR may have a strength of the order of 50 per cent higher than in 1955. In its allocation of resources as between investment, defence and consumption, the tendency will be for the investment proportion to rise, while the current proportions flowing to defence and consumption may fall slightly.

15. As expected, the Soviet 1956 budget is in conformity with the new Five Year Plan, and for 1956 indicates no significant changes over 1955 in economic and defence policy. The accent remains on expanding the base of heavy industry, maintaining a high level of defence expenditures, and of increasing agricultural output. Capital investment for 1956 is some 15 per cent over 1955 in comparable prices. The stated decline in defence expenditures is more apparent than real, and does not represent any decline in the production of military end products. Industrial output in 1956 is planned to increase 10.5 per cent over 1955. The allocation to scientific research and development shows a sharp increase. In summary, the budget reflects the continued preoccupation of the regime with ensuring a high level of industrial growth, effecting a higher level of agricultural output, increasing productivity, and with maintaining a strong and modern military establishment.

16. The announced results for 1955 of the plans of the European Satellites indicate that successes were achieved in heavy and basic industries, with moderate over-fulfilment being claimed in all cases. There has been a renewed emphasis on heavy industry in conformity with Soviet policy, and it now appears that all new Five-Year Plans are integrated with that of the Soviet Union and reflect some degree of industrial specialization among the Satellites.

Transportation

17. Transport developments in the Bloc have continued on the lines established during the previous six months. In the USSR, the post-war drive for increased efficiency of the system has continued, and the shape and scale of an ambitious effort in this direction has been revealed by the publication of the new Sixth Five Year Plan. Within the USSR, relatively little new construction is planned, and the major plans include the electrification of the main trunks connecting Moscow with the Donbas and Irkutsk, increasing the carrying capacity of the dry cargo fleet by almost 1/3, and the doubling of the tanker fleet by 1960. To ensure that the volume of transport services will keep pace with the expanding economy, attention will be given to various weaknesses in the railway system and to the greatly increased use of other carriers. The first serious attention to petroleum pipelines is envisaged. In China, the opening of the new railway through the Mongolian People's Republic doubled the existing capacity of Sino-Soviet links. Work continued on the railway to Amoy (which may serve the Fukien airfields by the end of 1956) and on the Yangtze bridge at Wuchang which by 1958 will permit through traffic from north to south.

18. The shipments of petrol, oil, and lubricants to the Far East continued to increase, and, for the first time since June 1954, Soviet vessels returned to the Europe-North China run. Increased use was made of the Northern Sea Route for through shipments, by both merchant and naval vessels.

19. Civil air transport continued to expand into outlying regions. The Soviet Civil Air Fleet gradually increased its scheduled services into Northern areas, while air transport has also continued to service the drift stations in the Arctic basin. Efforts were made to open air services with countries outside the Bloc; new and revised agreements were concluded between the USSR on the one hand and India, Finland and Yugoslavia on the other, and negotiations were opened with Sweden. There

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was mounting evidence suggesting that the Russians were preparing to employ a jet transport on some of these links, as well as on internal routes.

Aircraft Production

20. During the period under review the most important development has been the sighting of what were probably BISONS at Long Range Air Force bases, indicating that they are now being delivered to operational units. No further BEARS have been seen since the 1955 July Air Show, but cumulative production of heavy bombers at the end of February is estimated to be 85 aircraft. Series production of the BADGER medium bomber continues, with cumulative output at the end of February about 425 aircraft. The BEAGLE is still the only light jet bomber known to be in production in the USSR. Although there is no evidence available as yet, it is probable that a new and improved light jet bomber aircraft has been developed. The production change-over from the FRESCO to the Farmer interceptor is continuing, but is not yet complete. The FLASHLIGHT all-weather fighter is believed to be in production at only one factory at this time.

21. There are indications that the Russians are looking to jet aircraft for a large part of their future transport requirements. The CAMEL twin-jet transport, designated the TU-104, is in limited production. Tupolev is also reported to be now working on a four-engine transport. A twin-engine turbo-prop transport is also reported to be under development.

22. Poland and Czechoslovakia continue to be the only Satellites producing combat aircraft. They are still producing the obsolescent FAGOT jet fighter and its trainer version, the MIDGET. There have been reports that Czechoslovakia is going to produce the FRESCO. If this is so, it will be the first time that a Satellite has been allowed to produce an aircraft that had not previously been compromised to the West. There is evidence that East Germany and Czechoslovakia are preparing to produce the twin-engine CRATE, and it is believed that they should be able to produce enough aircraft to maintain the fleet of similar aircraft now flying in the civil airlines of the Bloc. This would leave the Soviet Union free to concentrate on the production of jet and turbo-prop transports.

Naval Shipbuilding

23. Shipyard facilities continue to expand. There has been an increase in merchant shipbuilding particularly in tanker construction. Naval shipbuilding has continued at a high rate with submarine production predominating. The large vessel which has been under construction in Leningrad since mid-1952 is now considered to be a Sverdlov class cruiser. It is unlikely that any more Sverdlovs will be built in Leningrad, but a few more will be completed elsewhere. Two new classes of fleet destroyers have joined the Navy, a few of the Tallin class and a substantial number of the Kotlin class. The programme for Kola class ocean escorts has been completed, and the Riga class escort programme is continuing. A large number of 'W' class long range submarines are still being produced, and a much smaller number of the larger 'Z' class long range submarines. The 'Q' class medium range submarine production programme appears to have started. No short range submarines are being built at present.

Atomic Energy and Nuclear Weapons

24. The period under review has been seen a continuing and increasing emphasis on the application of atomic energy to peaceful purposes. A 100,000 kilowatt atomic power station is scheduled for completion in 1956. The sixth Five Year Plan envisages that by 1960 an electrical capacity of between 2,000,000 and 2,500,000 kilowatts will be derived from atomic energy. Ten different types of experimental power reactors are to be built, as well as three large industrial atomic power stations. In the international

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field, the Soviet Union has extended its bilateral agreements on atomic cooperation and aid to include Yugoslavia and Egypt. An increasing number of shipments of radioisotopes and nuclear equipment to satellite countries and China has been noted. The long awaited confirmation that a large yield thermonuclear weapon has been developed in the Soviet Union was obtained in November 1955. At that time there were two explosions at the Semipalatinsk testing area, of which the second was considerably larger than the first and had an energy release in excess of the equivalent of one million tons of TNT (one megaton). Both explosions showed the presence of a thermonuclear component and appeared to have been airburst. This latter point confirms that the devices used in these tests were deliverable by aircraft and therefore had the characteristics of useful weapons. In February 1956 the detection of some relatively short-lived artificial radioactivity in the atmosphere, which was of a type normally associated with nuclear explosions, suggested further tests in the Soviet Union. These explosions appeared to be still in progress at the close of the reporting period. In the absence of any firm information as to the origin of these explosions it is not possible to assess their purpose. On the basis of inadequate evidence they appear to have occurred in the northeastern Siberian area.

Guided Missiles

25. The Soviet Union has a continuing high priority guided missile programme and it is believed that research and development work is being conducted on all the major missile types with the greatest emphasis probably being placed on surface-to-air and surface-to-surface weapons. There is reason to believe that the Soviet Union at the present time possesses a surface-to-surface missile having a range of up to 700 miles and it is estimated that the Circular Error of Probability of this missile is likely to be in the order of three to four miles. There have been indications that the Soviet Union intends to use submarines as launching platforms for guided missiles. It remains possible that the grid-like construction sites in the vicinity of Moscow are being used for surface-to-air missiles although no further confirmatory evidence of this has appeared. There is recent evidence that the Soviets are now testing an air-to-ship missile guidance system, probably from naval aircraft. This system called KOMET, has been under development since 1947. The associated missile is a beam rider believed to have a range between 50 to 80 nautical miles.

Earth Satellites

26. Recent statements by Soviet officials and scientists indicate a high degree of interest in earth satellites and an intention to launch one or more vehicles during the International Geophysical Year 1957-1958. Valuable information on the upper atmosphere and ionosphere may be gained, with a resulting improvement in long-range weather forecasting and radio and radar transmissions, increased knowledge of the earth's magnetic field and other subjects which would contribute to the effectiveness and accuracy of air delivery vehicles.

Electronics

27. In the science of electronics and related physics, the Soviet Union has revealed two models of digital computers in use one of which is of a size and complexity comparable with modern Western standards. Transistors are still in very short supply, but apparently some are available for research and development work at least. Electronic instruments to be carried in the Soviet artificial satellite are now being developed with a solar battery as a likely source of power. New and lighter anti-aircraft radar suitable for medium range has been noticed in use in East Germany. Soviet army use of mobile decimeter communications links continued to expand. Electronic countermeasures are receiving increased

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attention. The new equipment noted has been passive equipment of this type rather than new types of radar. Some MIG-17's have been using radar of a type that is useful at short ranges of, say, 10 miles and may have a lock-on capability at 2 miles or less.

Soviet Arctic Research and the
International Geophysical Year Programme

28. There is evidence that a further considerable increase in Soviet research in the Arctic basin is to take place during the spring and summer of 1956. The number of drift stations will be increased to three, and their equipment is to be much improved. The programme is to include meteorological, hydrological and other observations at over 500 positions in the Arctic Basin and adjacent islands. (An extensive programme is to be undertaken by airborne mobile research teams which are to make observations in over 500 positions in the Arctic Basin). Shipborne expeditions are also planned in the Soviet sector and the Greenland sea.. It is evident that the research planned not only relates specifically to problems in the Central Arctic Basin, but also in some aspects ties in with the general programme which the USSR is undertaking in connection with the International Geophysical Year 1957-58. In this connection a large Soviet expedition is now in the Antarctic, and next year the Soviet Union intends to operate three research stations there, which will probably be staffed by a hundred or more scientists. Radio facilities, which could be maintained indefinitely, have been set up to maintain contact directly with Moscow. An extensive hydrographic programme is planned which will cover much of the southern oceans and the Pacific. Particular emphasis appear to be placed on survey in areas which would provide information of value to submarines in wartime. Under the International Geophysical Year Programme preliminary arrangements are being made for manning a station in equatorial Africa. The Soviet Union has announced the construction of an atomic icebreaker.

Armed Forces - General

29. A number of statements have been made by major Soviet leaders during the period of this review which, taken together, throws a good deal of light on their attitude to the likelihood of war, the nature of future war, and the armed forces which they consider necessary to build and maintain.

- (a) Khrushchev, in the report of the Central Committee of the CPSU to the 20th Party Congress, rejected Lenin's thesis that wars are inevitable as long as imperialism exists. Khrushchev at no time suggested that war cannot happen, he and later speakers pointed out that the basis for war remains as long as imperialism exists. This modification of Lenin's thesis give official approval to doubts which have arisen since the end of World War II.
- (b) The Soviet view on the nature of future war and its effect on the composition and balance of forces which they need to build and maintain was stated at the 20th Party Congress by Defence Minister Zhukov as follows: "We are building up the Soviet armed forces on the basic assumption that the means and forms of the future war will differ from past wars in many respects. If a war is unleashed in the future, it will be characterized by a mass use of air power, various types of rocket weapons, and various means of mass destruction such as atomic, thermonuclear, chemical and bacteriological weapons. However, we proceed from the fact that the very latest weapons,

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including even the means of mass destruction, do not diminish the decisive significance of ground troops, of the navy, and of aviation. Without strong ground troops, without strategic long-range and tactical aviation, and a modern navy, and without their well-organized coordination, it is impossible to wage a modern war successfully. Zhukov also makes important statements about the role of air power in future war. He says that "The Central Committee and the Government are devoting special attention to the development of the airforce, as the most important means of insuring our Motherland's superiority." and further he states that "The relative strength of the airforces and anti-aircraft defence troops has considerably increased in the composition of our armed forces." An examination of what has been achieved in the last few years in preparing the Soviet Armed Forces leaves little doubt that a great deal of truth lies in Zhukov's statements.

- (c) Senior military leaders have been propounding through the medium of the press and in speeches the need for a re-evaluation of the importance of "surprise" in modern warfare under nuclear conditions. The reorganization of the Soviet Forces is in itself some indication that military doctrine is undergoing a change and, as an example, there are indications that the High Command is moving away from the concept of "mass" and "centralization".

30. The Army

The third phase, or modernization phase, of the re-equipment and reorganization programme showed a distinct increase in tempo at the end of 1955 and can by now be said to have reached its highwater mark. The first phase of this programme took place in 1946-47 with the establishment of three basic tactical formations, the rifle, tank and mechanized divisions. The second phase involved the motorization of the Soviet Army and was completed sometime in 1953. The third phase commenced in 1954 and is well on its way to completion. There is some evidence that formations in the periphery military districts have had first priority in the re-equipment programme, followed by Groups of Forces in the Satellite countries while interior military districts are last on the programme. The main features of the third phase have been the introduction of large numbers of the new medium tank with increased holdings in establishments, a considerable increase in the number of the heavier artillery pieces with the resultant increase in artillery firepower, and the introduction into line divisions of amphibian tanks as part of the reconnaissance element.

31. It is obvious from available evidence that the Soviet Army has reached or is about to reach an unprecedented organizational peak and the Army is probably now considerably more formidable than it was two years ago. Certainly Soviet planners appear to have achieved their objectives of mobility, considerably increased firepower and a greater capability for dispersion. There is every indication that the Soviet High Command in its military thinking is moving away from the two major features which have hitherto characterized Soviet military doctrine. These are the concepts of "mass" and "centralization", and there has been evidence that in a future war, combat groups (brigade groups and higher) may be employed. In addition officer training has apparently been in large part directed towards inculcating in the Soviet officer the ability to think and act independently. The general trend over the past two years appears to be directed towards fitting the army both organizationally and tactically to meet the conditions imposed by nuclear warfare and existing evidence indicates that considerable progress may have been made in this direction.

32. The withdrawal of Soviet Forces from Austria was completed by mid-September. An unspecified number of troops from Austria appears to have been despatched as reinforcements to Soviet formations in Hungary. At the same time it is believed that some 7000-8000 Soviet troops were distributed to the Satellites of which about 3000 were reported to have been despatched to Germany. This latter group consisted almost entirely

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of specialists and extended service men. Nearly all the Independent Border units have now been withdrawn from East Germany and are believed to have been returned to the USSR. There are, however, possible 3 Or 4 such units still in the Berlin area. These have been withdrawn into the background but so far have not been reported as having returned to the Soviet Union.

33. Despite the announced reduction of the Armed Forces by 640,000 there has been no real evidence to date that this has in fact been carried out. The strength of the forces in Germany remains substantially the same as before and if anything may show an increase of 3000 representing the intake from Austria. The number of defectors has shown a distinct decline in recent months. There is no indication that this is due to any special preventative measures and may therefore indicate a rise in morale. At the same time, there have been reports that more and more conscripts are signing on for extended service.

34. The Navy

During this period the main trends of Soviet Naval policy appeared to remain unchanged. The main offensive power of the Soviet Navy still lies with its considerable and fast-growing submarine force. Surface ships co-operating with the shore-based Naval Air Force provide a strong defensive force. Further logistic support for the Northern Fleet was provided by the transfer of naval auxiliary vessels from the Baltic to the White Sea area. In the Baltic, the Porkkala naval base was returned to Finland, the evacuation of Soviet naval forces being completed by November, 1955. An interesting amphibious assault exercise took place in the Swinemund area on 22nd October, a feature of this exercise was that Polish as well as Russian forces took part, possibly indicating a trend towards closer co-operation between Soviet and Satellite navies. In all areas fleet exercises were continued with a high degree of activity, even in the Baltic during the very severe weather in February extensive exercise activity took place. From analysis of exercises it is apparent that the Soviet Navy is kept in a high overall state of readiness for war. It now appears that with the increase in total strength resulting from new construction, some older ships (including one cruiser and six destroyers) are being placed in reserve: previously it was believed that inactive units comprised only a small number of submarines. In addition, the transfer of ships and submarines to the Chinese Communist Satellite navies has continued, though at a somewhat reduced rate.

35. The Soviet Naval Air Force appears to rank high on the priority list for modern aircraft, and is now largely composed of jet fighters and light bomber types. There is an increasing amount of evidence that Naval Air Force multi-engine jet aircraft are dropping torpedoes and mines from high altitudes. The fitting of Soviet vessels with new types of Russian produced electronic equipment, including radar and Electronic Counter Measures gear, is being continued. The current Soviet efforts to relax world tension were reflected in their naval policy by an exchange of visits between the Soviet Navy and the Royal Navy; there is evidence that this policy is to be continued in 1956.

36. The Air Force

During the period under review intelligence on Communist Bloc air forces indicated a continuing general improvement in air capabilities. The most significant development was the sighting of BISON heavy jet bombers in limited numbers on operational Long-Range Air Force bases in the Soviet Union. These sightings, with the steady re-equipment of Long-Range Air Force units with BADGER medium jet bombers, show a continuation of the trend to improve Soviet long-range strike capabilities. Efforts to improve air defences were reflected in the sighting of increasing numbers of all weather fighter units with FRESCO's, some of which are equipped with an aid-to-intercept radar. Aircraft strength of the Long-Range Air Force increased during the period with the addition of approximately 100 BADGERs and 10 BISONs. The number of BULLs in operational

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use is still believed to have remained unchanged since October 1955. Most units of the Long-Range Air Force are still located mainly in European Soviet Union. the 175 BULLs believed to be in the Southern Maritime District in the Far East are as yet not being replaced by turbo-jets or turboprop types.

37. Developments in the Tactical Air Force during the period continued along the lines of the preceding six months, reflecting a steady increase in fighter intercept capability, largely through the introduction of a FRESCO variant with Aid-to-Airborne Intercept (AAI) radar. This is substantiated further by the sighting of increased numbers of FARMERS and FLASHLIGHTs at some Tactical Air Force airfields. The appearance of BEAGLE jet light bombers painted black suggests a Soviet interest in night reconnaissance and bomber operations. Evidence also continues to indicate that jet fighters and jet light bombers will assume a ground attack role in place of the obsolete BEAST. Approximately 85% of Soviet PVO units are now estimated to be equipped with FRESCOs some of which are equipped with an Aid-to-Airborne Intercept.

38. The number of major airfields, equipped with long permanent runways has increased from 118 to 123, and in addition, there are nine, possibly 23, other airfields under construction or development. Poland continues to remain the most active area of airfield construction, the most significant development there at present being the construction of a very large runway. Only one other runway of comparable size is known to exist in the Sino-Soviet Bloc; it is located at Gross Dolln in East Germany and believed to be capable of handling the heaviest types of aircraft. However, there is no evidence that either airfield has been utilized by heavy bombers. Information, received during the latter part of 1955, revealed that an intensive airfield development was carried out in Southern Ukraine, Crimea, Caucasus, and Kazakhstan area. At least three of the recently observed airfields in that part of the USSR appeared to be capable of accommodating strategic bombers. In late 1955, three air facilities (Tiksi, Mys Schmidta, and Anadyr/Leninka), located in Northeastern Siberia, were definitely identified as major airfields. The reported facilities and installations suggest that these airfields are capable of handling medium and possibly heavy bombers. Together with the previously reported Provideniya/Ureliki, these three additional major airfields bring to four the total number of the potential bomber bases, that are known to exist in the Eastern part of the Soviet Arctic.

39. European Satellite Forces

Although all of the Satellites, with the exception of East Germany, followed the lead of the Soviet Union and announced plans for reducing their armed forces by the end of 1955, to date, no positive evidence is available which indicates that the reductions actually have been carried out. Of all the Satellites, East Germany has been the most active during the last six months. During the latter part of last year, East Germany began taking over the responsibility for policing its borders from the Soviet Union. On the 18th of January, 1956, the East German Government announced the official establishment of a "National People's Army", to consist of land, air, and sea forces, and a "Ministry for National Defence". Subsequently, Deputy Prime Minister Willi Stoph was made a Colonel General and appointed Minister of National Defence.

40. Soviet and Satellite political and military leaders gathered in Prague on 27th and 28th January, 1956, for the first meeting of the Political Consultative Committee established by the Eight-Power Warsaw Pact of 14th May, 1955. In a declaration issued at the conclusion of the meetings, the signatories of the Warsaw Pact:

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- (a) proposed to exclude nuclear weapons from the equipment of any armies stationed in Germany;
- (b) called for creation of neutral zones in Europe, in which the strength and deployment of armed forces would be regulated by mutual agreement;
- (c) proposed the removal or reduction of occupation forces in Germany;
- (d) reiterated the Communist contention that German reunification could be brought about only through direct negotiations between the East and West Germans;
- (e) repeated previous Soviet proposals for a European collective security pact. During the conference East Germany was accepted as a full member of the Pact.

41. Little information is available to date concerning actual allocation of specific forces to the Soviet-Satellite Unified Command. It has been reported that Czechoslovakia has placed six of its fourteen line divisions on a stand-by basis for attachment to Marshal Konev's command. Although information is not available regarding similar action by the Soviet Union and the remaining Satellite States, the potential of these countries is high. The Soviet-Satellite Bloc have over 150 line divisions available which may be considered for allocation to the Unified Command, of which approximately 77 are Satellite line divisions.

42. By the time the field training season of the European Satellite Armies had ended, it was obvious that the level of training reached varied somewhat from that attained in previous years. There is no evidence that the Bulgarian and Czechoslovak Armies tried to conduct manoeuvres on as high a level as in previous years. The East German, Polish and Roumanian Armies, on the other hand, showed some improvement in both the level and the standard of training. The Albanian and Hungarian Armies apparently maintained about the same training levels as in past years. It had been expected that increased attention would be given to training under simulated atomic-warfare conditions. The Commandant of the Czechoslovak Cadet Infantry School stated to a group of visiting Western Military Attaches that training in defence against atomic warfare is now standard and that Czechoslovak forces have atomic weapons. According to available information, however, only the East Germans and Poles conducted this type of training during 1955.

43. The Air forces of Poland and Czechoslovakia continue to be the most important to the Satellite national air forces. There has been an increase in the Polish jet fighter strength and signs of development of a Czechoslovakian light bomber force. The other Satellites are believed to possess a smaller number of BEAGLES. The East German Air Force continues to train with piston engine aircraft, but there are some indications that a limited jet training programme may be undertaken with close Soviet supervision. Soviet forces in the Satellites have replaced most of their piston reconnaissance aircraft with twin and single engine jets. There are no jet reconnaissance aircraft on the establishment of any national Satellite air force.

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II. SOVIET FOREIGN POLICY

General

44. Soviet foreign policy came into much clearer focus in the five months under review. Thanks to two major events which were the occasion of policy statements, and a number of lesser events which showed Soviet policy in action, we now have a much clearer idea of what the Soviet Union means by peaceful co-existence. We can also see that the new Soviet policy is more than just a short-term tactical shift, that it will probably continue for some time, but that there has been no major change in ideological motivations or foreign policy. While certain aspects of the new policy are to some extent influenced by internal considerations, it has sprung primarily from considerations of broad political strategy in the world conflict.

Geneva Conference of Foreign Ministers

45. The Geneva meeting of Foreign Ministers in October and November, the first major event of the period under review, indicated that the Soviet leaders had no intention of moving toward a settlement of major issues between them and the West. In Europe, the objectives remain the dissolution of NATO, the withdrawal of the United States Forces, and the denial of a unified and re-armed Germany to the Western alliance. Geneva I and Geneva II, but particularly the latter, were concerned primarily with the problems of Germany. Mr. Molotov, whose stubborn personality heightened the impression of intransigence, made the Soviet stand on Germany clear. For the present at least, the Soviet terms for unification are the preservation of the social and economic structure of Eastern Germany within a unified Germany. Realizing that these terms are quite unacceptable to the West, the Soviet Union since Geneva has taken steps to establish the outward signs of East Germany independence by the transfer of "sovereignty", the establishment of diplomatic relations, and permission for East Germany to join the Warsaw Pact. With the transfer of control of travel to East Germany and of all but one check point to the East German Government, the situation in West Berlin is further complicated for the Western Powers. For the present, the Soviet Union seems content to wait in the hope that the movement for re-unification within Germany will lead to re-unification on Soviet terms.

46. Disarmament was on the agenda of the Foreign Ministers' meeting but no further advance was made from the Soviet proposal of May 10, 1955, and Bulganin's modifications at the Summit meeting. The Soviet Union still refused to accept an adequate system of inspection and control. Since then, the subject has been kept open in the Bulganin-Eisenhower correspondence on a treaty of friendship between the USSR and the USA, which suggests that the USSR may still be interested in a limited disarmament scheme. Khrushchev has suggested that the Soviet Union might be ready to agree to certain partial measures such as the cessation of tests of thermonuclear weapons; not to permit troops in Germany to have atomic weapons (essential for the defence of Western Europe given Soviet manpower superiority); and reduction of military budgets (a dubious proposal in view of the ease of hiding Soviet military expenditures under other budget items) and some reduction in conventional armament.

47. In spite of Mr. Molotov's rejection at the Geneva meeting of the far-reaching Western proposals on East-West contacts which would, indeed, have struck at the very basis of the Soviet system, there is no indication that the Soviet Union intends to return to the extremes of post-war isolationism. The USSR continues to promote a controlled programme of contacts within its chosen limits. The primary purpose is to obtain scientific and technical "know-how" from the West to assist in its economic development; but there are the additional propaganda

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advantages of blurring and playing down the major issues dividing the West from the USSR, and presenting the Soviet Union in a favourable light as a reasonable and co-operative country. Scientific delegations have been sent to learn Western techniques; Soviet concert artists are being sent abroad more and more; the Russian Orthodox church is being allowed to renew its contacts with churches of other nations; the Supreme Soviet is making every effort to lure Western and other parliamentary delegations to the USSR and to return the visits; foreign statesmen are flocking to Moscow, and the Soviet leaders are spending much time on goodwill tours abroad.

The Middle East and South Asia

48. The methods by which the Soviet Union intends to extend its influence are best illustrated in the Middle East and South Asia. Accepting the main features of the status quo in Europe for the time being, Soviet attention has been turned in the last five months to those countries lying to the south of the USSR, in the Middle East, South and South East Asia. The most significant new departure is the sale of arms and the offers of economic and technical aid as important instruments of policy. This is indicative of the flexibility and imagination of present Soviet leadership, and the point to emphasize is that economic penetration of the Middle East and South Asia is based not so much on economic as on political motives.

49. The methods of reducing Western influence in the Middle East are varied. Soviet arms shipments to Egypt have exacerbated the Arab-Israeli dispute. It seems unlikely that the USSR would welcome a serious outbreak of hostilities in the area, but encouragement of nationalistic, and anti-Western, feelings suits Soviet purposes well by making the maintenance of Western influence less tenable. When it appeared that Middle East unrest might have the reverse effect and actually bring additional Western troops into the area in accordance with the Three-Power Declaration in February, the USSR reacted strongly and immediately to say that it would consider any such move as of direct concern to the Soviet Union. Soviet offers of economic and technical assistance have likewise reduced Western influence and have put the Arab nations in a position to blackmail the Western powers. The Soviet Union is also attempting to destroy 'the Northern Tier' alliance, which it has effectively jumped by establishing close relations with the key Arab country of Egypt. Iran, Turkey and Pakistan have been told that membership in the "aggressive" Baghdad Pact is incompatible with friendly relations with their northern neighbour. Iran and Pakistan have been offered trade treaties conditional, it is reported, on their withdrawal from the Pact. By all these moves, the Soviet Union is trying to convince the countries of the Middle East that a policy of neutrality will serve their interests better than adherence to the West. It has also made clear to the West that, although it would not want a military showdown in the area, it is not prepared to let the Western nations impose a solution to Middle Eastern problems without taking into account Soviet interests in the area. Meanwhile, the present Arab-Israeli crisis serves its purposes well with very little risk for the USSR.

50. In South Asia, the purpose of the new Soviet offensive has been to convince India, Burma and Afghanistan of the advantages of a policy of neutrality and the possibilities of close relations with the USSR. The most dramatic expression of the new Soviet interest in South Asia was the December goodwill tour by Khrushchev and Bulganin. Soviet subscription to the Panch Shila, denunciations of colonialism, support for the Indian position on Goa and Kashmir fell on receptive ears. But the very fact of the tour by the leaders of the second most powerful nation in the world flattered the Asian nations, and particularly India, which was made to feel that the Soviet Union recognized it as an important nation. The constant references to the material achievements which the

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Soviet Union had made in a scant 38 years also had their appeal to Asian nations emerging from colonial status and struggling on the road to industrialization. The Soviet Union has been at pains to emphasize that it is offering trade, not aid, for it realizes Asian sensitivity to any suggestion of "handouts" from wealthier nations. These measures have gone a disturbingly long way to convince the South Asian nations that the USSR has no aggressive designs upon them and that it can and will assist them in their economic development without the unpleasant financial and political conditions which are associated in the Asian mind with Western aid. There may be some disillusionment if there is a failure to live up to undertakings, but it would be unwise to count on such failure. This is clearly what the Soviet Union means by peaceful and competitive co-existence. Military conquest is not involved and even subversion is not of prime importance for the time, but the object is, nonetheless, by economic penetration and by propaganda and diplomatic means, to win South Asia from the West and to ensure its neutrality.

Twentieth Congress of the Communist
Party of the Soviet Union

51. The 20th Congress of the Communist Party of the Soviet Union has provided a blueprint of Soviet foreign policy for at least the immediate future. In a mood of exuberant self-confidence, the Stalinist hard line was vigorously rejected, to be replaced by the dominant theme of peaceful co-existence between states of differing social systems. Peaceful co-existence between states does not mean that there can be any peaceful co-existence between ideologies, war is rejected as an instrument of policy, but the struggle with capitalism will be pursued by other and more fruitful means. Nor does peaceful co-existence mean that the USSR intends to reduce its military capabilities. These capabilities will not be jeopardized by the demands of heavy industry, of consumer goods or of economic assistance to other countries, though they may be modified in form if a limited disarmament agreement is reached. Meanwhile, Marshal Zhukov emphasized that the Soviet Union has a diversity of atomic and nuclear weapons.

52. The States of the world are placed in a Soviet order of merit, which gives an indication of the kind of pressure which will be brought to bear on them in furthering Soviet influence. It is significant that several of the countries along the periphery of the Sino-Soviet bloc which the Soviet Union is trying to woo are precisely those countries in whose territory are situated some of the United States Strategic Air Command bomber bases. In taking the offensive against these countries, the Soviet Union is doing so not only because many of them are underdeveloped and therefore offer good possibilities for an extension of Soviet influence, but also because they wish to deny the use of their territory to the bomber and possible missile bases of the United States. As for the Western democracies, the Soviet Union will try to enter into bilateral negotiations with them in an attempt to weaken their unity in opposition to Soviet communism.

53. Two important revisions of doctrine were made at the 20th Congress, one on the inevitability of war and the other on the methods of transition to socialism. It has been a Marxist-Leninist premise that, while imperialism exists, wars between the capitalist and socialist powers were inevitable. The Soviet leaders have now revised the doctrine to state, that, while the economic basis for the outbreak of war persists, "there is no fatal inevitability of war". Their reasons for revising the doctrine are the deterrent effect of thermonuclear warfare capabilities and the economic strength of the socialist bloc in contrast with the situation pertaining at the time of Lenin when the Soviet Union was surrounded by a hostile and much more powerful capitalist world. The Soviet leaders are making virtue of necessity in preaching peaceful co-existence and the non-inevitability of war, but this may have a markedly favourable propaganda effect in certain sectors of the Western, and even

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more so of the Asian world where the inevitable war doctrine has been a serious deterrent to co-operation with the Communists and with the Soviet Union.

54. A second major revision of doctrine at the Congress had to do with the possibility of different but valid forms of the socialist state and different methods of arriving at socialism. Previously the doctrine was that all socialist states must be modelled after the Soviet state and that the transition can only come about by revolution. The first tenet was denied in fact by the pilgrimage to Belgrade in May, 1955, and by the position of Communist China within the Sino-Soviet world. The Congress revised doctrine to fit the facts and by so doing put the stamp of orthodoxy on Yugoslav and Chinese Communism. The second tenet made difficult the efforts to form popular fronts, as in Italy and France. It has therefore been revised to say that civil war is not obligatory in all circumstances and that the transition to socialism may come about by parliamentary means, though "acute class revolutionary struggle" will be necessary where capitalism is still strong. It is quite clearly stated that the Communist Party would lead the transition to socialism by parliamentary means and that, once the transformation was achieved, there would be no turning back and no room for differing parties. The model is Czechoslovakia.

55. The Soviet leaders seem to regard the future course of the world struggle with confidence. The leaders have not abandoned their ultimate aims and are confident that the future is theirs. That they have radically changed their methods of achieving this goal is partly a reaction to Western unity and defence preparations in the face of the Communist threat, but primarily a realization of the ineffectiveness of Stalinism. It may not prove the strength of the regime but it could scarcely have been accomplished by a group of men who felt weak or uncertain. Mr. Khrushchev made clear to Mr. Pearson his conviction that in a more peaceful international climate the free peoples will not accept the sacrifices that prolonged defence preparations and competitive economic co-existence involve. The Communists could stand up better to the sacrifices of the long pull and Communist society would, therefore, prove superior to capitalist society. It must be admitted that the new Soviet policy is having considerable success and that, as the basic Soviet aims remain the same, the challenge from the USSR, while changed in character, remains strong and in some respects more dangerous than the markedly aggressive policy of Stalin.

The European Satellites

56. Soviet domination of the political and economic life of the Satellites continues. In spite of the Soviet Union's movement toward accepting the validity of different forms of socialism in different countries, there is little evidence that his precept has been extended to the Satellites, nor that the satellite leaders entertain any Titoist aspirations. They are too dependent on the Soviet Union for the maintenance of their position, and without the popular support which would permit of any independence of action.

57. The 20th Party Congress gave notice that the economies of the Satellites would be even more firmly integrated into the economy of the Soviet bloc, with a more rational industrial specialization by individual countries. The Satellites are being used in the Soviet economic offensive in the Middle East and South Asia and in the effort to trade with Western countries.

58. Somewhat hesitantly, the Satellites are following the Soviet lead in establishing "normal" relations with the outside world. Albania, Bulgaria, Hungary and Roumania were admitted to the United Nations at the last session of the General Assembly. East-West contacts, though on a much more limited scale than those pursued by the USSR, are

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being encouraged, but so far are limited to sports, cultural affairs and trade. The Satellites are making their peace with Yugoslavia, a process which involves painful internal re-adjustments in view of the number of purges for "Titoist activities" which took place in all of them following the Soviet-Yugoslav break in 1948.

59. Internally, the relaxation of the more oppressive restrictions has been less noticeable than in the USSR. Some political prisoners have been released and a few elderly people have been allowed to join relatives in the West partly through Red Cross intervention. Nevertheless, trials of "Western saboteurs" and of people engaged in "anti-state activities" continue. There have been no major government changes in the last five months. Some unwarranted optimism about a measure of relief from Soviet bondage apparently existed among the people of the Satellites prior to the Geneva meeting of Heads of State. Soviet refusal to discuss the Satellites there and events since that conference have dashed these hopes.

Yugoslavia and the USSR

60. In recent months Yugoslavia and the Soviet Union have taken a number of important steps to normalize their relations. With the signing of a protocol on trade in January, it is estimated that trade with the Soviet bloc should not exceed 25 per cent of Yugoslavia's total foreign trade over the next three years, compared with a figure of over 50 per cent in the pre-1948 period. Yugoslavia appears fully aware of the undersirability of allowing itself to again become economically subservient to the Soviet bloc. In addition to the trade agreement, the Soviet Union has undertaken to extend investment credits to Yugoslavia totalling more than \$200 million. Agreements on technical assistance and co-operation in the field of nuclear energy were also signed. Yugoslavia will receive from the Soviet Union the assistance necessary to enable it to construct a reactor which is scheduled for completion towards the end of 1957. Finally, in the cultural field, exchanges of artists and delegations of many kinds between the two countries have been growing in number and have been receiving active encouragement on both sides. Czechoslovakia has also extended two credits to Yugoslavia, one for \$50 million for the purchase of capital equipment and one for \$25 million to be used mainly for the purchase of consumer goods.

61. On the ideological front, the themes developed by the Soviet leaders in their speeches to the 20th Congress of the Communist Party in Moscow have been welcomed in Yugoslavia as evidence of the abandonment of the aggressive tactics of the Stalinist era. This new Soviet approach will do much to foster good relations between the two countries and may well mean a relaxation of Tito's earlier reluctance to discuss the development of inter-party co-operation. A significant indication of the closing of the ideological gap between Yugoslavia and the USSR was provided by Tito's letter of "comradely greetings" to the 20th Congress, which, from the Soviet viewpoint, probably more than compensated for the absence of the participating Yugoslav delegate. There is still no indication that Tito contemplates a return to the Soviet camp, but a definite trend towards a closer alignment of Yugoslavia with the East and a corresponding weakening of its Western connections undeniably exists.

Soviet Penetration of Under-Developed Areas

62. During the period under review, the Soviet campaign of using economic weapons to capture the goodwill of the "uncommitted" or neutral nations emerged as a major aspect of Soviet foreign policy. In carrying out this policy the Soviet Union substantially increased the extent of their participation in international trade fairs, bartered arms for agricultural surpluses, boosted normal trade, extended easy credit for eye-catching projects, offered considerable technical assistance and reorganizaed their own administrative structure to provide for greater control and co-ordination. Although the political achievements of the

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campaign are out of proportion to the credits actually accepted (some \$750 million over a five year period) there is every indication that it can and will be intensified with very little cost to the development of the domestic economies of the Bloc.

63. Indicative of the importance which the Soviet leaders attach to their foreign economic campaign has been the reorganization of the governmental structure concerned with this subject. The Chief Directorate for Economic Relations (GUES), which was established under the Ministry of Foreign Trade earlier in 1955, has become, at least since November, a separate organization. It is now believed to be directly responsible to the Council of Ministers, and is thought to be responsible for the over-all co-ordination of the Soviet programme. GUES appears to have two separate sections dealing with economic relations within and without the Bloc. Two of its Directorates deal with the provision of industrial equipment and scientific and technical assistance. The co-ordination of Satellite trade plans with that of the USSR has been disclosed by East German officials. While the chief trade commitments of the Satellites will be with the Soviet Union and other Bloc countries, they are nevertheless, conducting an export drive with the main emphasis on manufactured goods and industrial equipment, designed at least in part to meet the cost of increasing imports of raw materials and agricultural products.

64. The event which caused the greatest concern in the past year was the conclusion of the Czech-Egyptian agreement providing for the sale of Bloc tanks, jet aircraft, and light naval vessels, estimated to be worth some \$200 million, with repayment to be made mainly in cotton over a period of years. Arms have also been sold to Syria, and there have been reports that Lebanon and Yemen are also negotiating for Bloc arms supplies. Soviet offers of assistance for the construction of the Aswan High Dam have been rejected by Egypt in favour of the Western offer through the International Bank. At the same time, however, Egypt has accepted Soviet assistance for the establishment of a nuclear physics laboratory.

65. On the whole, the Satellites have taken the lead in offering assistance to the Middle East, supplying loans for the construction of complete factories, bridges, shipyards, etc. Poland has secured the contract for the initial development of the Hejaz railway, and it has been reported that a Czech offer to build an oil refinery in Syria, has been accepted. Bloc trade is also increasing with the countries of the Middle East, primarily with Egypt, Syria, Lebanon and Turkey, who have no oil revenues and have to depend on the export of agricultural surpluses. The composition of Bloc exports is also changing with more industrial and construction equipment being exported.

66. The only known sale of arms by the Bloc to countries in Asia is the reported \$5 million worth being supplied by Czechoslovakia to Afghanistan. It is possible that, of the \$100 million credit extended to Afghanistan by the USSR, \$15 million may be for arms. The loan will be used for the development of airfields and roads, irrigation projects and agricultural improvements and is to be repaid over a 30 year period in kind by Afghan exports. In Burma the Soviet Union is building a technological institute promised as a gift by Bulganin and Khrushchev during their visit during December. A similar institute is being furnished to India by the USSR through UNESCO. Bloc trade with South and South-East Asia has also increased. The USSR has agreed to supply India with 1 million tons of steel over the period 1956-58 and to increase imports from India accordingly. By the end of 1955 more than 25 per cent of Burma's exports of rice were being bought by the USSR. Afghanistan's trade with the USSR has also risen considerably since the closing of the Afghan/Pakistan border.

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67. During the period the Soviet Union has made general offers of aid to the countries of Latin America. Offers of increased trade, and economic and technical assistance have also been extended to Liberia, Libya, Ethiopia and the Sudan. The Soviet Union, in its campaign against the Baghdad Pact, has made attractive economic overtures to Turkey and Pakistan.

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III. INTERNAL DEVELOPMENTS IN COMMUNIST CHINA

Internal Politics

68. Outwardly, at least, the affairs of the Chinese Communist Party have been placid since the Kao Kang purge. The intensive campaign of mid-1955 against unspecified counter-revolutionary elements appears to have died down, but there is still, however, a considerable volume of internal propaganda directed against the intellectuals as a class. Domestic attention and interest is now largely focussed on the accelerated drive to form agricultural producers cooperatives as an intermediate stage in the socialization process.

The Chinese Economy

69. Last July the programme of the regime called for the "semi-socialization" of agriculture (organization of producer cooperatives) to be complete by 1960 and "full socialization" (Collectivization on the Soviet model) by 1967. Since October, however, official announcements have steadily advanced these deadlines until it now appears that the goal of semi-socialization is to be completed by the autumn of 1956 and "full socialization" by 1959 or 1960. If these announcements are true, the pace of socialization in China has been phenomenal. It would mean that about 70 million peasant households out of an estimated total of 110 million will have been incorporated into agricultural producers cooperatives. Based on the failure of the attempted drive toward collectivization in 1955 and on the real shortage of trained overseer personnel to carry out such a programme, it seems probable that a great number of the new cooperatives and collectives exist only on paper. Agricultural production is also to be expanded far in excess of former targets. Gross food production in 1956 is now set at almost 10 per cent higher than the bumper crop in 1955 and some 6 million tons more than the original target set for 1957. Even more startling than the 1956 goals has been the target set in the new twelve year Plan. By the end of the 12-year period annual agricultural production is to amount to some 450 million tons or an increase between 150 and 200 per cent. In view of the almost complete absence of a Chinese farm machinery industry, the small proportion of capital investment being allocated to agriculture, the great shortage of chemical fertilizers and to many difficulties involved in opening new lands, the target set in the Twelve Year Plan is completely unrealistic. The lag between social reform and technical reform (i.e. the mechanization of agriculture) in China is so great that no real increase in agricultural production can possibly take place until the technical reform programme becomes effective. At present the technical reform programme is largely in the blueprint stage. It is estimated that the most likely increase during this period will be 20 to 30 per cent. An increase of at least 20 per cent will be necessary in order to keep pace with population growth, and if increased surpluses are to be available for export, to pay for imports of industrial equipment, then the increase will have to be greater than 20 per cent.

70. As in agriculture, the regime has announced a sweeping speed-up of the industrial programme. The target for overall industrial production for 1956 calls for an 18.6 per cent increase over 1955, and heavy industry is to achieve 99 per cent of the 1957 target. The goals for the energy base have been advanced considerably. The achievements of 1955 do not augur well for the success of these plans. Industrial output showed an increase of 5.4 per cent over 1954 against the originally planned goal of 7.7 per cent. Details regarding the progress of the 1600 major construction projects, or more particularly about the 1956 Soviet-assisted projects, are not available. Nevertheless, the evidence is sufficient to show that a good proportion of the Plan is being fulfilled

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and that this achievement will give China a substantial part of the industrial base on which she can build in succeeding plans. The principal obstacle to the success of Chinese plans continues to be a shortage of raw materials and a shortage of skilled labour particularly at the managerial level.

71. One of the most interesting aspects of this remarkable acceleration in both agriculture and industry is the fact that it has been the result of the personal and sustained intervention of Mao Tse-tung. On 30 July the Congress adopted the time-table reported previously, and on 31 July Mao outlined the new programme to a group of local Party Secretaries. This accelerated programme was not made public until October and it is evident that Mao had considerable opposition to overcome within the ranks of the Party. It is believed that it was also due to Mao's personal intervention that the goals for industry and commerce were advanced. The real reasons for this sudden and dramatic acceleration are not yet full apparent. Undoubtedly political as well as economic motives are involved and it seems likely that internal considerations predominate. The rapid collectivization of agriculture, if successful, would give the Party tighter control of the peasantry. The need for this tight control is evident in that the regime plans to increase the capital resources at its disposal, in the form of agricultural products, for developmental purposes primarily by a process of squeezing the peasant rather than by attempting to increase the investment that would be necessary to improve yields and open new lands. The disastrous results of the Soviet experience in a similar programme do not seem to be deterring Chinese leaders, although it is interesting to note that it appears to be the theoreticians who are supporting the new course.

72. One element in Chinese plans may be a desire to present to Asia a dramatic demonstration of Chinese economic prowess. Chinese leaders must undoubtedly be conscious of the scrutiny which their progress is given by the peoples of South-East Asia. Even partial success in achieving the new agricultural and economic goals will undoubtedly place a considerable demand on Soviet assistance and the Chinese Plan has presumably been discussed in some detail with the USSR. A demonstrated Chinese ability to export quantities of manufactured or semi-manufactured goods to South-East Asia would give a substantial boost to the Bloc campaign of economic penetration in the area.

General Defence Policy

73. Meanwhile, in keeping with trends observed previously, China places the emphasis with its ground forces on consolidation of home defences, including military support of central government authorities in the outlying areas of Tibet and Sinkiang.

74. The strength of the regular Chinese Communist Army is approximately $2\frac{1}{4}$ millions, in addition to the Peoples' Armed Police of 500,000 and a peoples' Militia of 6 to 10 millions. The regular forces are grouped into four Field Armies, The Chinese Volunteer army in Korea, and the North China Field Forces. Major formations include thirty-five armies (105 organic infantry divisions), some thirty-five independent support divisions, and approximately 105 independent support and ancilliary regiments. The disposition of these forces leaves little doubt that China regards the defence of its industrial heart as the primary military problem, with the maintenance of buffer areas in Korea and Vietnam as part of this important concept. Little military strength is disposed over the vast frontiers with the USSR.

Chinese Communist Army

75. Within the Chinese Communist ground forces several trends are noticeable, all in keeping with the general trend over the past several years:

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- a. To provide a better balanced army, though it remains a predominantly infantry force. Improvements have been effected in armour, artillery, paratroop, and amphibious components. Chinese and North Korean training in defensive atomic warfare was observed in North Korea in February 1956.
- b. To provide a better balance between field formations and local defence forces. This is being carried out presumably with the object of freeing the field formations to be capable of rapid deployment to any frontier and, if necessary, beyond certain frontiers such as into Korea and South-East Asia. The trend is characterized by paring from the strengths of the field armies troops formerly earmarked for security and by building up the para-military forces of the Peoples' Militia and of the para-military police (Peoples' Armed Police).
- c. To provide a thoroughly national army as distinct from one drawn largely from certain social strata or from particular regions. The object is to combine maximum military efficiency with maximum support from the people as a whole. In November 1955 the Chinese Central Government adopted the Compulsory Military Service Law replacing the Interim conscription Law of September 1954 and the former "volunteer" system of forces recruiting. The system can be expected to result in a systematic turnover providing a relatively small regular force and large numbers of trained men passing to the reserves while still fit for future service.

Chinese Communist Navy

76. The Chinese Communist Navy have begun increasing their naval exercises both in size and number, exercising almost daily in the Tsingtao area to improve weapon and ship handling efficiency. The small Russian trained naval air force is equipped with Soviet aircraft which include modern FAGOT and BEAGLE jet aircraft. Indications are that the cruiser which was thought to be in Port Arthur for re-arming is now in Dairen. It is still not known when this ship will be operational. The Chinese Communist amphibious potential has been increased by the construction of landing craft in Chinese shipyards.

Chinese Communist Air Force

77. The aircraft strength of the Air Force has not increased to any great extent during the period under review, although it is now probable that at least 3 regiments have been re-equipped with FRESCOS. The air situation in East China, in terms of numbers of aircraft and deployment has remained comparatively stable, and there is no evidence that the coastal airfields opposite Formosa have been occupied. The period has seen a marked increase in air activity in the Formosa Straits area and several contacts have been made between CCAF fighters and Nationalist intruders in day light and at night. All aspects of training in the Air Force have continued at a high level and a marked improvement in the Ground Control Intercept capability has been evident.

Airfield Construction

78. Available information indicates that the airfield construction work in China was mainly concentrated in the Formosa Straits area. The recently reported development of the Huiyang airfield now brings

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the total number of new airfields under construction in the area opposite Formosa to seven; three of these are believed completed and suitable for jet fighter operations. In addition one existing field has been improved at least to jet fighter standards, and there are reports that construction has begun on one other. A certain amount of airfield development has been underway in the Kwantung Province and Manchuria, where the accent appears to have been on the extension of runways to jet light bomber standards. In North Korean reports received during December 1955 indicate that reconstruction was completed at seven major airfields. An additional airfield, currently under construction will bring to eight the total number of airfields presently available for jet fighter use in North Korea.

Road Construction

79. In Chinese road development important progress was noted in areas of economic importance, and in Tibet in urban areas and near the Tibetan-Indian frontier.

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IV. CHINESE COMMUNIST FOREIGN POLICY AND EFFORTS
TO EXPLOIT TROUBLED AREAS IN ASIA

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General

80. It is now fairly clear that about the time of the Bandung Conference of April 1955, the Chinese Communists deliberately adopted a somewhat "softer" line in foreign policy, and this trend continued throughout the period under review. While there is no reason to suppose that the Chinese objectives of reducing Western (especially U.S.) influence and extending its own in Asia, has been modified, the new line emphasizes political and diplomatic rather than military action. In Southeast Asia, the Chinese Communists continue to have a ready tool for the extension of their influence by non-military means in the extensive communities of overseas Chinese, who tend to direct their loyalty towards whatever government is in power in China. There have been strong indications that the Chinese Communist Government is even prepared to rely on peaceful methods, to extend its authority to Formosa, although this could, of course, reflect nothing more than a realization that they lack the military power to acquire Formosa by force. The new line doubtless reflects also the new policy of "competitive co-existence" with capitalist countries. Even more than the Soviet Union, Communist China needs an international atmosphere which leave her free to concentrate on internal development.

81. In its relations with the Western countries which adhere to a policy of non-recognition, the Peking regime has shown itself anxious to foster semi-official contacts, especially in trade and cultural matters without insisting that those countries take the formal step of recognition. An impressive number of Western delegations and prominent individuals visited China during the period under review, including semi-official commercial delegations from Belgium and France. Sino-Italian trade discussions were also initiated. Denied recognition by individual Western governments, the Peking regime has made a considerable effort to appeal over the heads of those governments to commercial interests. By creating the illusion that the Chinese domestic market would be a virtual Eldorado, the Chinese probably hope to secure the relaxation or abolition of the strategic trade embargo and gradually to break down the general Western policy of non-recognition.

Formosa and the Coastal Islands.

82. The acquisition of Formosa and the coastal islands of Quemoy and Matsu remains a principal objective of Chinese foreign policy. In the Sino-American talks at Geneva, the Chinese representative indicated that while his Government would be willing to renounce force internationally, it could not do so with respect to Formosa, which is held to be an internal Chinese matter. In the course of a statement of Chinese foreign policy on January 30, Chou En-Lai made a strong appeal to the Chinese on Formosa to return peacefully to the mainland. He indicated that a resumption of co-operation between the Communists and Kuomintang would not be out of the question. This appeal, coupled with the fact that force was not used or even ostentatiously threatened during the period under review, probably indicates that the Peking regime is content to rely for the time being on the possibility of the peaceful "liberation" of Formosa. So far as the Offshore Islands are concerned, uncertainty as to what the United States reaction would be is the principal deterrent to a Chinese Communist attack. Nationalist forces on the Offshore Islands have been strengthened and approximately one third of the army is now concentrated on the islands.

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Macao

83. In October the Chinese Communist Government reacted strongly to an announcement by the Portuguese authorities on Macao that the celebrations would be held to mark the four hundredth anniversary of the founding of the colony. The Portuguese authorities decided to cancel the celebrations and the Chinese Government made no further trouble. The incident did, however, demonstrate the sensitivity of the Peking regime toward the present status in Macao. At no time did the Chinese Government refer to Hong Kóng in the context of its statement on Macao.

Thailand

84. Since some of the restrictions on political expression were lifted in Thailand in December a number of left-wing parties have emerged. Discontent is not at present organized but some leaders with Communist affiliations are now trying to turn their greater freedom to account. Communist influence among Chinese in Thailand, which has been reported recently, has probably existed for some time, but is only now coming into the open. It is alleged that Chinese and Viet Minh agents are active in Northeast Thailand, where there are several dissident groups, including the free Thai movement of Nai Pridi Panomyong, a separatist group led by Tianj Sirikhand, and a Pan-Lao movement. There is also a pocket of Annamese who are under Viet Minh influence. In Southern Thailand the activities of Malayan Communists present a continuing security problem. The control of the Government in Bangkok is not seriously threatened outside these border areas. Nai Tep Chotinchut, leader of the Economists' Party, and other Thais who visited Peking in January and February were arrested on their return. They were quickly released, but it seems clear that the government is prepared to retract its "liberalization" policies if it feels itself threatened.

Malaya

85. The talks between Chin Peng, Secretary-General of the Malayan Communist Party, and the Chief Ministers of Singapore and Malaya, which took place on December 28 and 29, produced no concrete result. The Chief Ministers stated that the Communist insurgents might return to China or resume a peaceful life in Malaya if they would renounce Communism and submit to a brief internment for questioning. Chin Peng refused to accept this condition and demanded recognition for his party so that it might "propagate its ideology". He then returned to the jungle after announcing that the Communists would lay down their arms when Malaya achieved full self-government. When the Chief Ministers returned from London, where he had been promised full self-government by August 31, 1957, if possible, he broadcast an invitation to Chin Peng, to act on this statement. There has so far been no reply. In the meantime the amnesty declared in September 1954 came to an end, and the campaign against the insurgents has been resumed. The large proportion of Chinese in Malaya makes it certain that they will exert a great deal of influence on whatever government is formed.

Laos

86. The Communist Pathet Lao continue to hold the larger portion of the two northern provinces of Laos in defiance of the Geneva Cease-Fire Agreement and the International Supervisory Commissions' recommendations. The operations of the Pathet Lao, who have under arms in the neighbourhood of 5,000 troops, appear to be more directly linked to the Viet Minh than the Communist Chinese, although the Peking press has been showing lately more interest in Laotian affairs. A settlement in Laos at this stage appears to hinge mainly upon a settlement in Vietnam favourable to the Viet Minh, although it is possible that broader considerations of Communist strategy in the Far East, such as endeavoring to win the R.L.G. over to a neutralist policy, may play some part. There

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are indications, however, that Communist China and northern Vietnam might be prepared to sacrifice the Pathet Lao in exchange for a strict policy of neutralism on the part of the Royal Government, including giving up United States military and economic aid. There would seem to be little chance of this happening because, with French aid and influence on the decline, the Royal Government is now almost entirely reliant on United States financial aid. There is a very good probability therefore, that Laos may be actually but not officially partitioned into Communist and non-Communist sectors for an indefinite period. An alternative to this is that the Royal Government may lose patience, as they have frequently shown signs of doing, and attempt to re-take the Pathet Lao zones by force. This could easily have the unfortunate result of bringing the Viet Minh openly into conflict which in turn could lead to SEATO and Chinese Communist intervention with all the attendant dangers.

Cambodia

87. The visit of Prince Sihanouk to Peking in February brought into prominence the probable future relationship of Cambodia with the Communist world. Following the visit Sihanouk stated it was not Cambodia's intention to exchange diplomatic relations with Communist China as this would prejudice Cambodia's position as an adherent of the neutralist bloc. For similar reasons Cambodia is considering, exchanging cultural and economic missions with Communist China and North Vietnam. The Cambodian government's avowed intention of pursuing a strictly neutral policy may be one of the reasons for its increasingly poor relations with the neighbouring states of South Vietnam and Thailand. This may also be a factor in Cambodia's noticeably cooler relations with the United States. Cambodia's bickering with its neighbours provides a fertile field for Communist subversive and propaganda activities. Cambodian ties with India on the other hand appear to be growing stronger with each step taken toward the Indian neutralist camp. An exchange of diplomatic missions with Moscow can probably be expected within the next few months.

Vietnam

88. The Chinese Communist Government showed no tendency during the period under review to disturb the armistice settlement in Vietnam. On two occasions it took diplomatic action in support of the Viet Minh complaint that the South Vietnamese Government was not abiding by the terms of the Geneva Settlement. While maintaining a formally "correct" attitude to the armistice settlement, the Chinese have continued to aid the North Vietnamese through technical and economic assistance and possibly also in the training of their armed forces. They may also have provided the Viet Minh with some war material, although there is little direct evidence of this, the present state of the Viet Minh army suggests that additional war material must have been supplied. The Government of North Vietnam cannot dispense with this support and therefore by must comply with Chinese Communist policy. The Chinese have also maintained a steady flow of propaganda aimed at the South Vietnamese Government and United States policy in Vietnam.

89. The Viet Minh have also maintained an ostensibly correct attitude to the armistice agreement, and have repeatedly made propaganda capital out of the refusal of the South Vietnamese to comply with the political provisions of the Geneva Settlement. The nature of their propaganda has betrayed their growing concern about the increasing stability of the Southern regime, particularly as manifested by the referendum in October in connection with the removal of Bao Dai as Chief of State and the elections in March for a constituent assembly in South Vietnam. This campaign also indicates that both the Viet Minh and the Communist Chinese are aware of the dangers of overt intervention.

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90. Through the period under review the Viet Minh has stepped up its efforts to cultivate the dissident sects in South Vietnam, particularly by providing them with "advisers". Their success in this regard has been offset by South Vietnamese operations against the sects, which have considerably reduced the number and strength of the groups in active opposition to the Diem Government and hence susceptible to Viet Minh pressure. There has been little evidence either way to trained political and military cadres has either increased or decreased.

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APPENDIX "A" to
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116 May 1956

THE JIC SEMI - ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOC POLICY INCLUDING COMMUNIST CHINA
(1 October 1955 - 29 February 1956)

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APPENDIX "A"

I. THE INTERNATIONAL COMMUNIST MOVEMENT

Communist Dominated International Organizations

1. The activities of the Communist dominated international organizations in the period under review followed very much the same lines as in the previous six month period. While carrying on all their normal activities in support of Soviet foreign policy, they made a special attempt to interest non-Communist organizations in various schemes for "united action". In general the Communist front organizations, in spite of their more flexible methods, met only with rebuffs in pursuing these tactics.
2. The Executive Board of the International Confederation of Free Trade Unions (non-Communist) at a meeting in December 1955 passed a resolution concerning exchanges with unions belonging to the World Federation of Trade Unions (Communist). The resolution stated that "the Communist dictatorships: seek such delegation exchanges for the purpose of winning moral respectability and legitimacy for their state company unions", and went on to recommend that "no free trade union organizations should exchange delegations with any country which denies its people the fundamental human rights specified in the Charter of the United Nations". This resolution was bitterly attacked on Moscow radio and attributed to "reactionary American labour" leaders who lead the I.C.F.T.U. The World Federation of Trade Unions suffered another setback when the Austrian Government expelled its headquarters from Vienna on February 10, 1956 on the grounds that the organization had exceeded the limits set by its own statutes and had jeopardized the interests of the Austrian state. It is still not known where the new headquarters will be located, but there have been rumours that the W.F.T.U. might establish itself in either Rome or Cairo.
3. The Communist controlled World Federation of Democratic Youth (W.F.D.Y.) continued its "struggle" for contacts with other youth groups. Its Secretary-General said in November that the next World Congress of the organization would consider amending its statutes to permit "limited affiliations" by some organizations which "are interested in specific aspects of W.F.D.Y. activity...without in any way wishing to accept the programme as a whole". No examples were given of the organizations interested in such contacts. The other Communist youth organization, the International Union of Students pursued its efforts to interest other groups in a "Conference of Cooperation" to be held in the spring of 1956. It hoped to hold the meeting in Switzerland but the national organization of Swiss students has refused to be drawn into any such project.
4. An interesting definition of the role of front organizations was given in an article in the Cominform Journal in January. The First Secretary of the Japanese Communist Party said that "these mass movements and organizations are transmission belts for our Party in establishing its links with the multi-millions masses and are simultaneously a school of the national liberation democratic revolution". He criticized those who desire "to compress every mass independent movement and mass organization into narrow Party confines". He warned that "Victory in the revolution cannot be won by the forces of the Communist Party alone". He pointed out that the "international and internal situation has recently changed in our favour "but up to now we have not been able to make adequate use of these favourable conditions".
5. Apart from public statements there were indications from secret sources that the international front organizations were re-assessing their tactics. The World Federation of Trade Unions, for example, was reported

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to have instructed "trade union internationals" under its control to concentrate more on specific problems affecting the interests of the free countries; on specific problems affecting the interests of the workers, rather than on world political issues; and to devote a large part of their resources to the extension of work in new areas and to propaganda.

Communist Parties

6. The most important development in international Communism during the period under review was the Twentieth Congress of the Communist Party of the Soviet Union. It was made clear that "peaceful coexistence" between states did not imply coexistence between ideologies. Instead, a rejuvenated Communism, based largely on the techniques of Lenin, rid of Stalinist accretions and errors, and supported by that large part of the world which had chosen socialism, was to press its attack against capitalism, reformism, and all other erroneous ideologies. In doing so the Party was to use more flexible and realistic tactics. The transition to socialism need not always be accompanied by violence. Action through parliaments could lead to genuine socialism, and genuine socialism could assume different forms, for example, the Soviet Union, China and Yugoslavia were following somewhat different paths to the same goal. Although maintaining their ideological purity, the branches of the Party could cooperate with other working class parties for specific purposes and in order to exploit the contradictions among capitalists.

7. In the months preceding the Congress the various branches of the Party were working out some of the tactics the ideological correctness of which was confirmed at the Twentieth Congress. It is difficult to single out any one line of policy as the dominant one for all countries because while the Party in one country was emphasizing its intransigent revolutionary nature, the Party in another was emphasizing its role as a reasonable opposition party, loyal to national interests and constitutional procedures. In most countries, however, during the period under review the Party was manoeuvring itself toward a position in which, relieved to a large extent of the encumbrance of Stalin's errors and of identification with the day-to-day moves of the Soviet Union as a state, and carrying the banner of a purified revolutionary faith, it could lead a leftist coalition (a "united" or a popular" or a "single" front) to power.

8. In the election in France at the beginning of the year the Communists obtained their usual 25% of the popular vote. They did however gain about 50 seats, and could watch with satisfaction the move of the political centre of balance to the left. In the months preceding the election the Communists strove for a "front unique" with the Socialists and Radicals, by putting forward apparently reasonable suggestions for cooperation and by appealing to rank and file members of these parties on a local level. Some strikes in which the Communists played a prominent part helped to bring about this united action, and protest meetings and agitation among the families of men conscripted for military service in North Africa also served the Communist cause.

9. In Italy the Party had difficulties arising from resignations of Party members and declining popular support in some of its strongholds. Togliatti took care to emphasize that international relaxation of tension did not mean any slackening of the class struggle or any postponing of the advent of socialism. At the same time the Party, sought wider political and social cooperation among all popular forces in search of an "opening to the left". Apparently the left wing of the Party had its doubts about the balance struck by the present leaders between "hard" and "soft" tactics. This internal uncertainty will probably hamper the Party until the directives of the Twentieth Congress are harmoniously adjusted to Italian political problems.

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10. In Greece, Communism secured a useful foothold in February when a coalition, the Democratic Centre, which included the EDA (actually Communist) Party, considerably reduced the strength of the Karamalis Government in the general elections. Since one of the plans of the coalition was a partial amnesty for Communist prisoners from the civil war period, this fact and the inclusion of the EDA in a "loyal opposition" marked an important step towards the rehabilitation of the Communists.

11. In West Germany there were continuing reports of apathy and discontent amongst Party members confronted with the extremely difficult task of selling Soviet policy on Germany. No decision has been taken about banning the Party although the members are apparently prepared to go underground. There were some disturbing reports of Communist trade union elections in West Germany but it appears that these were more the result of adept manoeuvring than any increase in popular support among the workers.

12. In general throughout Asia there were Communist moves towards "popular fronts" with leftist groups, as in Europe with the difference that this tactic had to be combined with "national" policies opposing the Western imperialists. In Indonesia a series of elections in the fall of 1955 indicated that the Communists had made a considerable recovery since 1948 by gaining about 20% of the popular vote. In spite of careful manoeuvring, however, the Communists were unable to make arrangements with any of the other parties in order to gain a coalition government. In India the Communist Party attitude towards the Nehru Government stiffened a good deal early in the fall of 1955 as a reaction to almost complete support for Indian foreign policy and limited support for domestic policy earlier in the year. The Bulganin-Khrushchev visit put the Party in an awkward position again particularly with regard to its public attitude towards Nehru. On the other hand the visit obviously did a good deal to popularize the party with which the Communists were identified. There were reports that the Indian Communists had been told by their Soviet masters to bide their time while the Soviet Government reaped some long range advantages for Communism from its friendly gestures, its economic aid, and its encouragement of India's "neutralist" foreign policy.

13. In the Middle East, the Party appeared to gain ground in Syria, but in Israel it was faced with the awkward problem of Soviet bloc military aid to the Arabs. In the rest of the Middle East there were no new developments but increased Soviet bloc interest in the area and aid to individual nations would undoubtedly strengthen local communist parties. In Latin America, promises of Soviet aid indicated new openings in the future for branches of the Party. The main tactical effort during most of the period under review continued to be the formation of "democratic fronts of national liberation" directed against United States "imperialism". In Brazil an election brought into power a party which the Communists had supported, but there are no clear indications as yet of what this will mean for the future of the Communist Party which remains illegal. In the Argentine the Communists were apparently doing their best among the wreckage of the Peron regime to take over leadership of the Peronist workers.

Soviet Intelligence Services

14. Further developments in the case of the former United Kingdom Foreign Office officials, Donald Maclean and Guy Burgess attracted a good deal of public attention in the period under review. The White Paper issued by the United Kingdom Government was the subject of a debate in the House of Commons on November 3, 1955. The debate dealt primarily with security precautions in the Foreign Service rather than with the activities of Soviet intelligence authorities in recruiting these two men. On February 11, 1956, Burgess and Maclean gave an interview to the press in Moscow, thus revealing publicly for the first time their presence behind the Iron Curtain. They claimed that "neither of us have ever been Communist agents" but that they

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had seen "some chance of putting into practice in some form the convictions/we have/ always held". They hoped to "work for the aim of better understanding between the Soviet Union and the West".

15. Various reasons were suggested for the action of the Soviet authorities in having Burgess and MacLean make this appearance. The United Kingdom Foreign Secretary, Mr. Selwyn Lloyd, mentioned two views, that the interview was intended to "clear the air" for the planned visit of Khrushchev and Bulganin to the United Kingdom, and that it was intended to create distrust between the United Kingdom and the United States. He did not express any strong conviction as to the likelihood of either theory being true but he pointed out the "consistent lack of candour of the Soviet authorities in their statements about these men".

16. The research information about the Soviet Intelligence Services received during this period tended to underline the diversity of Soviet tactics in extending networked based on "legal" and on "illegal" residents. In the previous Review reference was made to the use of Tass agents revealed in the Petrov hearings. We have learned since then from other sources that the Committee of State Security (the KGB) sends a certain number of its agents through the Institute of Journalism to render them better fitted for carrying out intelligence work on Tass correspondents. Apparently intelligence contact with the headquarters of the World Peace Council in Vienna has been maintained through agents who are there as Tass correspondents. People active in the Council are used rarely for intelligence work themselves to avoid compromising the political work of the organization.

17. While all "legal" channels are being exploited carefully, there is information that great emphasis is also being placed on building up "illegal" agent networks. Although it is very much more difficult to establish these "illegal" residents, the networks based on them are very useful in producing information concurrently with the other network and in preparing for any emergency which might dissolve the network based on a "legal" resident.

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II. COMMUNISM IN CANADA

General Review

18. The most significant event affecting Canadian Communists during the past six months was, of course, the Twentieth Congress of the Communist Party of the Soviet Union. The initial reaction to the denunciation of STALIN as revealed in the Labor Progressive Party (LPP) press was one of extreme uncertainty culminating in a decision to "pass the buck" to BUCK who was scheduled to return to Canada late in April fully informed on the new Moscow line. Since, however, comment on so vital an issue could not long be deferred, Party officials in Canada, bolstered by the content of speeches made by leaders of other Communist Parties and later by a letter written by BUCK, himself, from Moscow, took a stand whereby undue stress on the extent of the denunciation was deprecated and full credit given for the Bolshevik "virtues" of criticism and self-criticism. The obvious query as to why the current Soviet leaders and their Canadian Party counterparts were taken in by the STALIN myth is not, of course, convincingly answered, attention being directed instead to other, less incriminating aspects of the Congress.

19. The theme of "Peace" with the usual Communist play on disarmament, the banning of nuclear weapons tests or the encroachment of the American imperialists remained high on the propaganda list. The extensive travels of Dr. ENDICOTT, chairman of the Canadian Peace Congress, indicate the importance the Canadian Communists attach to this particular tactic.

20. Demands for recognition of Red China and for increased trade with the Sino-Soviet bloc also continue to figure prominently in Communist propaganda. Of particular interest in this respect, although not directly tied in with the Canadian Communist movement, is the recent formation of the International Trade Association whose origin is suspect even though its directors are reputable Canadian businessmen.

21. It is not possible to determine whether or not the position of Communists in Canada has been strengthened during the period under review, especially since the reaction of most Communists and sympathizers to the "unpleasant" aspects of the Twentieth Congress is unknown. Despite losses incurred by repatriation to Soviet-bloc countries, particularly the USSR, a slight increase in membership, at least of that in the Labor-Progressive Party, has been observed. It is quite possible that there has also been a slight increase in subscriptions to the Party press. In addition, two Communist-controlled companies have become agencies of Intourist with whatever contribution this may make to Russian Intelligence Service activity in Canada. Little or no activity, however, has been observed for the LPP Commission on Latin-American-Canadian Cooperation which was to provide a "solid basis for unity between Canada and Latin-America directed against the imperialist policies of the U.S."

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Twentieth Congress of the CPSU

22. Tim BUCK, national leader of the LPP, and Stanley RYERSON, its organizational secretary, were fraternal delegates to the Twentieth Party Congress in Moscow. BUCK gave a short address to the Congress in which he greeted "the great heroic people of the Soviet Union on behalf of the peaceloving Canadian people" (prolonged applause) and then proceeded to expound the familiar LPP theme that "the only real, external danger threatening Canada at the present time is from the American imperialists and their mania to dominate the world". BUCK, who was reported to be undergoing medical treatment in the USSR, is scheduled to address a May Day Rally in Toronto and should by then have dispelled some of the confusion still reigning in Canadian Communist circles as a result of the parent Party's recent denunciation of STALIN.

23. Canadian Communist press reaction to this aspect of the Twentieth Congress was long delayed, so long, indeed, that the Canadian Tribune (LPP weekly) was criticized in Party circles for its tardiness in providing editorial guidance on the subject and for failing thereby to allay the discontent evident even for some of the high-ranking Party members. Full accounts of many of the Twentieth Congress speeches had on their own admission been available to Canadian Communists prior to the first editorial comment in the Tribune, an excerpt of which is given here as an indication not only of the stunning blow given the local Communists by the condemnation of STALIN but also of the almost natural reaction on their part to defer interpretation of crucial events until the proper line is received from Moscow:

Naturally, some of the disclosures have come as a shock to many people to whom Stalin was, as we in Canada have always assumed, the embodiment of the collective leadership of the CPSU

Fortunately for all interested Canadians, the national leader of the Labor-Progressive Party, Tim Buck, attended the 20th Congress as a fraternal guest. Mr. Buck....will upon his return be able to bring Canadians a first-hand account of the 20th Congress proceedings and decisions.

The process of evaluation at the Congress, which is continuing in the Soviet Union, will be studied by Marxists throughout the world as more facts become available.

But, lacking such authentic information and texts, we deem it unwise to indulge in speculation or the drawing of hasty conclusions.

24. It must have become quickly apparent that discussion of such a resounding issue as the Twentieth Congress, particularly the denunciation of STALIN, could not be deferred until BUCK's return or even until word was received from him in Moscow. The educational director of the LPP, Norman FREED, conducted an all-day seminar in Toronto which was to be the prototype for other seminars across Canada and which had as the basis for discussion the reports of the Twentieth Congress. Many leading LPP members took part. Leslie MORRIS, LPP national organizer, found it necessary to reply via the Tribune to questions, doubtless rhetorical, posed by Canadian non-Communist newspapers pertaining to the downgrading of STALIN. Sure in his own mind only "that the Soviet Union has built a socialist society and is advancing to communism, when each citizen will receive according to need" and otherwise very much on the defensive, MORRIS declared that "the contribution made by

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STALIN to the victory of socialism in the USSR is acknowledged and will continue to be given its rightful place". He also declared that "only good can come out of the application of the Communist principles of the open recognition of errors. The usual capitalist party principle is to cover them up".

25. This leaning over backwards to be fair to the memory of STALIN (thus justifying in part one's own adherence to the STALIN cult and constituting, perhaps, latent criticism of Soviet policy in this regard) while at the same time extolling the virtues of a "frank and honest exposure" of his shortcomings was present not only in the comments made by several Canadian Communists but also in the reports on the Congress published in the Tribune and attributed to the leaders of the British and Italian Communist Parties, POLLITT and TOGLIATTI respectively. The Canadian Communists, through POLLITT, also made some attempt to explain "how the past difficulties could have arisen and why the period they covered was so long" but it was left to BUCK to give what might be termed an official though ineffectual view on the subject.

26. In his Moscow letter under the caption "How Could it Happen?", BUCK declared that:

Those who might be tempted to remark that the members of the Central Committee who were members during that period were equally responsible with Stalin, should stop and think before saying it. The necessity to maintain the unity of the CPSU in the days which preceded the war, during the war, during the postwar period and immediately after Stalin's death, was an absolute imperative. In those conditions and taking into account the long-established personal authority of STALIN, it is clear that correction had to wait the necessary conjunction of circumstances.

However, even BUCK must have realized that the answer was not satisfactory for he states elsewhere in the letter that "the definitive answer to that question would undoubtedly come out of the systematic study, and where necessary, correction, of materials and records the Congress instructed the Central Committee to undertake". In other words, the Canadian Communists, as always, would await the correct line from Moscow.

25. Nettled by this too-glaring exposure of their subservience to Moscow, the Canadian Communists tried to regain their aplomb by emphasizing that in at least one respect - the LPP program - they had anticipated the resolutions of the Twentieth Congress but even here, as exemplified by BUCK's letter, LPP braggadocio was tempered by the usual LPP respect for Soviet authority:

"A number of people, including of course those who write solely to suit their capitalist employers, will probable seize upon that far-reaching contribution to claim that the Labor-Progressive Party will now advocate parliamentary action for the advance to socialism"on the instruction of the Twentieth Congress of the CPSU". To arm honest champions of peace and socialism against such deceptions, and bring the truth to uninformed people who may be confused by it, the following must be emphasized:

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The essentials of the estimation submitted by Khrushchev and re-affirmed in the Congress resolution were included in their entirety in the report of the National Executive of the LPP to the sessions of its full National Committee in February, 1952. It can be read today in National Affairs Monthly for March, 1952.

Our analysis was not so well stated, but its political content corresponds exactly with the masterly analysis submitted by Khrushchev. The conclusions embodied in the splendid new LPP program, "Canadian Independence, People's Democracy and Socialism" also correspond with the conclusion drawn by the Twentieth Congress and embodied in its political resolution.

The proceedings of the Congress provide a striking affirmation of the correctness of the LPP's estimation of the change in class political relationships since the war and of the correctness of the line of the party's program."

The Canadian Peace Congress

28. Although the signature campaign conducted by the Canadian Peace Conference in support of the "Vienna Appeal" continued for some time after the Helsinki meeting of the World Peace Assembly in June, 1955 (123,399 Canadian signatures were said to have been obtained), most of the "peace" activity during the past six months has been confined to the ubiquitous Dr. ENDICOTT and his efforts to capitalize in the name of peace on the so-called Geneva spirit. In mid-October he attended a meeting of the World Peace Council Bureau in Vienna and then in early November in Toronto he presided over the Canadian Forum for Peace at which some 1500 delegates were present. In December ENDICOTT went to Helsinki to attend a special meeting of the World Bureau at which it was decided to convene the World Peace Council in April 1956 to discuss disarmament and the prohibition of nuclear weapons. Before returning to Canada ENDICOTT attended the First Italian Peace Congress in Rome. In March the National Council of the Canadian Peace Congress with ENDICOTT as chairman held a two-day conference in Toronto. One of the items discussed was the procedure to be followed by the delegation which immediately afterwards left for Ottawa to try to persuade Members of Parliament and other Canadian government officials to back appeals for disarmament and the banning of nuclear tests. Those unable to make the trip were urged to contact their M.P.'s by letter. ENDICOTT left Canada again late in March to attend the special disarmament meeting of the World Peace Council in Stockholm, 5-9 April. In October 1955 the Canadian Peace Congress commenced publication of a pocket-size magazine, Horizons, to replace its previous periodical, Peace Review. The new publication is part of a world-wide project in peace journalism with most of the material being received from its Communist-controlled namesake in Paris.

East-West Trade

29. The Communist-controlled East-West Export and Import Co. Ltd., of Vancouver has apparently not been successful in attempts to promote the sending of a delegation of Canadian businessmen to China. This

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project has now been undertaken by a new body, the International Trade Association, which has applied for Federal incorporation. While the Association is expected to be directed by reputable non-Communist businessmen, it is known that important Communists are trying to guide it. Two other Communist-controlled trading companies, the M & M Trading Co. of Montreal and the World Trading Corporation of Toronto, have for all practical purposes been abandoned. This suggests that the Communists are relying almost entirely on the International Trade Association to promote interest in East-West trade among Canadian businessmen.

Intourist Activity in Canada

30. The Communist-controlled Ukrainian Book, a Toronto firm established in February 1955 as a wholesale house for Ukrainian-language literature in Canada, has signed an agreement with the All-Soviet Joint Stock Company, Intourist, to forward parcels directly from Canada to the Soviet bloc. The Ukrainian Book collects mailing charges and duty on the goods involved and also sells merchandize to be used in the parcels, about 150 of which are cleared daily. The January 1956 remittance to Intourist amounted to \$16,000 which would indicate that the total business involved is considerable. At least one Communist-controlled travel agency, Overseas Travel Limited in Toronto, has signed an agreement with Intourist. Agencies like the Ukrainian Book and Overseas Travel Limited could contribute to Soviet Intelligence activities in Canada and at the same time swell Party coffers.

LPP Plan of Work - Membership, Subscription Trends

31. In the Plan of Work put forward at the LPP National Committee meeting in August 1955, considerable concern had been expressed over the decline in the rate of growth of Party membership and the low level of subscriptions to the various Party publications, especially National Affairs Monthly, the LPP theoretical journal. There is some evidence that the LPP has had a small measure of success in its attempt to take advantage of the Geneva spirit for in the last quarter of 1955 Party membership increased by about two per cent and, although there was not necessarily any significant net gain in subscriptions, a considerable number of new subscribers was reported.

32. The LPP has shown some concern over a possible drop in Jewish membership owing to the Soviet-bloc sale of arms to Egypt and other Middle East countries. Both the activities of a Jewish sub-committee formed as an advisory body to the LPP and the tour of the western provinces by the National President of the United Jewish People's Order (UJPO) are indications that considerable effort is being made to explain the Communist line in regard to the Middle East. Special discussion groups were also conducted by the UJPO in the various centres but the proposed supplement in Yiddish and English to its press organ, Voehenblat, was apparently not published. It is possible that the pressure on the LPP regarding any drop in Jewish membership would have been eased somewhat both by the revelation of Western arms deals with the Arab states and by the denunciation of STALIN and whatever refutation it may entail of anti-Semitism.

33. Stress on increasing membership was also indicated at the Seventh National Convention of the Communist-controlled Association of United Ukrainian Canadians held in Toronto in February. Included in the program outlined at the Convention (attended by 148 delegates including three from the United States and addressed by one of the two Soviet Embassy officials present) was a campaign to gain one thousand new members by 1957.

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DEPARTMENT OF EXTERNAL AFFAIRS

MEMORANDUM

TO: EUROPEAN DIVISION..... *(3) (4) 3*Security SECRET.....

Date May. 25, 1956.....

FROM: ...DEFENCE LIAISON..(2)..DIVISION.....

File No.

50028-B-40

REFERENCE: *h. 24*

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SUBJECT:Soviet Economic Penetration.....

Rep

I am enclosing a copy of a JIC paper entitled "Soviet Economic Penetration". You might wish to keep this copy of the JIC paper for the use of your own Division.

Copies have been sent to: Paris, London, Washington, Karachi, New Delhi, Permanent Mission-New York, Moscow; the Australian JIC, and the New Zealand defence authorities.

GK South
Defence Liaison (2) Division

Similar to:

Economic; Mr. Léger,
Mr. Macdonnell, Mr. Holmes,
Mr. Matthews; Mr. Wershof,
Mr. Ignatieff, Mr. Ford;
Mr. Menzies; Comm. & M.E.,
American; D.L.(1); U.N. Divs.
Bank of Canada; Finance;
Trade and Commerce

*Attached paper retained
Room 104 - European Div.
5 June 56
GK South*

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LEGAL DIVISION (ATTENTION: MR. NUTT)

UNCLASSIFIED

May 25, 1956

DEFENCE LIAISON (2) DIVISION

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Soviet Drifting Research Stations

— In order to answer Mr. Fleming's questions to the Minister concerning Soviet drift stations, I am enclosing with this memorandum an up-to-date unclassified report on this subject. This report contains the latest information that is available and takes the place of JIC 176(56) of April 5 which I believe you already have in your Division.

Defence Liaison (2) Division

UNCLASSIFIEDSOVIET DRIFTING RESEARCH STATIONS

The Soviet Union has mounted six drifting Research Stations to date. The first of these drifted in 1937-38 from the North Pole to approximately 76°N 14°W on the east coast of Greenland. The second (SP-2) was established in the spring of 1950 at $81^{\circ}45'\text{N}$, 162°W . The personnel were evacuated in 1951 but the ice floe described a clockwise circular course which brought it into waters within the area which is sometimes called the Canadian sector, a few hundred miles off Prince Patrick and Banks Islands and the Alaskan coast.

2. Drift Station 3 (SP-3) drifted in 1954-55 more or less along the 170°E meridian across the pole to the waters off northeast Greenland. During the drift it passed on the Canadian side of the pole and was evacuated in May 1955.

3. Drift Station 4 (SP-4) which is at present approximately 178°W and 87°N appears to be following a line of drift northward across the pole towards Greenland. If this continues, it is possible that the drift may be on the Canadian side of the pole.

4. Drift Station 5 (SP-5) is now approximately 86°N 87°E and not likely to approach the area which is sometimes called the Canadian sector.

5. On April 21 it was announced by the Soviet press that Drift Station 6 (SP-6) was being mounted in the area of 74°N 178°W approximately 250 miles northeast of Wrangel Island.

6. It is possible that SP-4 will move in 1956 across the pole on the Canadian side. It is certain that SP-5 will not enter the area between the pole and the Canadian north coast

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at any time. It is likely that in 1957 SP-6 will enter the area between the pole and the Canadian northern coast, more probably near the pole but possibly closer to the Canadian coast.

Defence Liaison (2) / E.P. Black / mwe
DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO: THE CANADIAN EMBASSY, PARIS
FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.
Reference:
Subject: Soviet Economic Penetration

Security: SECRET
No: DS-482
Date: May 25, 1956
Enclosures: 1
Air or Surface Mail:
Post File No:

Ottawa File No.	
50028-B-40	
90	50

References

The Joint Intelligence Committee has now prepared a paper which I am enclosing with this letter entitled "Soviet Economic Penetration". The paper is designed to examine the nature and extent of Soviet economic penetration in the under-developed areas of the world, and to assess its significance.

This paper should prove a useful basis for your reporting on Soviet economic penetration and I would appreciate receiving any comments you might wish to make.

Internal Circulation

for Under-Secretary of State
for External Affairs

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Department of National Defence

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25 MAY-1956

MEMORANDUM FOR THE JIC:

Soviet Activities in the Arctic

24 May 56

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1. At the briefing this morning General Foulkes noted that the JIC is preparing a paper on Soviet activities in the Canadian Arctic and proposes to prepare a broader paper on Russian war policy in the Arctic; also that this topic had been discussed with Mr. Dulles during his present visit to Ottawa.

2. The CCOS directed that the JIC complete the Arctic paper as a matter of urgency for consideration by the Chiefs of Staff. Following consideration by the Chiefs of Staff, the JIC would be asked to recommend what action the Canadian Government should take with respect to the Russian activities in the Canadian Arctic.

3. This item will be considered at the meeting to be held on 30 May.

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c.c. CJS
CB NRC
JIS
Sec JPC

J.C. McGibbon
J.C. McGibbon
Squadron Leader, RCAF,
Secretary.

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In reply please quote

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No. CSC 1735-2 (JIC)

DEPARTMENT OF NATIONAL DEFENCE
JOINT INTELLIGENCE COMMITTEE

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22 May 1956

G. G. Crean, Esq.,
Dept. of External Affairs.

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JIC Semi-Annual Review of Trends of Communist
Bloc Policy Including Communist China
(1 Oct 55 - 29 Feb 56)

1. Attached are copies of JIC 183/3(56) dated
16 May 56, on the above subject. May these copies be
distributed as follows, please:

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Under-Secretary of State
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High Commissioner, London
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sgd. J.C. McGibbon

Squadron Leader, RCAF,
Secretary.

Encs.

(Note: Original of this
letter on file in D.L. 2
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MAY 23 1956

G.G. Crean, Esq.,
Dept. of External Affairs.

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Bloc Policy Including Communist China
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J.C. McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

Enc.

JCM/2-5459/ff

c.c. JIS

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JIC 183/3(56)
16 May 1956.

THE JIC SEMI-ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOC POLICY INCLUDING COMMUNIST CHINA

(1 October 1955 - 29 February 1956)

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JIC 183/3 (56)

THE JIC SEMI-ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOC POLICY INCLUDING COMMUNIST CHINA
(1 Oct, 1955 - 29 February 1956)

I. INTERNAL DEVELOPMENTS IN THE SOVIET BLOC

Internal Politics

1. Within the U.S.S.R. the major political developments described in the previous review have continued into the present period under the Khrushchev-Bulganin regime. To the three most important developments - the maintenance of "collective leadership", the increased drive for greater economic productivity, and the creation of a relatively freer feeling among the people must be added the destruction of the Stalin myth. All these developments can be traced back to the period just following the death of Stalin, but in recent months and especially with the convocation of the 20th Party Congress they have been most pronounced. Certainly a primary aim of Khrushchev and most of the other speakers at the Congress seems to have been to impress on the delegates and the people of the U.S.S.R. that Stalinist one-man dictatorship, has gone for good.
2. "Collective leadership" seems now to be firmly established. While both Molotov and Malenkov have come under fire for "ideological errors" they continue to hold down seats in the Party Praesidium and in the Council of Ministers. Khrushchev appears to be the dominant figure but there is no indication that he is likely to assume the old mantle of Stalinist absolutism. The team which he captains has operated more confidently and with greater flexibility than its predecessor, and with the passage of time the possibility of a return to a Stalin type dictatorship is likely to become more difficult. In spite of the stress on "collectivity", however, Khrushchev is succeeding in placing his candidates in some key posts in the Government and Party, and he probably controls the Party apparatus, the key to the rise to power of Stalin. For example, in December, the First Secretary of the Party in Uzbekistan, was replaced by the premier, who has since become a candidate member of the Praesidium of the Central Committee. In January, the premier of the Russian Soviet Federated Socialist Republic, A.M. Puzanov, associated with Malenkov, was replaced by Mr. Yasnov, the mayor of Moscow, who has worked closely with Bulganin and Khrushchev. And most important S.N. Kruglov was replaced as Minister of the Interior (head of M.V.D.) by N.P. Dudurov, the deputy mayor of Moscow whose career has been party rather than police.
3. The annihilation of the Stalin myth, the vehemence with which his once-loyal followers now attack him and his terrorist tactics, and the present denunciation of "the cult of individualism" lend further support to the thesis that for some time at least a collective group will guide Soviet policy. In a secret session of the Congress Khrushchev denounced Stalin as one who dominated the Soviet people through terror, and who murdered and purged his enemies in order to remain in power. It seems evident that the present regime hopes to consolidate its own popularity by laying the blame for previous crimes and oppression on Stalin and Beria. Although this course appears to have provoked some consternation and hostility within the U.S.S.R., it is apparently being pursued with vigour through local party and trade union cadres. The condemnation of Stalin, however, is not a denunciation of communist ideology and practice and there is clearly no intention of giving up any of the territorial and economic gains achieved by Stalin.

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4. The composition of the Praesidium of the Party remains the same, although the number of candidate members has increased from two to six. The new appointments are Marshal Zhukov, Minister of Defence, D.T. Shepilov, editor of Pravda, L.I. Brezhnev and N.A. Mukhitdinov, First Secretaries respectively of Kazakhstan and Uzbekistan and Mme. E.A. Furtseva, First Secretary of the Moscow City Party Committee. P.K. Ponomarenko, a former candidate member and now Ambassador to Poland, has been dropped. There are over fifty new members of the 125-men Central Committee, and 72 new candidate members; the staff of the Party Secretariat has been raised from six to eight. Non-Russian representation in the Party Committees seems to have been augmented and the present regime seems prepared to grant increased local autonomy under firm party control.
5. During the period under review the Party has strengthened its control over the other major instruments of power. At the local levels the authority of the party cadres has been increased. The influence of the secret police has been sharply reduced since the demise of Beria. A new emphasis has been placed on the legal rights of individuals, and it was announced in December that as a result of trials held in Georgia a number of leading MVD and MGB officials had been sentenced to death or to prison terms for serving the cause of Beria and carrying out acts of terror.
6. As a ruling team the regime has exuded confidence, even enthusiasm, in promoting its internal and external policies. It has admitted that there exist certain technical deficiencies in the Soviet economy compared to some of the capitalist states, but in the new sixth Five-Year-Plan it continues to lay emphasis on heavy industry in order to effect to a greater degree its long term goal of overtaking the USA in per capita production.
7. The Soviet government has made a number of concessions to public opinion and to consumers which reflect its confidence and its more flexible methods. It continues to permit relatively greater freedom of scientific and cultural thought and has officially recognized a number of Western cultural expressions including American jazz, French impressionistic art and functional architecture. It has published or broadcast, unedited, a number of statements of Eisenhower and Eden, and has lowered many of its restrictions on the entry and travel of Western visitors, delegations and journalists.
8. The suppression of the more arbitrary MVD practices has been accompanied by the liquidation of many forced labour camps and the rehabilitation of a large number of political prisoners. Living conditions continue to improve; new regulations reduce in theory the hours of work to six hours on Saturdays and days before holidays and promise further concessions to employees, especially women workers. While heavy industry is still the key to Soviet progress the regime promises to increase consumer goods, to improve the pension system and to step up the provision of housing facilities, though it is difficult to see how this can be accomplished if the heavy industry programme is to continue to take priority.
9. The present leaders are still committed to the monolithic structure of the Soviet state, and show no sign that they would tolerate criticism of their more fundamental aims and methods. As a result of their realistic and less oppressive rule, the Soviet regime is probably in a more popular position vis-a-vis its own citizens than at any time since the war. So long as it can maintain its "collective" unity it may not require the despotic techniques of Stalin to assure itself of continued domination over the people of the USSR. "However, if the trend toward greater freedom continued over a considerable period, the regime

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might find difficulty in maintaining its position without making further concessions or alternatively reimposing stringent measures".

The Economy

10. The shape and pattern of Soviet economic policies in the period 1956-60 have been more clearly defined in the last few months due to the announcement of the sixth Five Year Plan, the speeches at the Twentieth Party Congress, and the 1956 Budget. Essentially, the sixth Five Year Plan is designed to continue the development of the Soviet economy on the pattern of the previous plan, with an even greater accent on increasing industrial output and special emphasis on the rapid growth of the "means of production".

11. The sixth Five Year Plan asserts that it is the long-term goal of Soviet industry to "overtake and surpass the most developed capitalist countries in per capita production". The importance of heavy industry as the only "correct base" for continuing the development of the Soviet economy has been re-affirmed. Of the planned capital investment during the period 1956-60, (equal in total to the combined capital investment of the fourth and fifth Five Year Plans), some 60 per cent is allocated to the expansion of facilities in heavy industry; 20 per cent to social investment in housing, public utilities, schools hospital etc., and 12 per cent to agriculture. There is a major accent on the equipping of existing plant. The industrial base is to be expanded physically and the degree of regional self-sufficiency improved (industrial development East of the Urals is to be well above the rate for the country as a whole).

12. In view of the expanding labour shortage, arising from the birth discrepancies of the war time years, and the announced intention to reduce working hours, every effort is to be made to increase industrial productivity and efficiency through better management and organization technical training, modernization of equipment, greater specialization, and more extensive use of automatic processes. It is planned thereby to increase labour productivity in industry by 50 per cent in the period 1956-60. Heavy investment in agriculture is to continue in an all out effort to increase grain production and raise stock numbers. The plan suggests no further expansion of "newland" acreage beyond the present programme of 75 million acres which is to be sown to crop in 1956. The emphasis will rest on increasing the yield per acre on all crop land. The output of tractors and of chemical fertilizer will be more than doubled. Although there would appear to be no likelihood of their reaching these ambitious 1960 goals, marked improvement over the present per capita levels will undoubtedly occur.

13. Gross industrial output by 1960 is to increase by 65 per cent over 1955, as compared with an increase of 85 per cent during 1951-55. The heavy industry component is to increase by 70 per cent, and consumer goods by 60 per cent, as compared with a claimed 91 per cent and 76 per cent growth respectively in the previous five years. Although the planned rate of industrial growth during 1956-60 is lower than that achieved during 1951-55, the planned growth in absolute or physical terms is substantially higher. By 1960, Soviet industrial output may represent at least 40 per cent of projected industrial output in North America as compared with a present ratio of some 33 per cent. The margin of North American industrial superiority still remains substantial, but the sixth Five Year Plan indicates the tremendous effort that the USSR is making in order to narrow the gap.

14. By the end of the Sixth Five Year Plan, it may be expected that the economic stature of the USSR in terms of total output of goods and services will be at least one-third higher than in 1955. In terms of

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industrial war potential, however, the USSR may have a strength of the order of 50 per cent higher than in 1955. In its allocation of resources as between investment, defence and consumption, the tendency will be for the investment proportion to rise, while the current proportions flowing to defence and consumption may fall slightly.

15. As expected, the Soviet 1956 budget is in conformity with the new Five Year Plan, and for 1956 indicates no significant changes over 1955 in economic and defence policy. The accent remains on expanding the base of heavy industry, maintaining a high level of defence expenditures, and of increasing agricultural output. Capital investment for 1956 is some 15 per cent over 1955 in comparable prices. The stated decline in defence expenditures is more apparent than real, and does not represent any decline in the production of military end products. Industrial output in 1956 is planned to increase 10.5 per cent over 1955. The allocation to scientific research and development shows a sharp increase. In summary, the budget reflects the continued preoccupation of the regime with ensuring a high level of industrial growth, effecting a higher level of agricultural output, increasing productivity, and with maintaining a strong and modern military establishment.

16. The announced results for 1955 of the plans of the European Satellites indicate that successes were achieved in heavy and basic industries, with moderate over-fulfilment being claimed in all cases. There has been a renewed emphasis on heavy industry in conformity with Soviet policy, and it now appears that all new Five-Year Plans are integrated with that of the Soviet Union and reflect some degree of industrial specialization among the Satellites.

Transportation

17. Transport developments in the Bloc have continued on the lines established during the previous six months. In the USSR, the post-war drive for increased efficiency of the system has continued, and the shape and scale of an ambitious effort in this direction has been revealed by the publication of the new Sixth Five Year Plan. Within the USSR, relatively little new construction is planned, and the major plans include the electrification of the main trunks connecting Moscow with the Donbas and Irkutsk, increasing the carrying capacity of the dry cargo fleet by almost 1/3, and the doubling of the tanker fleet by 1960. To ensure that the volume of transport services will keep pace with the expanding economy, attention will be given to various weaknesses in the railway system and to the greatly increased use of other carriers. The first serious attention to petroleum pipelines is envisaged. In China, the opening of the new railway through the Mongolian People's Republic doubled the existing capacity of Sino-Soviet links. Work continued on the railway to Amoy (which may serve the Fukien airfields by the end of 1956) and on the Yangtze bridge at Wuchang which by 1958 will permit through traffic from north to south.

18. The shipments of petrol, oil, and lubricants to the Far East continued to increase, and, for the first time since June 1954, Soviet vessels returned to the Europe-North China run. Increased use was made of the Northern Sea Route for through shipments, by both merchant and naval vessels.

19. Civil air transport continued to expand into outlying regions. The Soviet Civil Air Fleet gradually increased its scheduled services into Northern areas, while air transport has also continued to service the drift stations in the Arctic basin. Efforts were made to open air services with countries outside the Bloc; new and revised agreements were concluded between the USSR on the one hand and India, Finland and Yugoslavia on the other, and negotiations were opened with Sweden. There

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was mounting evidence suggesting that the Russians were preparing to employ a jet transport on some of these links, as well as on internal routes.

Aircraft Production

20. During the period under review the most important development has been the sighting of what were probably BISONS at Long Range Air Force bases, indicating that they are now being delivered to operational units. No further BEARS have been seen since the 1955 July Air Show, but cumulative production of heavy bombers at the end of February is estimated to be 85 aircraft. Series production of the BADGER medium bomber continues, with cumulative output at the end of February about 425 aircraft. The BEAGLE is still the only light jet bomber known to be in production in the USSR. Although there is no evidence available as yet, it is probable that a new and improved light jet bomber aircraft has been developed. The production change-over from the FRESCO to the Farmer interceptor is continuing, but is not yet complete. The FLASHLIGHT all-weather fighter is believed to be in production at only one factory at this time.

21. There are indications that the Russians are looking to jet aircraft for a large part of their future transport requirements. The CAMEL twin-jet transport, designated the TU-104, is in limited production. Tupolev is also reported to be now working on a four-engine transport. A twin-engine turbo-prop transport is also reported to be under development.

22. Poland and Czechoslovakia continue to be the only Satellites producing combat aircraft. They are still producing the obsolescent FAGOT jet fighter and its trainer version, the MIDGET. There have been reports that Czechoslovakia is going to produce the FRESCO. If this is so, it will be the first time that a Satellite has been allowed to produce an aircraft that had not previously been compromised to the West. There is evidence that East Germany and Czechoslovakia are preparing to produce the twin-engine CRATE, and it is believed that they should be able to produce enough aircraft to maintain the fleet of similar aircraft now flying in the civil airlines of the Bloc. This would leave the Soviet Union free to concentrate on the production of jet and turbo-prop transports.

Naval Shipbuilding

23. Shipyard facilities continue to expand. There has been an increase in merchant shipbuilding particularly in tanker construction. Naval shipbuilding has continued at a high rate with submarine production predominating. The large vessel which has been under construction in Leningrad since mid-1952 is now considered to be a Sverdlov class cruiser. It is unlikely that any more Sverdlovs will be built in Leningrad, but a few more will be completed elsewhere. Two new classes of fleet destroyers have joined the Navy, a few of the Tallin class and a substantial number of the Kotlin class. The programme for Kola class ocean escorts has been completed, and the Riga class escort programme is continuing. A large number of 'W' class long range submarines are still being produced, and a much smaller number of the larger 'Z' class long range submarines. The 'Q' class medium range submarine production programme appears to have started. No short range submarines are being built at present.

Atomic Energy and Nuclear Weapons

24. The period under review has been seen a continuing and increasing emphasis on the application of atomic energy to peaceful purposes. A 100,000 kilowatt atomic power station is scheduled for completion in 1956. The sixth Five Year Plan envisages that by 1960 an electrical capacity of between 2,000,000 and 2,500,000 kilowatts will be derived from atomic energy. Ten different types of experimental power reactors are to be built, as well as three large industrial atomic power stations. In the international

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field, the Soviet Union has extended its bilateral agreements on atomic cooperation and aid to include Yugoslavia and Egypt. An increasing number of shipments of radioisotopes and nuclear equipment to satellite countries and China has been noted. The long awaited confirmation that a large yield thermonuclear weapon has been developed in the Soviet Union was obtained in November 1955. At that time there were two explosions at the Semipalatinsk testing area, of which the second was considerably larger than the first and had an energy release in excess of the equivalent of one million tons of TNT (one megaton). Both explosions showed the presence of a thermonuclear component and appeared to have been airburst. This latter point confirms that the devices used in these tests were deliverable by aircraft and therefore had the characteristics of useful weapons. In February 1956 the detection of some relatively short-lived artificial radioactivity in the atmosphere, which was of a type normally associated with nuclear explosions, suggested further tests in the Soviet Union. These explosions appeared to be still in progress at the close of the reporting period. In the absence of any firm information as to the origin of these explosions it is not possible to assess their purpose. On the basis of inadequate evidence they appear to have occurred in the northeastern Siberian area.

Guided Missiles

25. The Soviet Union has a continuing high priority guided missile programme and it is believed that research and development work is being conducted on all the major missile types with the greatest emphasis probably being placed on surface-to-air and surface-to-surface weapons. There is reason to believe that the Soviet Union at the present time possesses a surface-to-surface missile having a range of up to 700 miles and it is estimated that the Circular Error of Probability of this missile is likely to be in the order of three to four miles. There have been indications that the Soviet Union intends to use submarines as launching platforms for guided missiles. It remains possible that the grid-like construction sites in the vicinity of Moscow are being used for surface-to-air missiles although no further confirmatory evidence of this has appeared. There is recent evidence that the Soviets are now testing an air-to-ship missile guidance system, probably from naval aircraft. This system called KOMET, has been under development since 1947. The associated missile is a beam rider believed to have a range between 50 to 80 nautical miles.

Earth Satellites

26. Recent statements by Soviet officials and scientists indicate a high degree of interest in earth satellites and an intention to launch one or more vehicles during the International Geophysical Year 1957-1958. Valuable information on the upper atmosphere and ionosphere may be gained, with a resulting improvement in long-range weather forecasting and radio and radar transmissions, increased knowledge of the earth's magnetic field and other subjects which would contribute to the effectiveness and accuracy of air delivery vehicles.

Electronics

27. In the science of electronics and related physics, the Soviet Union has revealed two models of digital computers in use one of which is of a size and complexity comparable with modern Western standards. Transistors are still in very short supply, but apparently some are available for research and development work at least. Electronic instruments to be carried in the Soviet artificial satellite are now being developed with a solar battery as a likely source of power. New and lighter anti-aircraft radar suitable for medium range has been noticed in use in East Germany. Soviet army use of mobile decimeter communications links continued to expand. Electronic countermeasures are receiving increased

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attention. The new equipment noted has been passive equipment of this type rather than new types of radar. Some MIG-17's have been using radar or a type that is useful at short ranges of, say, 10 miles and may have a lock-on capability at 2 miles or less.

Soviet Arctic Research and the
International Geophysical Year Programme

28. There is evidence that a further considerable increase in Soviet research in the Arctic basin is to take place during the spring and summer of 1956. The number of drift stations will be increased to three, and their equipment is to be much improved. The programme is to include meteorological, hydrological and other observations at over 500 positions in the Arctic Basin and adjacent islands. (An extensive programme is to be undertaken by airborne mobile research teams which are to make observations in over 500 positions in the Arctic Basin). Shipborne expeditions are also planned in the Soviet sector and the Greenland sea.. It is evident that the research planned not only relates specifically to problems in the Central Arctic Basin, but also in some aspects ties in with the general programme which the USSR is undertaking in connection with the International Geophysical Year 1957-58. In this connection a large Soviet expedition is now in the Antarctic, and next year the Soviet Union intends to operate three research stations there, which will probably be staffed by a hundred or more scientists. Radio facilities, which could be maintained indefinitely, have been set up to maintain contact directly with Moscow. An extensive hydrographic programme is planned which will cover much of the southern oceans and the Pacific. Particular emphasis appear to be placed on survey in areas which would provide information of value to submarines in wartime. Under the International Geophysical Year Programme preliminary arrangements are being made for manning a station in equatorial Africa. The Soviet Union has announced the construction of an atomic icebreaker.

Armed Forces - General

29. A number of statements have been made by major Soviet leaders during the period of this review which, taken together, throws a good deal of light on their attitude to the likelihood of war, the nature of future war, and the armed forces which they consider necessary to build and maintain.

- (a) Khrushchev, in the report of the Central Committee of the CPSU to the 20th Party Congress, rejected Lenin's thesis that wars are inevitable as long as imperialism exists. Khrushchev at no time suggested that war cannot happen, he and later speakers pointed out that the basis for war remains as long as imperialism exists. This modification of Lenin's thesis give official approval to doubts which have arisen since the end of World War II.
- (b) The Soviet view on the nature of future war and its effect on the composition and balance of forces which they need to build and maintain was stated at the 20th Party Congress by Defence Minister Zhukov as follows: "We are building up the Soviet armed forces on the basic assumption that the means and forms of the future war will differ from past wars in many respects. If a war is unleashed in the future, it will be characterized by a mass use of air power, various types of rocket weapons, and various means of mass destruction such as atomic, thermonuclear, chemical and bacteriological weapons. However, we proceed from the fact that the very latest weapons,

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including even the means of mass destruction, do not diminish the decisive significance of ground troops, of the navy, and of aviation. Without strong ground troops, without strategic long-range and tactical aviation, and a modern navy, and without their well-organized coordination, it is impossible to wage a modern war successfully. Zhukov also makes important statements about the role of air power in future war. He says that "The Central Committee and the Government are devoting special attention to the development of the airforce, as the most important means of insuring our Motherland's superiority." and further he states that "The relative strength of the airforces and anti-aircraft defence troops has considerably increased in the composition of our armed forces." An examination of what has been achieved in the last few years in preparing the Soviet Armed Forces leaves little doubt that a great deal of truth lies in Zhukov's statements.

- (c) Senior military leaders have been propounding through the medium of the press and in speeches the need for a re-evaluation of the importance of "surprise" in modern warfare under nuclear conditions. The reorganization of the Soviet Forces is in itself some indication that military doctrine is undergoing a change and, as an example, there are indications that the High Command is moving away from the concept of "mass" and "centralization".

30. The Army

The third phase, or modernization phase, of the re-equipment and reorganization programme showed a distinct increase in tempo at the end of 1955 and can by now be said to have reached its highwater mark. The first phase of this programme took place in 1946-47 with the establishment of three basic tactical formations, the rifle, tank and mechanized divisions. The second phase involved the motorization of the Soviet Army and was completed sometime in 1953. The third phase commenced in 1954 and is well on its way to completion. There is some evidence that formations in the periphery military districts have had first priority in the re-equipment programme, followed by Groups of Forces in the Satellite countries while interior military districts are last on the programme. The main features of the third phase have been the introduction of large numbers of the new medium tank with increased holdings in establishments, a considerable increase in the number of the heavier artillery pieces with the resultant increase in artillery firepower, and the introduction into line divisions of amphibian tanks as part of the reconnaissance element.

31. It is obvious from available evidence that the Soviet Army has reached or is about to reach an unprecedented organizational peak and the Army is probably now considerably more formidable than it was two years ago. Certainly Soviet planners appear to have achieved their objectives of mobility, considerably increased firepower and a greater capability for dispersion. There is every indication that the Soviet High Command in its military thinking is moving away from the two major features which have hitherto characterized Soviet military doctrine. These are the concepts of "mass" and "centralization", and there has been evidence that in a future war, combat groups (brigade groups and higher) may be employed. In addition officer training has apparently been in large part directed towards inculcating in the Soviet officer the ability to think and act independently. The general trend over the past two years appears to be directed towards fitting the army both organizationally and tactically to meet the conditions imposed by nuclear warfare and existing evidence indicates that considerable progress may have been made in this direction.

32. The withdrawal of Soviet Forces from Austria was completed by mid-September. An unspecified number of troops from Austria appears to have been despatched as reinforcements to Soviet formations in Hungary. At the same time it is believed that some 7000-8000 Soviet troops were distributed to the Satellites of which about 3000 were reported to have been despatched to Germany. This latter group consisted almost entirely

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of specialists and extended service men. Nearly all the Independent Border units have now been withdrawn from East Germany and are believed to have been returned to the USSR. There are, however, possible 3 Or 4 such units still in the Berlin area. These have been withdrawn into the background but so far have not been reported as having returned to the Soviet Union.

33. Despite the announced reduction of the Armed Forces by 640,000 there has been no real evidence to date that this has in fact been carried out. The strength of the forces in Germany remains substantially the same as before and if anything may show an increase of 3000 representing the intake from Austria. The number of defectors has shown a distinct decline in recent months. There is no indication that this is due to any special preventative measures and may therefore indicate a rise in morale. At the same time, there have been reports that more and more conscripts are signing on for extended service.

34. The Navy

During this period the main trends of Soviet Naval policy appeared to remain unchanged. The main offensive power of the Soviet Navy still lies with its considerable and fast-growing submarine force. Surface ships co-operating with the shore-based Naval Air Force provide a strong defensive force. Further logistic support for the Northern Fleet was provided by the transfer of naval auxiliary vessels from the Baltic to the White Sea area. In the Baltic, the Porkkala naval base was returned to Finland, the evacuation of Soviet naval forces being completed by November, 1955. An interesting amphibious assault exercise took place in the Swinemund area on 22nd October, a feature of this exercise was that Polish as well as Russian forces took part, possibly indicating a trend towards closer co-operation between Soviet and Satellite navies. In all areas fleet exercises were continued with a high degree of activity, even in the Baltic during the very severe weather in February extensive exercise activity took place. From analysis of exercises it is apparent that the Soviet Navy is kept in a high overall state of readiness for war. It now appears that with the increase in total strength resulting from new construction, some older ships (including one cruiser and six destroyers) are being placed in reserve: previously it was believed that inactive units comprised only a small number of submarines. In addition, the transfer of ships and submarines to the Chinese Communist Satellite navies has continued, though at a somewhat reduced rate.

35. The Soviet Naval Air Force appears to rank high on the priority list for modern aircraft, and is now largely composed of jet fighters and light bomber types. There is an increasing amount of evidence that Naval Air Force multi-engine jet aircraft are dropping torpedoes and mines from high altitudes. The fitting of Soviet vessels with new types of Russian produced electronic equipment, including radar and Electronic Counter Measures gear, is being continued. The current Soviet efforts to relax world tension were reflected in their naval policy by an exchange of visits between the Soviet Navy and the Royal Navy; there is evidence that this policy is to be continued in 1956.

36. The Air Force

During the period under review intelligence on Communist Bloc air forces indicated a continuing general improvement in air capabilities. The most significant development was the sighting of BISON heavy jet bombers in limited numbers on operational Long-Range Air Force bases in the Soviet Union. These sightings, with the steady re-equipment of Long-Range Air Force units with BADGER medium jet bombers, show a continuation of the trend to improve Soviet long-range strike capabilities. Efforts to improve air defences were reflected in the sighting of increasing numbers of all weather fighter units with FRESCOs, some of which are equipped with an aid-to-intercept radar. Aircraft strength of the Long-Range Air Force increased during the period with the addition of approximately 100 BADGERs and 10 BISONs. The number of BULLs in operational

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use is still believed to have remained unchanged since October 1955. Most units of the Long-Range Air Force are still located mainly in European Soviet Union. the 175 BULLs believed to be in the Southern Maritime District in the Far East are as yet not being replaced by turbo-jets or turboprop types.

37. Developments in the Tactical Air Force during the period continued along the lines of the preceding six months, reflecting a steady increase in fighter intercept capability, largely through the introduction of a FRESCO variant with Aid-to-Airborne Intercept (AAI) radar. This is substantiated further by the sighting of increased numbers of FARMERs and FLASHLIGHTs at some Tactical Air Force airfields. The appearance of BEAGLE jet light bombers painted black suggests a Soviet interest in night reconnaissance and bomber operations. Evidence also continues to indicate that jet fighters and jet light bombers will assume a ground attack role in place of the obsolete BEAST. Approximately 85% of Soviet PVO units are now estimated to be equipped with FRESCOs some of which are equipped with an Aid-to-Airborne Intercept.

38. The number of major airfields, equipped with long permanent runways has increased from 118 to 123, and in addition, there are nine, possibly 23, other airfields under construction or development. Poland continues to remain the most active area of airfield construction, the most significant development there at present being the construction of a very large runway. Only one other runway of comparable size is known to exist in the Sino-Soviet Bloc; it is located at Gross Dolln in East Germany and believed to be capable of handling the heaviest types of aircraft. However, there is no evidence that either airfield has been utilized by heavy bombers. Information, received during the latter part of 1955, revealed that an intensive airfield development was carried out in Southern Ukraine, Crimea, Caucasus, and Kazakhstan area. At least three of the recently observed airfields in that part of the USSR appeared to be capable of accommodating strategic bombers. In late 1955, three air facilities (Tiksi, Mys Schmidta, and Anadyr/Leninka), located in Northeastern Siberia, were definitely identified as major airfields. The reported facilities and installations suggest that these airfields are capable of handling medium and possibly heavy bombers. Together with the previously reported Provideniya/Ureliki, these three additional major airfields bring to four the total number of the potential bomber bases, that are known to exist in the Eastern part of the Soviet Arctic.

39. European Satellite Forces

Although all of the Satellites, with the exception of East Germany, followed the lead of the Soviet Union and announced plans for reducing their armed forces by the end of 1955, to date, no positive evidence is available which indicates that the reductions actually have been carried out. Of all the Satellites, East Germany has been the most active during the last six months. During the latter part of last year, East Germany began taking over the responsibility for policing its borders from the Soviet Union. On the 18th of January, 1956, the East German Government announced the official establishment of a "National People's Army", to consist of land, air, and sea forces, and a "Ministry for National Defence". Subsequently, Deputy Prime Minister Willi Stoph was made a Colonel General and appointed Minister of National Defence.

40. Soviet and Satellite political and military leaders gathered in Prague on 27th and 28th January, 1956, for the first meeting of the Political Consultative Committee established by the Eight-Power Warsaw Pact of 14th May, 1955. In a declaration issued at the conclusion of the meetings, the signatories of the Warsaw Pact:

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- (a) proposed to exclude nuclear weapons from the equipment of any armies stationed in Germany;
- (b) called for creation of neutral zones in Europe, in which the strength and deployment of armed forces would be regulated by mutual agreement;
- (c) proposed the removal or reduction of occupation forces in Germany;
- (d) reiterated the Communist contention that German reunification could be brought about only through direct negotiations between the East and West Germans;
- (e) repeated previous Soviet proposals for a European collective security pact. During the conference East Germany was accepted as a full member of the Pact.

41. Little information is available to date concerning actual allocation of specific forces to the Soviet-Satellite Unified Command. It has been reported that Czechoslovakia has placed six of its fourteen line divisions on a stand-by basis for attachment to Marshal Konev's command. Although information is not available regarding similar action by the Soviet Union and the remaining Satellite States, the potential of these countries is high. The Soviet-Satellite Bloc have over 150 line divisions available which may be considered for allocation to the Unified Command, of which approximately 77 are Satellite line divisions.

42. By the time the field training season of the European Satellite Armies had ended, it was obvious that the level of training reached varied somewhat from that attained in previous years. There is no evidence that the Bulgarian and Czechoslovak Armies tried to conduct manoeuvres on as high a level as in previous years. The East German, Polish and Roumanian Armies, on the other hand, showed some improvement in both the level and the standard of training. The Albanian and Hungarian Armies apparently maintained about the same training levels as in past years. It had been expected that increased attention would be given to training under simulated atomic-warfare conditions. The Commandant of the Czechoslovak Cadet Infantry School stated to a group of visiting Western Military Attaches that training in defence against atomic warfare is now standard and that Czechoslovak forces have atomic weapons. According to available information, however, only the East Germans and Poles conducted this type of training during 1955.

43. The Air forces of Poland and Czechoslovakia continue to be the most important to the Satellite national air forces. There has been an increase in the Polish jet fighter strength and signs of development of a Czechoslovakian light bomber force. The other Satellites are believed to possess a smaller number of BEAGLES. The East German Air Force continues to train with piston engine aircraft, but there are some indications that a limited jet training programme may be undertaken with close Soviet supervision. Soviet forces in the Satellites have replaced most of their piston reconnaissance aircraft with twin and single engine jets. There are no jet reconnaissance aircraft on the establishment of any national Satellite air force.

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II. SOVIET FOREIGN POLICY

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General

44. Soviet foreign policy came into much clearer focus in the five months under review. Thanks to two major events which were the occasion of policy statements, and a number of lesser events which showed Soviet policy in action, we now have a much clearer idea of what the Soviet Union means by peaceful co-existence. We can also see that the new Soviet policy is more than just a short-term tactical shift, that it will probably continue for some time, but that there has been no major change in ideological motivations or foreign policy. While certain aspects of the new policy are to some extent influenced by internal considerations, it has sprung primarily from considerations of broad political strategy in the world conflict.

Geneva Conference of Foreign Ministers

45. The Geneva meeting of Foreign Ministers in October and November, the first major event of the period under review, indicated that the Soviet leaders had no intention of moving toward a settlement of major issues between them and the West. In Europe, the objectives remain the dissolution of NATO, the withdrawal of the United States Forces, and the denial of a unified and re-armed Germany to the Western alliance. Geneva I and Geneva II, but particularly the latter, were concerned primarily with the problems of Germany. Mr. Molotov, whose stubborn personality heightened the impression of intransigence, made the Soviet stand on Germany clear. For the present at least, the Soviet terms for unification are the preservation of the social and economic structure of Eastern Germany within a unified Germany. Realizing that these terms are quite unacceptable to the West, the Soviet Union since Geneva has taken steps to establish the outward signs of East Germany independence by the transfer of "sovereignty", the establishment of diplomatic relations, and permission for East Germany to join the Warsaw Pact. With the transfer of control of travel to East Germany and of all but one check point to the East German Government, the situation in West Berlin is further complicated for the Western Powers. For the present, the Soviet Union seems content to wait in the hope that the movement for re-unification within Germany will lead to re-unification on Soviet terms.

46. Disarmament was on the agenda of the Foreign Ministers' meeting but no further advance was made from the Soviet proposal of May 10, 1955, and Bulganin's modifications at the Summit meeting. The Soviet Union still refused to accept an adequate system of inspection and control. Since then, the subject has been kept open in the Bulganin-Eisenhower correspondence on a treaty of friendship between the USSR and the USA, which suggests that the USSR may still be interested in a limited disarmament scheme. Khrushchev has suggested that the Soviet Union might be ready to agree to certain partial measures such as the cessation of tests of thermonuclear weapons; not to permit troops in Germany to have atomic weapons (essential for the defence of Western Europe given Soviet manpower superiority); and reduction of military budgets (a dubious proposal in view of the ease of hiding Soviet military expenditures under other budget items) and some reduction in conventional armament.

47. In spite of Mr. Molotov's rejection at the Geneva meeting of the far-reaching Western proposals on East-West contacts which would, indeed, have struck at the very basis of the Soviet system, there is no indication that the Soviet Union intends to return to the extremes of post-war isolationism. The USSR continues to promote a controlled programme of contacts within its chosen limits. The primary purpose is to obtain scientific and technical "know-how" from the West to assist in its economic development; but there are the additional propaganda

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advantages of blurring and playing down the major issues dividing the West from the USSR, and presenting the Soviet Union in a favourable light as a reasonable and co-operative country. Scientific delegations have been sent to learn Western techniques; Soviet concert artists are being sent abroad more and more; the Russian Orthodox church is being allowed to renew its contacts with churches of other nations; the Supreme Soviet is making every effort to lure Western and other parliamentary delegations to the USSR and to return the visits; foreign statesmen are flocking to Moscow, and the Soviet leaders are spending much time on goodwill tours abroad.

The Middle East and South Asia

48. The methods by which the Soviet Union intends to extend its influence are best illustrated in the Middle East and South Asia. Accepting the main features of the status quo in Europe for the time being, Soviet attention has been turned in the last five months to those countries lying to the south of the USSR, in the Middle East, South and South East Asia. The most significant new departure is the sale of arms and the offers of economic and technical aid as important instruments of policy. This is indicative of the flexibility and imagination of present Soviet leadership, and the point to emphasize is that economic penetration of the Middle East and South Asia is based not so much on economic as on political motives.

49. The methods of reducing Western influence in the Middle East are varied. Soviet arms shipments to Egypt have exacerbated the Arab-Israeli dispute. It seems unlikely that the USSR would welcome a serious outbreak of hostilities in the area, but encouragement of nationalistic, and anti-Western, feelings suits Soviet purposes well by making the maintenance of Western influence less tenable. When it appeared that Middle East unrest might have the reverse effect and actually bring additional Western troops into the area in accordance with the Three-Power Declaration in February, the USSR reacted strongly and immediately to say that it would consider any such move as of direct concern to the Soviet Union. Soviet offers of economic and technical assistance have likewise reduced Western influence and have put the Arab nations in a position to blackmail the Western powers. The Soviet Union is also attempting to destroy 'the Northern Tier' alliance, which it has effectively jumped by establishing close relations with the key Arab country of Egypt. Iran, Turkey and Pakistan have been told that membership in the "aggressive" Baghdad Pact is incompatible with friendly relations with their northern neighbour. Iran and Pakistan have been offered trade treaties conditional, it is reported, on their withdrawal from the Pact. By all these moves, the Soviet Union is trying to convince the countries of the Middle East that a policy of neutrality will serve their interests better than adherence to the West. It has also made clear to the West that, although it would not want a military showdown in the area, it is not prepared to let the Western nations impose a solution to Middle Eastern problems without taking into account Soviet interests in the area. Meanwhile, the present Arab-Israeli crisis serves its purposes well with very little risk for the USSR.

50. In South Asia, the purpose of the new Soviet offensive has been to convince India, Burma and Afghanistan of the advantages of a policy of neutrality and the possibilities of close relations with the USSR. The most dramatic expression of the new Soviet interest in South Asia was the December goodwill tour by Khrushchev and Bulganin. Soviet subscription to the Panch Shila, denunciations of colonialism, support for the Indian position on Goa and Kashmir fell on receptive ears. But the very fact of the tour by the leaders of the second most powerful nation in the world flattered the Asian nations, and particularly India, which was made to feel that the Soviet Union recognized it as an important nation. The constant references to the material achievements which the

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Soviet Union had made in a scant 38 years also had their appeal to Asian nations emerging from colonial status and struggling on the road to industrialization. The Soviet Union has been at pains to emphasize that it is offering trade, not aid, for it realizes Asian sensitivity to any suggestion of "handouts" from wealthier nations. These measures have gone a disturbingly long way to convince the South Asian nations that the USSR has no aggressive designs upon them and that it can and will assist them in their economic development without the unpleasant financial and political conditions which are associated in the Asian mind with Western aid. There may be some disillusionment if there is a failure to live up to undertakings, but it would be unwise to count on such failure. This is clearly what the Soviet Union means by peaceful and competitive co-existence. Military conquest is not involved and even subversion is not of prime importance for the time, but the object is, nonetheless, by economic penetration and by propaganda and diplomatic means, to win South Asia from the West and to ensure its neutrality.

Twentieth Congress of the Communist
Party of the Soviet Union

51. The 20th Congress of the Communist Party of the Soviet Union has provided a blueprint of Soviet foreign policy for at least the immediate future. In a mood of exuberant self-confidence, the Stalinist hard line was vigorously rejected, to be replaced by the dominant theme of peaceful co-existence between states of differing social systems. Peaceful co-existence between states does not mean that there can be any peaceful co-existence between ideologies, war is rejected as an instrument of policy, but the struggle with capitalism will be pursued by other and more fruitful means. Nor does peaceful co-existence mean that the USSR intends to reduce its military capabilities. These capabilities will not be jeopardized by the demands of heavy industry, of consumer goods or of economic assistance to other countries, though they may be modified in form if a limited disarmament agreement is reached. Meanwhile, Marshal Zhukov emphasized that the Soviet Union has a diversity of atomic and nuclear weapons.

52. The States of the world are placed in a Soviet order of merit, which gives an indication of the kind of pressure which will be brought to bear on them in furthering Soviet influence. It is significant that several of the countries along the periphery of the Sino-Soviet bloc which the Soviet Union is trying to woo are precisely those countries in whose territory are situated some of the United States Strategic Air Command bomber bases. In taking the offensive against these countries, the Soviet Union is doing so not only because many of them are underdeveloped and therefore offer good possibilities for an extension of Soviet influence, but also because they wish to deny the use of their territory to the bomber and possible missile bases of the United States. As for the Western democracies, the Soviet Union will try to enter into bilateral negotiations with them in an attempt to weaken their unity in opposition to Soviet communism.

53. Two important revisions of doctrine were made at the 20th Congress, one on the inevitability of war and the other on the methods of transition to socialism. It has been a Marxist-Leninist premise that, while imperialism exists, wars between the capitalist and socialist powers were inevitable. The Soviet leaders have now revised the doctrine to state, that, while the economic basis for the outbreak of war persists, "there is no fatal inevitability of war". Their reasons for revising the doctrine are the deterrent effect of thermonuclear warfare capabilities and the economic strength of the socialist bloc in contrast with the situation pertaining at the time of Lenin when the Soviet Union was surrounded by a hostile and much more powerful capitalist world. The Soviet leaders are making virtue of necessity in preaching peaceful co-existence and the non-inevitability of war, but this may have a markedly favourable propaganda effect in certain sectors of the Western, and even

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more so of the Asian world where the inevitable war doctrine has been a serious deterrent to co-operation with the Communists and with the Soviet Union.

54. A second major revision of doctrine at the Congress had to do with the possibility of different but valid forms of the socialist state and different methods of arriving at socialism. Previously the doctrine was that all socialist states must be modelled after the Soviet state and that the transition can only come about by revolution. The first tenet was denied in fact by the pilgrimage to Belgrade in May, 1955, and by the position of Communist China within the Sino-Soviet world. The Congress revised doctrine to fit the facts and by so doing put the stamp of orthodoxy on Yugoslav and Chinese Communism. The second tenet made difficult the efforts to form popular fronts, as in Italy and France. It has therefore been revised to say that civil war is not obligatory in all circumstances and that the transition to socialism may come about by parliamentary means, though "acute class revolutionary struggle" will be necessary where capitalism is still strong. It is quite clearly stated that the Communist Party would lead the transition to socialism by parliamentary means and that, once the transformation was achieved, there would be no turning back and no room for differing parties. The model is Czechoslovakia.

55. The Soviet leaders seem to regard the future course of the world struggle with confidence. The leaders have not abandoned their ultimate aims and are confident that the future is theirs. That they have radically changed their methods of achieving this goal is partly a reaction to Western unity and defence preparations in the face of the Communist threat, but primarily a realization of the ineffectiveness of Stalinism. It may not prove the strength of the regime but it could scarcely have been accomplished by a group of men who felt weak or uncertain. Mr. Khrushchev made clear to Mr. Pearson his conviction that in a more peaceful international climate the free peoples will not accept the sacrifices that prolonged defence preparations and competitive economic co-existence involve. The Communists could stand up better to the sacrifices of the long pull and Communist society would, therefore, prove superior to capitalist society. It must be admitted that the new Soviet policy is having considerable success and that, as the basic Soviet aims remain the same, the challenge from the USSR, while changed in character, remains strong and in some respects more dangerous than the markedly aggressive policy of Stalin.

The European Satellites

56. Soviet domination of the political and economic life of the Satellites continues. In spite of the Soviet Union's movement toward accepting the validity of different forms of socialism in different countries, there is little evidence that his precept has been extended to the Satellites, nor that the satellite leaders entertain any Titoist aspirations. They are too dependent on the Soviet Union for the maintenance of their position, and without the popular support which would permit of any independence of action.

57. The 20th Party Congress gave notice that the economies of the Satellites would be even more firmly integrated into the economy of the Soviet bloc, with a more rational industrial specialization by individual countries. The Satellites are being used in the Soviet economic offensive in the Middle East and South Asia and in the effort to trade with Western countries.

58. Somewhat hesitantly, the Satellites are following the Soviet lead in establishing "normal" relations with the outside world. Albania, Bulgaria, Hungary and Roumania were admitted to the United Nations at the last session of the General Assembly. East-West contacts, though on a much more limited scale than those pursued by the USSR, are

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being encouraged, but so far are limited to sports, cultural affairs and trade. The Satellites are making their peace with Yugoslavia, a process which involves painful internal re-adjustments in view of the number of purges for "Titoist activities" which took place in all of them following the Soviet-Yugoslav break in 1948.

59. Internally, the relaxation of the more oppressive restrictions has been less noticeable than in the USSR. Some political prisoners have been released and a few elderly people have been allowed to join relatives in the West partly through Red Cross intervention. Nevertheless, trials of "Western saboteurs" and of people engaged in "anti-state activities" continue. There have been no major government changes in the last five months. Some unwarranted optimism about a measure of relief from Soviet bondage apparently existed among the people of the Satellites prior to the Geneva meeting of Heads of State. Soviet refusal to discuss the Satellites there and events since that conference have dashed these hopes.

Yugoslavia and the USSR

60. In recent months Yugoslavia and the Soviet Union have taken a number of important steps to normalize their relations. With the signing of a protocol on trade in January, it is estimated that trade with the Soviet bloc should not exceed 25 per cent of Yugoslavia's total foreign trade over the next three years, compared with a figure of over 50 per cent in the pre-1948 period. Yugoslavia appears fully aware of the undersirability of allowing itself to again become economically subservient to the Soviet bloc. In addition to the trade agreement, the Soviet Union has undertaken to extend investment credits to Yugoslavia totalling more than \$200 million. Agreements on technical assistance and co-operation in the field of nuclear energy were also signed. Yugoslavia will receive from the Soviet Union the assistance necessary to enable it to construct a reactor which is scheduled for completion towards the end of 1957. Finally, in the cultural field, exchanges of artists and delegations of many kinds between the two countries have been growing in number and have been receiving active encouragement on both sides. Czechoslovakia has also extended two credits to Yugoslavia, one for \$50 million for the purchase of capital equipment and one for \$25 million to be used mainly for the purchase of consumer goods.

61. On the ideological front, the themes developed by the Soviet leaders in their speeches to the 20th Congress of the Communist Party in Moscow have been welcomed in Yugoslavia as evidence of the abandonment of the aggressive tactics of the Stalinist era. This new Soviet approach will do much to foster good relations between the two countries and may well mean a relaxation of Tito's earlier reluctance to discuss the development of inter-party co-operation. A significant indication of the closing of the ideological gap between Yugoslavia and the USSR was provided by Tito's letter of "comradely greetings" to the 20th Congress, which, from the Soviet viewpoint, probably more than compensated for the absence of the participating Yugoslav delegate. There is still no indication that Tito contemplates a return to the Soviet camp, but a definite trend towards a closer alignment of Yugoslavia with the East and a corresponding weakening of its Western connections undeniably exists.

Soviet Penetration of Under-Developed Areas

62. During the period under review, the Soviet campaign of using economic weapons to capture the goodwill of the "uncommitted" or neutral nations emerged as a major aspect of Soviet foreign policy. In carrying out this policy the Soviet Union substantially increased the extent of their participation in international trade fairs, bartered arms for agricultural surpluses, boosted normal trade, extended easy credit for eye-catching projects, offered considerable technical assistance and reorganizaed their own administrative structure to provide for greater control and co-ordination. Although the political achievements of the

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campaign are out of proportion to the credits actually accepted (some \$750 million over a five year period) there is every indication that it can and will be intensified with very little cost to the development of the domestic economies of the Bloc.

63. Indicative of the importance which the Soviet leaders attach to their foreign economic campaign has been the reorganization of the governmental structure concerned with this subject. The Chief Directorate for Economic Relations (GUES), which was established under the Ministry of Foreign Trade earlier in 1955, has become, at least since November, a separate organization. It is now believed to be directly responsible to the Council of Ministers, and is thought to be responsible for the over-all co-ordination of the Soviet programme. GUES appears to have two separate sections dealing with economic relations within and without the Bloc. Two of its Directorates deal with the provision of industrial equipment and scientific and technical assistance. The co-ordination of Satellite trade plans with that of the USSR has been disclosed by East German officials. While the chief trade commitments of the Satellites will be with the Soviet Union and other Bloc countries, they are nevertheless, conducting an export drive with the main emphasis on manufactured goods and industrial equipment, designed at least in part to meet the cost of increasing imports of raw materials and agricultural products.

64. The event which caused the greatest concern in the past year was the conclusion of the Czech-Egyptian agreement providing for the sale of Bloc tanks, jet aircraft, and light naval vessels, estimated to be worth some \$200 million, with repayment to be made mainly in cotton over a period of years. Arms have also been sold to Syria, and there have been reports that Lebanon and Yemen are also negotiating for Bloc arms supplies. Soviet offers of assistance for the construction of the Aswan High Dam have been rejected by Egypt in favour of the Western offer through the International Bank. At the same time, however, Egypt has accepted Soviet assistance for the establishment of a nuclear physics laboratory.

65. On the whole, the Satellites have taken the lead in offering assistance to the Middle East, supplying loans for the construction of complete factories, bridges, shipyards, etc. Poland has secured the contract for the initial development of the Hejaz railway, and it has been reported that a Czech offer to build an oil refinery in Syria, has been accepted. Bloc trade is also increasing with the countries of the Middle East, primarily with Egypt, Syria, Lebanon and Turkey, who have no oil revenues and have to depend on the export of agricultural surpluses. The composition of Bloc exports is also changing with more industrial and construction equipment being exported.

66. The only known sale of arms by the Bloc to countries in Asia is the reported \$5 million worth being supplied by Czechoslovakia to Afghanistan. It is possible that, of the \$100 million credit extended to Afghanistan by the USSR, \$15 million may be for arms. The loan will be used for the development of airfields and roads, irrigation projects and agricultural improvements and is to be repaid over a 30 year period in kind by Afghan exports. In Burma the Soviet Union is building a technological institute promised as a gift by Bulganin and Khrushchev during their visit during December. A similar institute is being furnished to India by the USSR through UNESCO. Bloc trade with South and South-East Asia has also increased. The USSR has agreed to supply India with 1 million tons of steel over the period 1956-58 and to increase imports from India accordingly. By the end of 1955 more than 25 per cent of Burma's exports of rice were being bought by the USSR. Afghanistan's trade with the USSR has also risen considerably since the closing of the Afghan/Pakistan border.

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67. During the period the Soviet Union has made general offers of aid to the countries of Latin America. Offers of increased trade, and economic and technical assistance have also been extended to Liberia, Libya, Ethiopia and the Sudan. The Soviet Union, in its campaign against the Baghdad Pact, has made attractive economic overtures to Turkey and Pakistan.

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III. INTERNAL DEVELOPMENTS IN COMMUNIST CHINA

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Internal Politics

68. Outwardly, at least, the affairs of the Chinese Communist Party have been placid since the Kao Kang purge. The intensive campaign of mid-1955 against unspecified counter-revolutionary elements appears to have died down, but there is still, however, a considerable volume of internal propaganda directed against the intellectuals as a class. Domestic attention and interest is now largely focussed on the accelerated drive to form agricultural producers cooperatives as an intermediate stage in the socialization process.

The Chinese Economy

69. Last July the programme of the regime called for the "semi-socialization" of agriculture (organization of producer cooperatives) to be complete by 1960 and "full socialization" (Collectivization on the Soviet model) by 1967. Since October, however, official announcements have steadily advanced these deadlines until it now appears that the goal of semi-socialization is to be completed by the autumn of 1956 and "full socialization" by 1959 or 1960. If these announcements are true, the pace of socialization in China has been phenomenal. It would mean that about 70 million peasant households out of an estimated total of 110 million will have been incorporated into agricultural producers cooperatives. Based on the failure of the attempted drive toward collectivization in 1955 and on the real shortage of trained overseer personnel to carry out such a programme, it seems probable that a great number of the new cooperatives and collectives exist only on paper. Agricultural production is also to be expanded far in excess of former targets. Gross food production in 1956 is now set at almost 10 per cent higher than the bumper crop in 1955 and some 6 million tons more than the original target set for 1957. Even more startling than the 1956 goals has been the target set in the new twelve year Plan. By the end of the 12-year period annual agricultural production is to amount to some 450 million tons or an increase between 150 and 200 per cent. In view of the almost complete absence of a Chinese farm machinery industry, the small proportion of capital investment being allocated to agriculture, the great shortage of chemical fertilizers and to many difficulties involved in opening new lands, the target set in the Twelve Year Plan is completely unrealistic. The lag between social reform and technical reform (i.e. the mechanization of agriculture) in China is so great that no real increase in agricultural production can possibly take place until the technical reform programme becomes effective. At present the technical reform programme is largely in the blueprint stage. It is estimated that the most likely increase during this period will be 20 to 30 per cent. An increase of at least 20 per cent will be necessary in order to keep pace with population growth, and if increased surpluses are to be available for export, to pay for imports of industrial equipment, then the increase will have to be greater than 20 per cent.

70. As in agriculture, the regime has announced a sweeping speed-up of the industrial programme. The target for overall industrial production for 1956 calls for an 18.6 per cent increase over 1955, and heavy industry is to achieve 99 per cent of the 1957 target. The goals for the energy base have been advanced considerably. The achievements of 1955 do not augur well for the success of these plans. Industrial output showed an increase of 5.4 per cent over 1954 against the originally planned goal of 7.7 per cent. Details regarding the progress of the 1600 major construction projects, or more particularly about the 1956 Soviet-assisted projects, are not available. Nevertheless, the evidence is sufficient to show that a good proportion of the Plan is being fulfilled

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and that this achievement will give China a substantial part of the industrial base on which she can build in succeeding plans. The principal obstacle to the success of Chinese plans continues to be a shortage of raw materials and a shortage of skilled labour particularly at the managerial level.

71. One of the most interesting aspects of this remarkable acceleration in both agriculture and industry is the fact that it has been the result of the personal and sustained intervention of Mao Tse-tung. On 30 July the Congress adopted the time-table reported previously, and on 31 July Mao outlined the new programme to a group of local Party Secretaries. This accelerated programme was not made public until October and it is evident that Mao had considerable opposition to overcome within the ranks of the Party. It is believed that it was also due to Mao's personal intervention that the goals for industry and commerce were advanced. The real reasons for this sudden and dramatic acceleration are not yet full apparent. Undoubtedly political as well as economic motives are involved and it seems likely that internal considerations predominate. The rapid collectivization of agriculture, if successful, would give the Party tighter control of the peasantry. The need for this tight control is evident in that the regime plans to increase the capital resources at its disposal, in the form of agricultural products, for developmental purposes primarily by a process of squeezing the peasant rather than by attempting to increase the investment that would be necessary to improve yields and open new lands. The disastrous results of the Soviet experience in a similar programme do not seem to be deterring Chinese leaders, although it is interesting to note that it appears to be the theoreticians who are supporting the new course.

72. One element in Chinese plans may be a desire to present to Asia a dramatic demonstration of Chinese economic prowess. Chinese leaders must undoubtedly be conscious of the scrutiny which their progress is given by the peoples of South-East Asia. Even partial success in achieving the new agricultural and economic goals will undoubtedly place a considerable demand on Soviet assistance and the Chinese Plan has presumably been discussed in some detail with the USSR. A demonstrated Chinese ability to export quantities of manufactured or semi-manufactured goods to South-East Asia would give a substantial boost to the Bloc campaign of economic penetration in the area.

General Defence Policy

73. Meanwhile, in keeping with trends observed previously, China places the emphasis with its ground forces on consolidation of home defences, including military support of central government authorities in the outlying areas of Tibet and Sinkiang.

74. The strength of the regular Chinese Communist Army is approximately 2½ millions, in addition to the Peoples' Armed Police of 500,000 and a peoples' Militia of 6 to 10 millions. The regular forces are grouped into four Field Armies, The Chinese Volunteer army in Korea, and the North China Field Forces. Major formations include thirty-five armies (105 organic infantry divisions), some thirty-five independent support divisions, and approximately 105 independent support and ancilliary regiments. The disposition of these forces leaves little doubt that China regards the defence of its industrial heart as the primary military problem, with the maintenance of buffer areas in Korea and Vietnam as part of this important concept. Little military strength is disposed over the vast frontiers with the USSR.

Chinese Communist Army

75. Within the Chinese Communist ground forces several trends are noticeable, all in keeping with the general trend over the past several years:

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- a. To provide a better balanced army, though it remains a predominantly infantry force. Improvements have been effected in armour, artillery, paratroop, and amphibious components. Chinese and North Korean training in defensive atomic warfare was observed in North Korea in February 1956.
- b. To provide a better balance between field formations and local defence forces. This is being carried out presumably with the object of freeing the field formations to be capable of rapid deployment to any frontier and, if necessary, beyond certain frontiers such as into Korea and South-East Asia. The trend is characterized by paring from the strengths of the field armies troops formerly earmarked for security and by building up the para-military forces of the Peoples' Militia and of the para-military police (Peoples' Armed Police).
- c. To provide a thoroughly national army as distinct from one drawn largely from certain social strata or from particular regions. The object is to combine maximum military efficiency with maximum support from the people as a whole. In November 1955 the Chinese Central Government adopted the Compulsory Military Service Law replacing the Interim conscription Law of September 1954 and the former "volunteer" system of forces recruiting. The system can be expected to result in a systematic turnover providing a relatively small regular force and large numbers of trained men passing to the reserves while still fit for future service.

Chinese Communist Navy

76. The Chinese Communist Navy have begun increasing their naval exercises both in size and number, exercising almost daily in the Tsingtao area to improve weapon and ship handling efficiency. The small Russian trained naval air force is equipped with Soviet aircraft which include modern FAGOT and BEAGLE jet aircraft. Indications are that the cruiser which was thought to be in Port Arthur for re-arming is now in Dairen. It is still not known when this ship will be operational. The Chinese Communist amphibious potential has been increased by the construction of landing craft in Chinese shipyards.

Chinese Communist Air Force

77. The aircraft strength of the Air Force has not increased to any great extent during the period under review, although it is now probable that at least 3 regiments have been re-equipped with FRESCOS. The air situation in East China, in terms of numbers of aircraft and deployment has remained comparatively stable, and there is no evidence that the coastal airfields opposite Formosa have been occupied. The period has seen a marked increase in air activity in the Formosa Straits area and several contacts have been made between CCAF fighters and Nationalist intruders in day light and at night. All aspects of training in the Air Force have continued at a high level and a marked improvement in the Ground Control Intercept capability has been evident.

Airfield Construction

78. Available information indicates that the airfield construction work in China was mainly concentrated in the Formosa Straits area. The recently reported development of the Huiyang airfield now brings

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the total number of new airfields under construction in the area opposite Formosa to seven; three of these are believed completed and suitable for jet fighter operations. In addition one existing field has been improved at least to jet fighter standards, and there are reports that construction has begun on one other. A certain amount of airfield development has been underway in the Kwantung Province and Manchuria, where the accent appears to have been on the extension of runways to jet light bomber standards. In North Korean reports received during December 1955 indicate that reconstruction was completed at seven major airfields. An additional airfield, currently under construction will bring to eight the total number of airfields presently available for jet fighter use in North Korea.

Road Construction

79. In Chinese road development important progress was noted in areas of economic importance, and in Tibet in urban areas and near the Tibetan-Indian frontier.

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IV. CHINESE COMMUNIST FOREIGN POLICY AND EFFORTS TO EXPLOIT TROUBLED AREAS IN ASIA

General

80. It is now fairly clear that about the time of the Bandung Conference of April 1955, the Chinese Communists deliberately adopted a somewhat "softer" line in foreign policy, and this trend continued throughout the period under review. While there is no reason to suppose that the Chinese objectives of reducing Western (especially U.S.) influence and extending its own in Asia, has been modified, the new line emphasizes political and diplomatic rather than military action. In Southeast Asia, the Chinese Communists continue to have a ready tool for the extension of their influence by non-military means in the extensive communities of overseas Chinese, who tend to direct their loyalty towards whatever government is in power in China. There have been strong indications that the Chinese Communist Government is even prepared to rely on peaceful methods, to extend its authority to Formosa, although this could, of course, reflect nothing more than a realization that they lack the military power to acquire Formosa by force. The new line doubtless reflects also the new policy of "competitive co-existence" with capitalist countries. Even more than the Soviet Union, Communist China needs an international atmosphere which leave her free to concentrate on internal development.

81. In its relations with the Western countries which adhere to a policy of non-recognition, the Peking regime has shown itself anxious to foster semi-official contacts, especially in trade and cultural matters without insisting that those countries take the formal step of recognition. An impressive number of Western delegations and prominent individuals visited China during the period under review, including semi-official commercial delegations from Belgium and France. Sino-Italian trade discussions were also initiated. Denied recognition by individual Western governments, the Peking regime has made a considerable effort to appeal over the heads of those governments to commercial interests. By creating the illusion that the Chinese domestic market would be a virtual Eldorado, the Chinese probably hope to secure the relaxation or abolition of the strategic trade embargo and gradually to break down the general Western policy of non-recognition.

Formosa and the Coastal Islands.

82. The acquisition of Formosa and the coastal islands of Quemoy and Matsu remains a principal objective of Chinese foreign policy. In the Sino-American talks at Geneva, the Chinese representative indicated that while his Government would be willing to renounce force internationally, it could not do so with respect to Formosa, which is held to be an internal Chinese matter. In the course of a statement of Chinese foreign policy on January 30, Chou En-Lai made a strong appeal to the Chinese on Formosa to return peacefully to the mainland. He indicated that a resumption of co-operation between the Communists and Kuomintang would not be out of the question. This appeal, coupled with the fact that force was not used or even ostentatiously threatened during the period under review, probably indicates that the Peking regime is content to rely for the time being on the possibility of the peaceful "liberation" of Formosa. So far as the Offshore Islands are concerned, uncertainty as to what the United States reaction would be is the principal deterrent to a Chinese Communist attack. Nationalist forces on the Offshore Islands have been strengthened and approximately one-third of the army is now concentrated on the islands.

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Macao

83. In October the Chinese Communist Government reacted strongly to an announcement by the Portuguese authorities on Macao that the celebrations would be held to mark the four hundredth anniversary of the founding of the colony. The Portuguese authorities decided to cancel the celebrations and the Chinese Government made no further trouble. The incident did, however, demonstrate the sensitivity of the Peking regime toward the present status in Macao. At no time did the Chinese Government refer to Hong Kóng in the context of its statement on Macao.

Thailand

84. Since some of the restrictions on political expression were lifted in Thailand in December a number of left-wing parties have emerged. Discontent is not at present organized but some leaders with Communist affiliations are now trying to turn their greater freedom to account. Communist influence among Chinese in Thailand, which has been reported recently, has probably existed for some time, but is only now coming into the open. It is alleged that Chinese and Viet Minh agents are active in Northeast Thailand, where there are several dissident groups, including the free Thai movement of Nai Pridi Panomyong, a separatist group led by Tianj Sirikhand, and a Pan-Lao movement. There is also a pocket of Annamese who are under Viet Minh influence. In Southern Thailand the activities of Malayan Communists present a continuing security problem. The control of the Government in Bangkok is not seriously threatened outside these border areas. Nai Tep Chotinchut, leader of the Economists' Party, and other Thais who visited Peking in January and February were arrested on their return. They were quickly released, but it seems clear that the government is prepared to retract its "liberalization" policies if it feels itself threatened.

Malaya

85. The talks between Chin Peng, Secretary-General of the Malayan Communist Party, and the Chief Ministers of Singapore and Malaya, which took place on December 28 and 29, produced no concrete result. The Chief Ministers stated that the Communist insurgents might return to China or resume a peaceful life in Malaya if they would renounce Communism and submit to a brief internment for questioning. Chin Peng refused to accept this condition and demanded recognition for his party so that it might "propagate its ideology". He then returned to the jungle after announcing that the Communists would lay down their arms when Malaya achieved full self-government. When the Chief Ministers returned from London, where he had been promised full self-government by August 31, 1957, if possible, he broadcast an invitation to Chin Peng, to act on this statement. There has so far been no reply. In the meantime the amnesty declared in September 1954 came to an end, and the campaign against the insurgents has been resumed. The large proportion of Chinese in Malaya makes it certain that they will exert a great deal of influence on whatever government is formed.

Laos

86. The Communist Pathet Lao continue to hold the larger portion of the two northern provinces of Laos in defiance of the Geneva Cease-Fire Agreement and the International Supervisory Commissions' recommendations. The operations of the Pathet Lao, who have under arms in the neighbourhood of 5,000 troops, appear to be more directly linked to the Viet Minh than the Communist Chinese, although the Peking press has been showing lately more interest in Laotian affairs. A settlement in Laos at this stage appears to hinge mainly upon a settlement in Vietnam favourable to the Viet Minh, although it is possible that broader considerations of Communist strategy in the Far East, such as endeavoring to win the R.L.G. over to a neutralist policy, may play some part. There

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are indications, however, that Communist China and northern Vietnam might be prepared to sacrifice the Pathet Lao in exchange for a strict policy of neutralism on the part of the Royal Government, including giving up United States military and economic aid. There would seem to be little chance of this happening because, with French aid and influence on the decline, the Royal Government is now almost entirely reliant on United States financial aid. There is a very good probability therefore, that Laos may be actually but not officially partitioned into Communist and non-Communist sectors for an indefinite period. An alternative to this is that the Royal Government may lose patience, as they have frequently shown signs of doing, and attempt to re-take the Pathet Lao zones by force. This could easily have the unfortunate result of bringing the Viet Minh openly into conflict which in turn could lead to SEATO and Chinese Communist intervention with all the attendant dangers.

Cambodia

87. The visit of Prince Sihanouk to Peking in February brought into prominence the probable future relationship of Cambodia with the Communist world. Following the visit Sihanouk stated it was not Cambodia's intention to exchange diplomatic relations with Communist China as this would prejudice Cambodia's position as an adherent of the neutralist bloc. For similar reasons Cambodia is considering, exchanging cultural and economic missions with Communist China and North Vietnam. The Cambodian government's avowed intention of pursuing a strictly neutral policy may be one of the reasons for its increasingly poor relations with the neighbouring states of South Vietnam and Thailand. This may also be a factor in Cambodia's noticeably cooler relations with the United States. Cambodia's bickering with its neighbours provides a fertile field for Communist subversive and propaganda activities. Cambodian ties with India on the other hand appear to be growing stronger with each step taken toward the Indian neutralist camp. An exchange of diplomatic missions with Moscow can probably be expected within the next few months.

Vietnam

88. The Chinese Communist Government showed no tendency during the period under review to disturb the armistice settlement in Vietnam. On two occasions it took diplomatic action in support of the Viet Minh complaint that the South Vietnamese Government was not abiding by the terms of the Geneva Settlement. While maintaining a formally "correct" attitude to the armistice settlement, the Chinese have continued to aid the North Vietnamese through technical and economic assistance and possibly also in the training of their armed forces. They may also have provided the Viet Minh with some war material, although there is little direct evidence of this, the present state of the Viet Minh army suggests that additional war material must have been supplied. The Government of North Vietnam cannot dispense with this support and therefore by must comply with Chinese Communist policy. The Chinese have also maintained a steady flow of propaganda aimed at the South Vietnamese Government and United States policy in Vietnam.

89. The Viet Minh have also maintained an ostensibly correct attitude to the armistice agreement, and have repeatedly made propaganda capital out of the refusal of the South Vietnamese to comply with the political provisions of the Geneva Settlement. The nature of their propaganda has betrayed their growing concern about the increasing stability of the Southern regime, particularly as manifested by the referendum in October in connection with the removal of Bao Dai as Chief of State and the elections in March for a constituent assembly in South Vietnam. This campaign also indicates that both the Viet Minh and the Communist Chinese are aware of the dangers of overt intervention.

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90. Through the period under review the Viet Minh has stepped up its efforts to cultivate the dissident sects in South Vietnam, particularly by providing them with "advisers". Their success in this regard has been offset by South Vietnamese operations against the sects, which have considerably reduced the number and strength of the groups in active opposition to the Diem Government and hence susceptible to Viet Minh pressure. There has been little evidence either way to trained political and military cadres has either increased or decreased.

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APPENDIX "A" to
JIC 183/3 (56)
16 May 1956

THE JIC SEMI - ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOC POLICY INCLUDING COMMUNIST CHINA
(1 October 1955 - 29 February 1956)

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APPENDIX "A"

I. THE INTERNATIONAL COMMUNIST MOVEMENT

Communist Dominated International Organizations

1. The activities of the Communist dominated international organizations in the period under review followed very much the same lines as in the previous six month period. While carrying on all their normal activities in support of Soviet foreign policy, they made a special attempt to interest non-Communist organizations in various schemes for "united action". In general the Communist front organizations, in spite of their more flexible methods, met only with rebuffs in pursuing these tactics.

2. The Executive Board of the International Confederation of Free Trade Unions (non-Communist) at a meeting in December 1955 passed a resolution concerning exchanges with unions belonging to the World Federation of Trade Unions (Communist). The resolution stated that "the Communist dictatorships: seek such delegation exchanges for the purpose of winning moral respectability and legitimacy for their state company unions", and went on to recommend that "no free trade union organizations should exchange delegations with any country which denies its people the fundamental human rights specified in the Charter of the United Nations". This resolution was bitterly attacked on Moscow radio and attributed to "reactionary American labour" leaders who lead the I.C.F.T.U. The World Federation of Trade Unions suffered another setback when the Austrian Government expelled its headquarters from Vienna on February 10, 1956 on the grounds that the organization had exceeded the limits set by its own statutes and had jeopardized the interests of the Austrian state. It is still not known where the new headquarters will be located, but there have been rumours that the W.F.T.U. might establish itself in either Rome or Cairo.

3. The Communist controlled World Federation of Democratic Youth (W.F.D.Y.) continued its "struggle" for contacts with other youth groups. Its Secretary-General said in November that the next World Congress of the organization would consider amending its statutes to permit "limited affiliations" by some organizations which "are interested in specific aspects of W.F.D.Y. activity...without in any way wishing to accept the programme as a whole". No examples were given of the organizations interested in such contacts. The other Communist youth organization, the International Union of Students pursued its efforts to interest other groups in a "Conference of Cooperation" to be held in the spring of 1956. It hoped to hold the meeting in Switzerland but the national organization of Swiss students has refused to be drawn into any such project.

4. An interesting definition of the role of front organizations was given in an article in the Cominform Journal in January. The First Secretary of the Japanese Communist Party said that "these mass movements and organizations are transmission belts for our Party in establishing its links with the multi-millions masses and are simultaneously a school of the national liberation democratic revolution". He criticized those who desire "to compress every mass independent movement and mass organization into narrow Party confines". He warned that "Victory in the revolution cannot be won by the forces of the Communist Party alone". He pointed out that the "international and internal situation has recently changed in our favour "but up to now we have not been able to make adequate use of these favourable conditions".

5. Apart from public statements there were indications from secret sources that the international front organizations were re-assessing their tactics. The World Federation of Trade Unions, for example, was reported

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to have instructed "trade union internationals" under its control to concentrate more on specific problems affecting the interests of the free countries; on specific problems affecting the interests of the workers, rather than on world political issues; and to devote a large part of their resources to the extension of work in new areas and to propaganda.

Communist Parties

6. The most important development in international Communism during the period under review was the Twentieth Congress of the Communist Party of the Soviet Union. It was made clear that "peaceful coexistence" between states did not imply coexistence between ideologies. Instead, a rejuvenated Communism, based largely on the techniques of Lenin, rid of Stalinist accretions and errors, and supported by that large part of the world which had chosen socialism, was to press its attack against capitalism, reformism, and all other erroneous ideologies. In doing so the Party was to use more flexible and realistic tactics. The transition to socialism need not always be accompanied by violence. Action through parliaments could lead to genuine socialism, and genuine socialism could assume different forms, for example, the Soviet Union, China and Yugoslavia were following somewhat different paths to the same goal. Although maintaining their ideological purity, the branches of the Party could cooperate with other working class parties for specific purposes and in order to exploit the contradictions among capitalists.
7. In the months preceding the Congress the various branches of the Party were working out some of the tactics the ideological correctness of which was confirmed at the Twentieth Congress. It is difficult to single out any one line of policy as the dominant one for all countries because while the Party in one country was emphasizing its intransigent revolutionary nature, the Party in another was emphasizing its role as a reasonable opposition party, loyal to national interests and constitutional procedures. In most countries, however, during the period under review the Party was manoeuvring itself toward a position in which, relieved to a large extent of the encumbrance of Stanlin's errors and of identification with the day-to-day moves of the Soviet Union as a state, and carrying the banner of a purified revolutionary faith, it could lead a leftist coalition (a "united" or a popular" or a "single" front) to power.
8. In the election in France at the beginning of the year the Communists obtained their usual 25% of the popular vote. They did however gain about 50 seats, and could watch with satisfaction the move of the political centre of balance to the left. In the months preceding the election the Communists strove for a "front unique" with the Socialists and Radicals, by putting forward apparently reasonable suggestions for cooperation and by appealing to rank and file members of these parties on a local level. Some strikes in which the Communists played a prominent part helped to bring about this united action, and protest meetings and agitation among the families of men conscripted for military service in North Africa also served the Communist cause.
9. In Italy the Party had difficulties arising from resignations of Party members and declining popular support in some of its strongholds. Togliatti took care to emphasize that international relaxation of tension did not mean any slackening of the class struggle or any postponing of the advent of socialism. At the same time the Party, sought wider political and social cooperation among all popular forces in search of an "opening to the left". Apparently the left wing of the Party had its doubts about the balance struck by the present leaders between "hard" and "soft" tactics. This internal uncertainty will probably hamper the Party until the directives of the Twentieth Congress are harmoniously adjusted to Italian political problems.

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10. In Greece, Communism secured a useful foothold in February when a coalition, the Democratic Centre, which included the EDA (actually Communist) Party, considerably reduced the strength of the Karamalis Government in the general elections. Since one of the plans of the coalition was a partial amnesty for Communist prisoners from the civil war period, this fact and the inclusion of the EDA in a "loyal opposition" marked an important step towards the rehabilitation of the Communists.
11. In West Germany there were continuing reports of apathy and discontent amongst Party members confronted with the extremely difficult task of selling Soviet policy on Germany. No decision has been taken about banning the Party although the members are apparently prepared to go underground. There were some disturbing reports of Communist trade union elections in West Germany but it appears that these were more the result of adept manoeuvring than any increase in popular support among the workers.
12. In general throughout Asia there were Communist moves towards "popular fronts" with leftist groups, as in Europe with the difference that this tactic had to be combined with "national" policies opposing the Western imperialists. In Indonesia a series of elections in the fall of 1955 indicated that the Communists had made a considerable recovery since 1948 by gaining about 20% of the popular vote. In spite of careful manoeuvring, however, the Communists were unable to make arrangements with any of the other parties in order to gain a coalition government. In India the Communist Party attitude towards the Nehru Government stiffened a good deal early in the fall of 1955 as a reaction to almost complete support for Indian foreign policy and limited support for domestic policy earlier in the year. The Bulganin-Khrushchev visit put the Party in an awkward position again particularly with regard to its public attitude towards Nehru. On the other hand the visit obviously did a good deal to popularize the party with which the Communists were identified. There were reports that the Indian Communists had been told by their Soviet masters to bide their time while the Soviet Government reaped some long range advantages for Communism from its friendly gestures, its economic aid, and its encouragement of India's "neutralist" foreign policy.
13. In the Middle East, the Party appeared to gain ground in Syria, but in Israel it was faced with the awkward problem of Soviet bloc military aid to the Arabs. In the rest of the Middle East there were no new developments but increased Soviet bloc interest in the area and aid to individual nations would undoubtedly strengthen local communist parties. In Latin America, promises of Soviet aid indicated new openings in the future for branches of the Party. The main tactical effort during most of the period under review continued to be the formation of "democratic fronts of national liberation" directed against United States "imperialism". In Brazil an election brought into power a party which the Communists had supported, but there are no clear indications as yet of what this will mean for the future of the Communist Party which remains illegal. In the Argentine the Communists were apparently doing their best among the wreckage of the Peron regime to take over leadership of the Peronist workers.

Soviet Intelligence Services

14. Further developments in the case of the former United Kingdom Foreign Office officials, Donald Maclean and Guy Burgess attracted a good deal of public attention in the period under review. The White Paper issued by the United Kingdom Government was the subject of a debate in the House of Commons on November 3, 1955. The debate dealt primarily with security precautions in the Foreign Service rather than with the activities of Soviet intelligence authorities in recruiting these two men. On February 11, 1956, Burgess and Maclean gave an interview to the press in Moscow, thus revealing publicly for the first time their presence behind the Iron Curtain. They claimed that "neither of us have ever been Communist agents" but that they

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had seen "some chance of putting into practice in some form the convictions/we have/ always held". They hoped to "work for the aim of better understanding between the Soviet Union and the West".

15. Various reasons were suggested for the action of the Soviet authorities in having Burgess and MacLean make this appearance. The United Kingdom Foreign Secretary, Mr. Selwyn Lloyd, mentioned two views, that the interview was intended to "clear the air" for the planned visit of Khrushchev and Bulganin to the United Kingdom, and that it was intended to create distrust between the United Kingdom and the United States. He did not express any strong conviction as to the likelihood of either theory being true but he pointed out the "consistent lack of candour of the Soviet authorities in their statements about these men".

16. The research information about the Soviet Intelligence Services received during this period tended to underline the diversity of Soviet tactics in extending networked based on "legal" and on "illegal" residents. In the previous Review reference was made to the use of Tass agents revealed in the Petrov hearings. We have learned since then from other sources that the Committee of State Security (the KGB) sends a certain number of its agents through the Institute of Journalism to render them better fitted for carrying out intelligence work on Tass correspondents. Apparently intelligence contact with the headquarters of the World Peace Council in Vienna has been maintained through agents who are there as Tass correspondents. People active in the Council are used rarely for intelligence work themselves to avoid compromising the political work of the organization.

17. While all "legal" channels are being exploited carefully, there is information that great emphasis is also being placed on building up "illegal" agent networks. Although it is very much more difficult to establish these "illegal" residents, the networks based on them are very useful in producing information concurrently with the other network and in preparing for any emergency which might dissolve the network based on a "legal" resident.

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II. COMMUNISM IN CANADA

General Review

18. The most significant event affecting Canadian Communists during the past six months was, of course, the Twentieth Congress of the Communist Party of the Soviet Union. The initial reaction to the denunciation of STALIN as revealed in the Labor Progressive Party (LPP) press was one of extreme uncertainty culminating in a decision to "pass the buck" to BUCK who was scheduled to return to Canada late in April fully informed on the new Moscow line. Since, however, comment on so vital an issue could not long be deferred, Party officials in Canada, bolstered by the content of speeches made by leaders of other Communist Parties and later by a letter written by BUCK, himself, from Moscow, took a stand whereby undue stress on the extent of the denunciation was deprecated and full credit given for the Bolshevik "virtues" of criticism and self-criticism. The obvious query as to why the current Soviet leaders and their Canadian Party counterparts were taken in by the STALIN myth is not, of course, convincingly answered, attention being directed instead to other, less incriminating aspects of the Congress.

19. The theme of "Peace" with the usual Communist play on disarmament, the banning of nuclear weapons tests or the encroachment of the American imperialists remained high on the propaganda list. The extensive travels of Dr. ENDICOTT, chairman of the Canadian Peace Congress, indicate the importance the Canadian Communists attach to this particular tactic.

20. Demands for recognition of Red China and for increased trade with the Sino-Soviet bloc also continue to figure prominently in Communist propaganda. Of particular interest in this respect, although not directly tied in with the Canadian Communist movement, is the recent formation of the International Trade Association whose origin is suspect even though its directors are reputable Canadian businessmen.

21. It is not possible to determine whether or not the position of Communists in Canada has been strengthened during the period under review, especially since the reaction of most Communists and sympathizers to the "unpleasant" aspects of the Twentieth Congress is unknown. Despite losses incurred by repatriation to Soviet-bloc countries, particularly the USSR, a slight increase in membership, at least of that in the Labor-Progressive Party, has been observed. It is quite possible that there has also been a slight increase in subscriptions to the Party press. In addition, two Communist-controlled companies have become agencies of Intourist with whatever contribution this may make to Russian Intelligence Service activity in Canada. Little or no activity, however, has been observed for the LPP Commission on Latin-American-Canadian Cooperation which was to provide a "solid basis for unity between Canada and Latin-America directed against the imperialist policies of the U.S."

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Twentieth Congress of the CPSU

22. Tim BUCK, national leader of the LPP, and Stanley RYERSON, its organizational secretary, were fraternal delegates to the Twentieth Party Congress in Moscow. BUCK gave a short address to the Congress in which he greeted "the great heroic people of the Soviet Union on behalf of the peaceloving Canadian people" (prolonged applause) and then proceeded to expound the familiar LPP theme that "the only real, external danger threatening Canada at the present time is from the American imperialists and their mania to dominate the world". BUCK, who was reported to be undergoing medical treatment in the USSR, is scheduled to address a May Day Rally in Toronto and should by then have dispelled some of the confusion still reigning in Canadian Communist circles as a result of the parent Party's recent denunciation of STALIN.

23. Canadian Communist press reaction to this aspect of the Twentieth Congress was long delayed, so long, indeed, that the Canadian Tribune (LPP weekly) was criticized in Party circles for its tardiness in providing editorial guidance on the subject and for failing thereby to allay the discontent evident even for some of the high-ranking Party members. Full accounts of many of the Twentieth Congress speeches had on their own admission been available to Canadian Communists prior to the first editorial comment in the Tribune, an excerpt of which is given here as an indication not only of the stunning blow given the local Communists by the condemnation of STALIN but also of the almost natural reaction on their part to defer interpretation of crucial events until the proper line is received from Moscow:

Naturally, some of the disclosures have come as a shock to many people to whom Stalin was, as we in Canada have always assumed, the embodiment of the collective leadership of the CPSU

Fortunately for all interested Canadians, the national leader of the Labor-Progressive Party, Tim Buck, attended the 20th Congress as a fraternal guest. Mr. Buck....will upon his return be able to bring Canadians a first-hand account of the 20th Congress proceedings and decisions.

The process of evaluation at the Congress, which is continuing in the Soviet Union, will be studied by Marxists throughout the world as more facts become available.

But, lacking such authentic information and texts, we deem it unwise to indulge in speculation or the drawing of hasty conclusions.

24. It must have become quickly apparent that discussion of such a resounding issue as the Twentieth Congress, particularly the denunciation of STALIN, could not be deferred until BUCK's return or even until word was received from him in Moscow. The educational director of the LPP, Norman FREED, conducted an all-day seminar in Toronto which was to be the prototype for other seminars across Canada and which had as the basis for discussion the reports of the Twentieth Congress. Many leading LPP members took part. Leslie MORRIS, LPP national organizer, found it necessary to reply via the Tribune to questions, doubtless rhetorical, posed by Canadian non-Communist newspapers pertaining to the downgrading of STALIN. Sure in his own mind only "that the Soviet Union has built a socialist society and is advancing to communism, when each citizen will receive according to need" and otherwise very much on the defensive, MORRIS declared that "the contribution made by

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STALIN to the victory of socialism in the USSR is acknowledged and will continue to be given its rightful place". He also declared that "only good can come out of the application of the Communist principles of the open recognition of errors. The usual capitalist party principle is to cover them up".

25. This leaning over backwards to be fair to the memory of STALIN (thus justifying in part one's own adherence to the STALIN cult and constituting, perhaps, latent criticism of Soviet policy in this regard) while at the same time extolling the virtues of a "frank and honest exposure" of his shortcomings was present not only in the comments made by several Canadian Communists but also in the reports on the Congress published in the Tribune and attributed to the leaders of the British and Italian Communist Parties, POLLITT and TOGLIATTI respectively. The Canadian Communists, through POLLITT, also made some attempt to explain "how the past difficulties could have arisen and why the period they covered was so long" but it was left to BUCK to give what might be termed an official though ineffectual view on the subject.

26. In his Moscow letter under the caption "How Could it Happen?", BUCK declared that:

Those who might be tempted to remark that the members of the Central Committee who were members during that period were equally responsible with Stalin, should stop and think before saying it. The necessity to maintain the unity of the CPSU in the days which preceded the war, during the war, during the postwar period and immediately after Stalin's death, was an absolute imperative. In those conditions and taking into account the long-established personal authority of STALIN, it is clear that correction had to wait the necessary conjunction of circumstances.

However, even BUCK must have realized that the answer was not satisfactory for he states elsewhere in the letter that "the definitive answer to that question would undoubtedly come out of the systematic study, and where necessary, correction, of materials and records the Congress instructed the Central Committee to undertake". In other words, the Canadian Communists, as always, would await the correct line from Moscow.

25. Nettled by this too-glaring exposure of their subservience to Moscow, the Canadian Communists tried to regain their aplomb by emphasizing that in at least one respect - the LPP program - they had anticipated the resolutions of the Twentieth Congress but even here, as exemplified by BUCK's letter, LPP braggadocio was tempered by the usual LPP respect for Soviet authority:

"A number of people, including of course those who write solely to suit their capitalist employers, will probable seize upon that far-reaching contribution to claim that the Labor-Progressive Party will now advocate parliamentary action for the advance to socialism" on the instruction of the Twentieth Congress of the CPSU". To arm honest champions of peace and socialism against such deceptions, and bring the truth to uninformed people who may be confused by it, the following must be emphasized:

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The essentials of the estimation submitted by Khrushchev and re-affirmed in the Congress resolution were included in their entirety in the report of the National Executive of the LPP to the sessions of its full National Committee in February, 1952. It can be read today in National Affairs Monthly for March, 1952.

Our analysis was not so well stated, but its political content corresponds exactly with the masterly analysis submitted by Khrushchev. The conclusions embodied in the splendid new LPP program, "Canadian Independence, People's Democracy and Socialism" also correspond with the conclusion drawn by the Twentieth Congress and embodied in its political resolution.

The proceedings of the Congress provide a striking affirmation of the correctness of the LPP's estimation of the change in class political relationships since the war and of the correctness of the line of the party's program."

The Canadian Peace Congress

28. Although the signature campaign conducted by the Canadian Peace Conference in support of the "Vienna Appeal" continued for some time after the Helsinki meeting of the World Peace Assembly in June, 1955 (123,399 Canadian signatures were said to have been obtained), most of the "peace" activity during the past six months has been confined to the ubiquitous Dr. ENDICOTT and his efforts to capitalize in the name of peace on the so-called Geneva spirit. In mid-October he attended a meeting of the World Peace Council Bureau in Vienna and then in early November in Toronto he presided over the Canadian Forum for Peace at which some 1500 delegates were present. In December ENDICOTT went to Helsinki to attend a special meeting of the World Bureau at which it was decided to convene the World Peace Council in April 1956 to discuss disarmament and the prohibition of nuclear weapons. Before returning to Canada ENDICOTT attended the First Italian Peace Congress in Rome. In March the National Council of the Canadian Peace Congress with ENDICOTT as chairman held a two-day conference in Toronto. One of the items discussed was the procedure to be followed by the delegation which immediately afterwards left for Ottawa to try to persuade Members of Parliament and other Canadian government officials to back appeals for disarmament and the banning of nuclear tests. Those unable to make the trip were urged to contact their M.P.'s by letter. ENDICOTT left Canada again late in March to attend the special disarmament meeting of the World Peace Council in Stockholm, 5-9 April. In October 1955 the Canadian Peace Congress commenced publication of a pocket-size magazine, Horizons, to replace its previous periodical, Peace Review. The new publication is part of a world-wide project in peace journalism with most of the material being received from its Communist-controlled namesake in Paris.

East-West Trade

29. The Communist-controlled East-West Export and Import Co. Ltd., of Vancouver has apparently not been successful in attempts to promote the sending of a delegation of Canadian businessmen to China. This

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project has now been undertaken by a new body, the International Trade Association, which has applied for Federal incorporation. While the Association is expected to be directed by reputable non-Communist businessmen, it is known that important Communists are trying to guide it. Two other Communist-controlled trading companies, the M & M Trading Co. of Montreal and the World Trading Corporation of Toronto, have for all practical purposes been abandoned. This suggests that the Communists are relying almost entirely on the International Trade Association to promote interest in East-West trade among Canadian businessmen.

Intourist Activity in Canada

30. The Communist-controlled Ukrainian Book, a Toronto firm established in February 1955 as a wholesale house for Ukrainian-language literature in Canada, has signed an agreement with the All-Soviet Joint Stock Company, Intourist, to forward parcels directly from Canada to the Soviet bloc. The Ukrainian Book collects mailing charges and duty on the goods involved and also sells merchandize to be used in the parcels, about 150 of which are cleared daily. The January 1956 remittance to Intourist amounted to \$16,000 which would indicate that the total business involved is considerable. At least one Communist-controlled travel agency, Overseas Travel Limited in Toronto, has signed an agreement with Intourist. Agencies like the Ukrainian Book and Overseas Travel Limited could contribute to Soviet Intelligence activities in Canada and at the same time swell Party coffers.

LPP Plan of Work - Membership, Subscription Trends

31. In the Plan of Work put forward at the LPP National Committee meeting in August 1955, considerable concern had been expressed over the decline in the rate of growth of Party membership and the low level of subscriptions to the various Party publications, especially National Affairs Monthly, the LPP theoretical journal. There is some evidence that the LPP has had a small measure of success in its attempt to take advantage of the Geneva spirit for in the last quarter of 1955 Party membership increased by about two per cent and, although, there was not necessarily any significant net gain in subscriptions, a considerable number of new subscribers was reported.

32. The LPP has shown some concern over a possible drop in Jewish membership owing to the Soviet-bloc sale of arms to Egypt and other Middle East countries. Both the activities of a Jewish sub-committee formed as an advisory body to the LPP and the tour of the western provinces by the National President of the United Jewish People's Order (UJPO) are indications that considerable effort is being made to explain the Communist line in regard to the Middle East. Special discussion groups were also conducted by the UJPO in the various centres but the proposed supplement in Yiddish and English to its press organ, Vochenblat, was apparently not published. It is possible that the pressure on the LPP regarding any drop in Jewish membership would have been eased somewhat both by the revelation of Western arms deals with the Arab states and by the denunciation of STALIN and whatever refutation it may entail of anti-Semitism.

33. Stress on increasing membership was also indicated at the Seventh National Convention of the Communist-controlled Association of United Ukrainian Canadians held in Toronto in February. Included in the program outlined at the Convention (attended by 148 delegates including three from the United States and addressed by one of the two Soviet Embassy officials present) was a campaign to gain one thousand new members by 1957.

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JOINT INTELLIGENCE COMMITTEE

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MEMORANDUM FOR THE JIC:

Soviet Drifting Research Stations

MAY 22 1956

1. May your copies of JIC 176(56) dated 5 Apr 56, on the above subject, be amended as follows:

- (a) Title - to read "Soviet Drifting Research Stations".
- (b) Para. 1, line 6 - Change "Canadian waters" to read "waters within the area which is sometimes called the Canadian sector".

J.C. McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

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c.c. JIS

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DEPARTMENT OF NATIONAL DEFENCE
Joint Intelligence Committee

17 May 56

G.G. Crean, Esq.,
Dept. of External Affairs.

Soviet Economic Penetration

1. In accordance with the decision reached at the 489th meeting, attached are 17 copies of JIC 181/1(56) dated 11 May 56, for distribution as follows:

(NATO and Embassy)
Missions in Paris, New Delhi, Karachi, London and Washington. (also sent to Perm, Belm, and Moscow)
Bank of Canada,
Department of Finance,
Department of Trade and Commerce.

DONE
may 25/56
mwc

(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

Enc. (17)

JCM/2-5459/ff

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NO. CSC 7-17 (JIC)

Department of National Defence

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JOINT INTELLIGENCE COMMITTEE

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✓ G.G. Crean, Esq.,
Dept. of External Affairs.

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Soviet Economic Penetration

1. Attached for information is a copy of JIC 181/1(56) dated 11 May 56, on the above subject, which was approved at the 489th meeting.

16 MAY 1956

J.C. McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

Enc.

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c.c. CB NRC
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Case 9-71 (SIC)
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JIC 181/1(56)
dated 11 May 56

SOVIET ECONOMIC PENETRATION

OBJECT

To examine the nature and extent of Soviet economic penetration in the under-developed areas of the world, and to assess its significance.

SUMMARY AND CONCLUSIONS

1. The Soviet Bloc has embarked on a campaign to extend its influence in the under-developed areas of the world. One of the principal weapons in this campaign is economic.
2. The campaign was considered as long ago as 1951, but only got into full swing in 1955. Although still in its early stages, the programme is well planned, co-ordinated and expanding. It is world-wide in scope, highly selective and opportunistic, and designed primarily to further political objectives.
3. The offensive was directed initially at South and South-East Asia and selected countries of the Middle East, but more recently it has spread to Latin America and Africa, and countries such as Yugoslavia, Turkey and Pakistan. So far, the greatest concentration of effort has been in the uncommitted nations of India, Burma, Afghanistan, Egypt; but approaches have been made to committed countries such as Pakistan and Turkey in order to foster "neutralism" and to frustrate Western attempts to construct military alliances about the periphery of the Soviet Union.
4. The programme affords economic as well as political advantages to the Soviet Union. With an expanding capability to export capital goods and an increasing requirement for raw materials, the USSR is in a unique position to take advantage of the economic problems confronting the under-developed countries.
5. The Bloc offensive is essentially a drive for expanded trade, supplemented with long-term, low-interest credits to finance industrial development and technical assistance (and additionally, in the Middle East area to finance the export of arms). The number of trade agreements concluded by the Bloc with the under-developed countries has increased ten-fold since 1952.
6. The Soviet Bloc offers of credits are designed not only to foster trade, but to place it on a continuing basis. Credits rather than grants are the principal form of assistance, both to increase the economic advantage to the Bloc and to overcome the reluctance of the recipients to accept gifts or "charity".

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7. Total credits proffered by the Soviet Bloc as at April 1 are of the order of \$1 billion, while acceptances so far (to be used over a period of some five years) approximately \$750 million (e.g. Egypt, \$200 million for arms purchases; Yugoslavia, \$300 million for developmental and commercial purposes; India, \$115 million for steel mill equipment; Afghanistan, \$120 million).

8. The programme imposes little strain on the economies of the Bloc. The USSR can steadily enlarge its efforts without undue diversion of resource, without creating any real dependency on imported materials or abandoning its general policy of economic self-sufficiency.

9. A key aspect of Soviet penetration relates to the provision of Soviet engineers and technicians for specific developmental projects, the staffing of several research and technical institutes, and the provision of facilities in the USSR for the training of students, technicians and engineers from the under-developed areas.

10. While the Bloc programme to date is largely in the offer and promise stage, it poses a long-term economic, political, and strategic threat to the Western nations. It will tend to restrict the trading opportunities and affect the economic stability and development of those Western nations greatly dependent on expanded trade; but what is more serious, it may provide the Bloc with opportunities for political subversion.

DISCUSSION

The Background of the Programme

11. Although the development of Soviet trade relations with the West has been governed traditionally by the long-term objective of economic self-sufficiency, this policy, during the period of "co-existence and peaceful competition", does not imply an absence of trade, but only in the long run the minimization of the need of the economy for such trade. Foreign trade has been fostered whenever it was considered to be an effective instrument for the promotion of Soviet industrial growth, or for the attainment of specific foreign policy objectives.

12. In the pre-war period, Soviet foreign trade was mainly an essential expedient for speeding industrial expansion; and in the early post-war years was additionally employed for the political and economic domination of the Satellities, and for the formation and consolidation of Stalin's enunciated Communist Bloc parallel world market.

13. In more recent years, Soviet Bloc trade has become an increasingly important political weapon, not only for the strengthening of Bloc ties, but for the extension of influence outside the Bloc. The decision to launch this new phase in foreign trade was considered, if not actually taken, sometime prior to the death of Stalin. Preparations were apparent as early as 1951 and, propaganda-wise, were highlighted by the Moscow International Economic Conference in April 1952.

14. In an attempt to exert pressure on the West to relax trade restrictions, and in an effort to enlist world-wide support for enlarged trade in the interests "of world peace and higher standards of living", the USSR made grandiose offers to the capitalist world. In addition, the USSR proclaimed itself as a sponsor of economic aid

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to the under-developed countries. It promised to provide a favourable and stable market for the primary products of the under-developed areas, and to ensure a steady flow of machinery and industrial equipment for their industrialization. For its part, the Soviet Union declared itself prepared to supply machines and equipment to the value of 3 billion rubles (\$750 million at the official rate of exchange) to countries of the Middle East and South and South-East Asia in the subsequent two to three years. Of special appeal was the promise to accept payment in raw material surpluses or in local currencies. At the time, however, no mention was made of long-term credits.

14. In the next three years, the Soviet Union (and the Sino-Soviet Bloc) took a conspicuous part in various trade fairs, particularly in the Middle East and Asia, and sent numerous delegations of trade and technical experts to the capitals of under-developed countries. New trade agreements, some of them long-term, were signed with such countries as India and Egypt.

16. By 1955 the programme of trade and aid had got into full swing with the accelerated extension of trade agreements and with the offers, on favourable credit terms, of capital equipment and technical assistance.

17. In order to facilitate the expansion of trade and the improvement of economic relations with foreign countries, a new organization was set up in Moscow early in 1955. This organization, called the "Chief Directorate for Economic Relations", was originally under the Ministry of Foreign Trade, but it is now thought to be directly responsible to the Council of Ministers, -- evidence of the increased importance attached to foreign economic operations at the policy-making level. GUES, the abbreviation by which it is known, is also in charge of the provision of technical assistance abroad.

18. Several factors have undoubtedly motivated the Soviet regime to embark on the present policy of economic penetration in the under-developed areas: the acceptance of the fact that the two leading powers have reached a nuclear stalemate and that if further gains are to be made they would have to be by other means - political, economic, subversive; the belief that the Soviet Bloc is now strong enough to compete with the capitalist countries, and the self-confidence that in such a competition the "historic superiority of socialism" will be established and that the communist system will accomplish its purpose without resort to nuclear war.

19. The timing of the present trade offensive is also greatly influenced by the changing structure of the Soviet economy. Until the last year or so, Soviet foreign trade was characterized by a high proportion of raw materials exports, such as grain, manganese and timber; but in the light of the rapid growth in manufacturing and engineering industries, the general lag in food production, and the increasing requirement for raw materials, the post-Stalin leadership, realising the opportunities that presented themselves to gain an economic foothold and extend political influence in the under-developed countries seeking to industrialize, has introduced to some degree a reversal of the pattern of trade by making available capital goods for export, and by importing more raw materials.

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The Nature and Extent of the Programme

20. The Bloc economic offensive in the under-developed countries is essentially a drive for increased trade, supplemented with credits and generous credit terms to finance industrial development and technical assistance.

21. The aggressive extension of trade agreements, the offering of liberal credit arrangements for commercial and developmental purposes in selected and vulnerable areas, the opportunistic exploitation of local economic situations, the heavy expenditures on trade exhibits, publicity and propaganda, and the global nature of the advances reflect the importance that the Bloc attaches to the programme. It is designed not only to win prestige and influence for the Bloc, to publicize the accomplishments of the Communist system in industrial and technological development, but to influence political alignment, to neutralize Western influence, and to undermine the Western political-military alliances in areas adjacent to the Bloc.

22. The greatest attention so far has been paid to peripheral countries such as Yugoslavia and Afghanistan; to Egypt and Syria in the Middle East; to India, Burma, and Indonesia in South and South-East Asia, and to Argentina in Latin America. With the exception of the special arms deal with Egypt, the major credits so far have been extended to Yugoslavia, Afghanistan and India -- largely to finance capital goods exports to these countries.

23. On the basis of developments to date, the main features of the economic offensive involve the following aspects:

- a. A concerted drive to expand the volume of trade and to extend the number of trade agreements;
- b. The offering of long-term low-interest (usually 2 or 2½ per cent) credits of a commercial nature to finance exports of industrial products or manufactured consumer goods, and of a developmental nature to finance equipment for industrial installations and technical assistance;
- c. The acceptance of surpluses of food, raw materials and local currencies in repayment for capital goods;
- d. Increased participation in international trade fairs, and the establishment of local trade offices;
- e. The provision of arms, usually through the Satellites, as a special form of trade;
- f. The provision of technical assistance, including not only engineers and technicians, but also the equipping of several technical institutes and nuclear physics laboratories. A special feature is the invitation to train students in the Soviet Union;
- g. The avoidance of outright grants, although it might be interpreted that the generous credit conditions incorporate the equivalent of grants or financial gifts, and it may well be that payment may be deferred or interest waived when the USSR deems it of political advantage to do so.

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24. In conformity with its programme of penetration in the under-developed areas, the Bloc has successfully effected an extensive network of trade agreements. At the present time, the Communist Bloc nations have some 50-60 trade agreements with the under-developed countries,-- a ten-fold growth over 1952.

25. Trade data for selected countries in 1955 already reflect the impact of the trade drive. Based on comparative trade figures for 1954 and 1955, the countries of Egypt, Iran, and Turkey, taken as a group, increased their exports to the Bloc from a total of 14 per cent of total exports in 1954 to 24 per cent in 1955, while imports from the Bloc increased from 8 to 15 per cent of total imports for the same period. In the last quarter of 1955 alone, Bloc trade represented 30 per cent of Egypt's total foreign trade, indicating an increasing dependency on the Bloc. Except for Afghanistan, whose trade with the Bloc now represents some 35-40 per cent of total trade, the impact was less noticeable in South and South-East Asia. Although there was some increase over 1954, trade between the countries of Burma, Ceylon, India, Indonesia, and Pakistan and the Bloc in 1955 represented somewhat less than 5 per cent of total trade. In the case of Burma, however, the Bloc in 1955 purchased some 30 per cent of its exportable rice surplus. At the end of 1955 and beginning of 1956, Burmese exports to the Bloc were running at the rate of 25 per cent of total exports. Bloc trade with the South American countries of Argentina, Brazil and Uruguay, quadrupled in 1954 over 1953, but in 1955 increased only slightly over 1954. Yugoslav trade with the Bloc in the present year is expected to reach 25 per cent of total trade as compared with only 2 per cent in 1954.

26. The complementary aspect of the economies of the under-developed countries has expedited the exchanges; and the centralized and monopolistic nature of the economies of the Bloc has enabled them to make bulk purchases of commodities such as Egyptian cotton, Burmese rice, and Cuban sugar, and to arrange for the offer of complete equipment of various industrial installations. This situation enhances the Bloc's bargaining position. They have been able to make inroads into the normal supply of capital goods to the area; for example, when India found it impossible to procure greatly needed steel in the West, the USSR stepped in with an offer of one million tons over a three-year period.

27. The offers of long-term low-interest credits to the under-developed areas to assist them in importing capital goods are designed to place the new pattern of trade on a continuing basis. The credit of \$115 million to India for equipment for a steel plant will be spread over the five-year period 1956-60, with repayment on a 12-year basis at $2\frac{1}{2}$ per cent interest, commencing after the construction of the plant. The offering of assistance in the form of long-term low-interest rate credits removes the stigma of charity in the eyes of the sensitive leaders of newly independent countries.

28. The commercial and development credits (totalling about \$1 billion as of 1 April, 1956) are mainly designed to foster trade between the Bloc and the under-developed countries. Credit acceptance so far is of the order of \$750 million. The amount of assistance in the form of outright grants is negligible. The main recipients of Bloc credits in South and South-East Asia are Afghanistan (\$120 million) and India (\$130 million). In the Middle East, excluding the \$200 million arms deal with Egypt, Syria has been granted capital credits to the extent of \$50 million. The Yugoslav credit of \$204 million from the USSR (\$120 million for capital equipment, \$45 million for industrial raw materials, and the \$30 million convertible loan), the \$75 million credit from Czechoslovakia and the \$20 million credit from Poland represent the largest single slice.

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29. The most spectacular aspect of recent Soviet policy has been the offers of economic and military aid in the Middle East. The sale of some \$200 million worth of military equipment to Egypt, mainly to be repaid in cotton over a period of years, has bolstered the domestic position of the Nasser Government, strengthened Egypt's claim to leadership in the Arab world, weakened the Baghdad Pact, caused grave embarrassment in the West by upsetting the already precarious balance of power between Israel and the Arab States, and has given the USSR a de facto voice in the settlement of any dispute in this strategically placed oil-rich area.

30. Soviet economic penetration has been most successful in those Middle East countries which do not have extensive revenues from oil royalties, and are plagued with balance of payments difficulties. The Bloc has successfully exploited the financial difficulties of these countries, as well as their growing sense of nationalism and anti-Israeli sentiments.

31. Although countries like Israel, Turkey, Iran and Pakistan, are less susceptible to economic penetration, because of closer political ties with, and more extensive economic support from, the West, the Bloc is currently paying increasing attention to them. The Soviet Bloc, for example, is now taking about 25 per cent of Turkey's total exports, and Soviet leaders have made general statements about their readiness to offer developmental credits and nuclear research assistance to Pakistan, provided she will adopt a more neutral policy.

32. In South-East Asia, Soviet assistance has been directed toward encouraging "neutrality" in Afghanistan, India, and Burma. The Soviet Union has taken advantage of the Afghan-Pakistan dispute to offer a \$100 million credit to Afghanistan. India, as chief spokesman for the "uncommitted" countries of Asia, has been given the greatest attention, both in offers of credit and in the conclusion of trade agreements. In Burma, the Bloc has exploited Burmese difficulties in securing markets for their rice surpluses. The Bloc is now taking about 30 per cent of Burma's rice exports, and is supplying in return a wide range of industrial equipment and technical assistance. There is some likelihood that the USSR may also provide equipment for a steel mill in Burma. Bloc efforts in South-East Asia are aimed at exploiting nationalism, anti-colonialism, and undermining SEATO.

33. In Europe, the greatest Bloc effort has been directed toward overcoming the hostility of Yugoslavia. By their extensive offers of assistance, the new Soviet leaders hope to convince Tito to return to the Communist fold and to weaken the Balkan alliance.

34. In Africa, the Bloc's methods have been similar to the ones they have followed elsewhere, although the extent of the campaign has been more limited. Aimed at exploiting nationalist feelings of newly independent countries and weakening Western military positions, Bloc efforts have been directed towards the Sudan, Liberia, and Libya. As yet, opportunities have been very limited, but as new territories, such as Nigeria and the Gold Coast, acquire independent status, Bloc activities are likely to increase.

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35. In Latin America, the Bloc is faced with well-established economic and political ties between the area and the United States. Although the Bloc has increased its trade with several countries in Latin America in the last two years, it has still only a minute proportion compared with Latin American trade with the United States and Europe.

36. In the execution of the programme of economic penetration, there appears to be some division of labour among the members of the Bloc, with the European Satellites being assigned the Middle East as their principal area of interest, while the USSR has more or less reserved for herself the key role in South and South-East Asia. Because of her backward economic position, China's role in the Bloc campaign is more of an ancillary nature, although the current acceleration of China's industrial development may have as a secondary motive the aim of impressing the countries of South-East Asia with her internal growth and ability to export industrial equipment even on a limited scale.

37. A key aspect of Soviet penetration relates to the provision of engineers and technicians for specific developmental programmes and also the supplying of several research and teaching institutes staffed with Soviet scientists. In addition, students from countries that the Soviet Union wishes to influence are afforded particularly favourable treatment in the USSR. This latter policy is being pursued both by direct negotiation with the "target" countries, and through international agencies such as UNESCO. The Soviet plan for the training of Indian technicians for work in the Indian steel plant includes the training of 5,000 skilled, semi-unskilled, and unskilled workers (possibly in India) and for the advanced training of 400-500 skilled workers, engineers, and technicians in the USSR.

38. In their participation in international trade fairs, the Bloc countries spare no expense to have impressive national pavilions, and with their attractive presentation of capital and consumer goods are aimed as much towards the development of trade as towards their political impact. The propaganda drive at fairs and exhibitions, supplemented with visits of political leaders, the establishment of local trade offices, and extensive advertising in local newspapers, are designed to create a favourable climate for Bloc international economic and political infiltration.

The Economic Capability of the Bloc to Support the Programme

39. By enforcing a high rate of capital investment in industry and a low standard of living for its people the USSR has become the second most powerful industrial nation in the world. The long-term goal is to overtake the most advanced capitalist countries, especially the USA, in per capita industrial production, and to attain a pre-eminent position as a world power. At the present time its level of industrial output is about one-third of North America, or slightly more than that of the United Kingdom and West Germany combined. Industrial output in the European Satellites is about one-third that of the USSR.

40. The engineering industries of the Soviet Bloc have the capability of providing a wide range of capital goods and industrial and transportation equipment, and are in a position to accept capital equipment contracts for the construction of entire factories and industrial installations such as hydro-electric plants, cement factories, sugar refineries, fertilizer plants, steel mills, etc. Although it will be some years before Communist China will be in a position to export substantial quantities of capital equipment, she can now make available the products of her light industries and some types of structural steel.

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41. The present capital credits programme to the under-developed countries of the order of \$150-200 million a year over a five-year period represents about one-half of one per cent of the Bloc's annual capital goods production. Despite the high requirements of its own re-equipment and industrial expansion programme during the Sixth Five-Year Plan and the promised increase in assistance to Communist China, the USSR has the undoubted capability of steadily enlarging its exports of capital goods to the under-developed areas.

42. In addition, in the field of technical assistance the Soviet Bloc is in as good, and possibly better position, than the Free World to provide trained technicians and engineers. The Bloc almost rivals the leading Western nations in the number of engineers and scientists and will exceed them in the near future. The number of engineers and scientists that now graduate each year in the Bloc is almost 50 per cent higher than in North America and NATO Europe combined.

43. In view of the pattern of development of the Soviet economy, the exchange of capital goods for agricultural and mineral products will enable the USSR to utilize its resources more efficiently and may well result in a net economic gain. In contrast to the lower unit cost of producing capital goods there has been a tendency for costs of extracting mineral and agricultural products to rise. With an expanding capability to export capital goods and an increasing requirement for relatively scarce raw materials, the USSR is in a unique position to foster trade with the under-developed countries in need of capital equipment and in some cases plagued with surplus agricultural and primary products.

44. Soviet Bloc stocks of conventional armament are also enormous, and the exchange of obsolescent holdings for useful industrial products is not only an effective means of penetration in areas where local tensions are high, but results in an economic gain.

45. The USSR can increase greatly its effort to penetrate the economies of the under-developed countries without any undue diversion of resources, without creating any real dependency on imported supplies, or abandoning its general policy of economic self-sufficiency.

Implications of Bloc Economic Activities in the Under-Developed Areas

46. Although the Sino-Soviet Bloc economic drive in the under-developed areas is still largely in the offer and promise stage and, in terms of performance to date, is small as compared with the West's total commerce with the area or total aid granted, it poses a most serious challenge--especially in the long run.

47. While the Western industrial states cannot claim any exclusive trading rights with the under-developed nations, to the extent that Bloc trade and credits expand, they will tend to restrict the trading opportunities of the Western European states, the United Kingdom, and Japan--nations whose industrial capacities call for enlarged markets, and whose stability and development rest heavily on expanding foreign trade. The Bloc has a growing capability to provide capital goods, and through the state trading agencies can provide flexible and liberal credit arrangements. Any reduction of conventional armaments production would release considerable industrial

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capacity for additional export of industrial equipment. Since credits for the equipment of industrial plant involve long term arrangements and create a dependency for re-equipment, and since trade patterns once inaugurated have a tendency to continue, the Bloc can in the long run possibly establish a claim for a significant portion of trade with the under-developed areas. A limiting factor, however, is the capability of these areas to furnish raw materials in exchange or to repay the credits granted.

48. Both political and economic conditions in the under-developed countries have contributed to the success of the Russian programme: (i) ambitious plans for economic development; (ii) dependence on a limited range of exportable primary products in order to obtain foreign currencies; (iii) export surpluses (e.g. Burmese rice); (iv) local political differences (e.g. Afghanistan and Pakistan); (v) need for easy terms of credit which do not make heavy demands on the limited supply of foreign currency available at any given time; and (vi) a strong feeling of nationalism especially vis-a-vis the Western powers.

49. The high degree of susceptibility of the under-developed countries to Bloc penetration arises from their earnest desire to achieve a high rate of industrialization, the appeal of the Bloc programme of "trade, not aid", the tendency in some cases to be resentful and suspicious of Western economic grants, however badly they are required, in others to be resentful of the inadequacy of the gifts, the antipathy to private foreign investment, and the realization that here is a marvellous opportunity to "work both sides of the street" to their economic advantage.

50. In view of the need for a high degree of centralized planning and public control in order to enforce savings and direct them into channels of investment, there is the distinct possibility that extensive economic relations with the Bloc may tend to stimulate admiration for the Soviet way of attaining industrialization. Any substantial influx of Soviet technicians under the guise of technical assistance would encourage economic as well as political subversion, and would pose a serious threat to free institutions.

51. The main threat is political and strategic, in that the Bloc economic offensive provides many inducements and pressures beyond mere economic dependence, on countries presently allied with the West. It remains to be seen whether countries like Turkey and Pakistan which have strong military ties with the West will eventually accept Soviet offers because of economic difficulties from which the West is unwilling, or unable to rescue them.

52. The experience of the past few months in Libya and Egypt indicates that Soviet moves may be countered if the Western nations act in time and in unison, e.g., British and American aid to Libya and British and American co-operation with the International Bank in loans for the Aswan Dam Project in Egypt. It may well be that a greater degree of internationalization by the Western countries, or at least co-ordination of national programmes of technical and capital assistance, and of a guaranteed long-term programme of credit on terms equal to that of the USSR, would go far to counter the Bloc offensive. Despite its superiority of financial and industrial resource, and background of experience in economic aid programmes to the under-developed areas, the Western world is confronted with an aggressive opponent in the new phase of the cold war.

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APPENDIX to JIC 181 (56)

Nature and Extent of Sino-Soviet Bloc Economic Penetration of the
Under-Developed Countries by Area and Country as at 1 April, 1956

I. Middle East

1. Within the last two years there has been a marked increase in Soviet Bloc economic activity in this area, especially during the latter half of 1955 and the first quarter of 1956. China has also become active in the Middle East, having signed trade agreements with Egypt, Syria and Lebanon. In the main, however, the economic campaign has been conducted by the Soviet Union and the East European Satellites, with the Satellites apparently taking the lead under the guidance of the USSR.
2. The only countries which had a substantial trade with the Soviet Bloc before 1953 were Egypt, Turkey and Iran. Exchanges mostly took the form of Soviet oil or Czechoslovak consumer and other Satellite manufactured goods in return for agricultural products, cotton, rice, fruit, hides and tobacco. Recent developments have shown a trend to long-term trade agreements, the supply of construction and transportation equipment, offers of technical assistance in development projects and lastly the supply of arms and the extension of long-term credits combined with a willingness to take commodity exports in repayment. There has been much advertising of Bloc industrial equipment in Middle Eastern newspapers, particularly in Egypt, Syria and Lebanon and the Soviet Bloc has taken a prominent part in Trade Fairs. Over the past few months there has been a constant succession of visiting Soviet and Satellite delegations which include not only trade representatives but also technical experts. They are prepared to sign contracts, involving the supply of technical know-how, on the spot. In addition, numbers of technical personnel are arriving in fulfilment of contracts already signed, such as the Czech arms deal with Egypt. (For 1954 and 1955 data on Middle East trade with the Sino-Soviet Bloc see Annex 1).
3. The most important development to date was the arms contract with Czechoslovakia. This was featured in the Czech press as a purely commercial contract, "with no strings attached". The value of the deal has not been disclosed but may well run to \$200 million. The major part of the deal is to be repaid, over a period of years, in export commodities such as cotton and rice. The sale of arms to Egypt represents a special form of economic and military penetration and political influence. At one blow it bolstered the domestic position of the Nasser Government, strengthened Egypt's claim to leadership in the Arab world, seriously disturbed the already precarious balance of power in the Middle East and gave the USSR a de facto voice in the settlement of any dispute in this strategically placed, oil-rich area.
4. On the other hand, the Bloc had a setback in Egypt's rejection of the Soviet offer for the Aswan High Dam Project and the acceptance of western assistance. However, other Bloc offers continue to be made and at least two major offers appear to have been accepted in Syria; one, for a Polish survey of the Hejaz Railway, which may be followed by a contract for materials and the other a Czech offer to build an oil refinery "at a bargain price". Many smaller offers are also being accepted. Bloc offers accepted by Middle East countries or under serious consideration amount to about \$300 million.

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5. Excluding Turkey, the Soviet Bloc commercial drive appears to have been greatest in those Middle Eastern countries which do not have extensive revenues from oil royalties and are plagued with foreign exchange deficits, such as Egypt, Syria and Lebanon. These countries are also members of the Arab League and it has been possible here to take advantage of anti-Israeli feeling as well as of straitened financial circumstances. It is noteworthy, also, that most of the U.S. economic aid to this area has been allocated to Israel, or (partly as military aid) to members of Western Defence Alliances, such as Turkey and Iran. Partly for this reason, as well as for political and military reasons, the latter are less susceptible to offers by the Soviet Bloc.

Egypt

6. Egypt has been the main target of the Bloc's economic effort in the Middle East. Trade delegations and technical experts from the Soviet Union, Poland, Czechoslovakia, East Germany and Hungary visited Egypt during 1955. As of February 11, 1956, an East German delegation of experts, under the leadership of the Deputy Trade Minister, was in Cairo. It included shipbuilding engineers, reported to be preparing plans for shipyard and drydock facilities at Alexandria, also chemists and construction engineers. Special exhibitions of Czech, East German and Hungarian goods have been held in Cairo in the past two years.

7. The most startling development was the announcement of the sale of arms from Czechoslovakia, including, it was reported, jet fighters, tanks and naval craft, some of which were of Soviet origin. While the announcement of the Czech deal was made in September reports of Soviet arms offers had come in earlier. Czechoslovakia represented the sale of arms as a straight commercial deal, with payment to be made in cotton over a period of years. The exact value of the deal has not been disclosed, but is estimated to be around \$200 million. An important aspect of the deal is that numbers of Czech technicians and instructors are required on Egyptian soil before the planes and tanks can be put into service. Egyptian military personnel will also have to be sent to satellite countries for training. Two hundred have already gone to Czechoslovakia, and, naval personnel have received training in Gdynia.

8. The possibility of longer-term penetration which would have been afforded by the acceptance of the Soviet offer to construct the Aswan High Dam now appears to have been averted. The Soviet offer was, for a 30-year loan for an unspecified amount at 2 percent interest payable in Egyptian cotton and rice. The foreign exchange required for the construction of the dam has been estimated at from \$400 to \$600 million. The International Bank offer which has been virtually accepted (as of February 9th) involves loans and grants of foreign currency from the International Bank, the U.S. and the U.K. amounting to \$400 million. The Aswan High Dam, in view of the magnitude of the investment entailed (about \$600 million must be raised internally in addition to the \$400 million of foreign investment) will be the main financial outlay in Egypt in the next 10 to 15 years and occupies a central place in the economic development of the country. In the Egyptian view, it is one of the biggest undertakings in the history of the country.

9. On February 10th, the day after the announcement in Cairo of acceptance of Western aid for the High Dam Project, a Soviet offer to set up a nuclear physics laboratory was published in Moscow. It was stated that Soviet atomic specialists and equipment would be provided

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and Egyptian scientists and specialists would be trained in Soviet research institutes. The Soviet Union will also supply the required equipment and instruments for geological surveys.

10. Other smaller offers of capital equipment have been accepted from the East European Satellites. Czechoslovakia has signed contracts for the provision of railway materials (22,000 tons of rail track in 1956) and rolling stock and for the construction of a bridge, a rubber factory and a footwear factory; Hungary is building seven small bridges over the Nile Delta and is constructing a power station and steel plant and East Germany is building a high-tension power line, worth nearly \$3 million, while other projects are under consideration. Egypt has trade agreements with nearly all the members of the Soviet Bloc, including China, with which it has a three-year agreement. While Egypt exports mostly cotton and some rice, it is importing more engineering-type goods, involving the provision of technical assistance in their installation. It still imports petroleum and small quantities of wheat from the Soviet Union and Roumania.

11. As was to be expected, trade with the Sino-Soviet Bloc has already shown an increase in 1955. This increase has been particularly noticeable in exports to the Bloc which amounted to one-quarter of total Egyptian exports, consisting mainly of cotton, in the first 9 months of 1955. From preliminary trade figures issued by the Egyptian government, which do not include the Czech arms deal, Egypt's trade with the Soviet Bloc increased 65% during 1955. Even without the Aswan High Dam Project, Egypt's trade with the Bloc is likely to continue at a high level in 1956.

Syria

12. Syria too has been the scene of great economic activity on the part of the Soviet Union and the East European Satellites during recent months. It is reliably reported that an arms agreement has been concluded with Czechoslovakia. Since the latter part of 1955 Syria has signed trade agreements with the Soviet Union, China and the chief East European Satellites, including Roumania, Poland was recently awarded a contract for technical study and consultant work for the repair and reconstruction of the Hejaz Railway from Damascus to Medina. Locomotives, rolling stock and general railway equipment, which Poland is capable of supplying, will be required later. It has been reported in Cairo that a Czech offer to build an oil refinery in Syria, with an annual capacity of 750,000 tons, "at a bargain price" has been accepted. Less important offers which have been accepted are a Czech offer to build a sugar refinery and an offer from East Germany to build a cement plant and a textile plant. The report that Czechoslovakia would build an airport at Damascus has not been confirmed.

13. As of March 4th the Soviet mission which had made its way from the Lebanon to Syria was in Damascus. Discussions, it was reported, covered an oil refinery, a cement factory and a textile mill. The visitors were collecting information on the Syrian economy and were to stay one more week before going on to Egypt and Saudi Arabia.

14. During the past few months, therefore economic relations with the East European Satellites, in particular, have assumed considerable importance. In 1954 Syrian exports to the Soviet Bloc had been negligible and its imports from the bloc amounted to less than 3% of total imports.

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Preliminary trade figures for the first 6 months of 1955 show only a small increase in exports to the bloc. Since Syria is an oil-deficient country it is important for it to obtain arms and technical assistance which can be paid for in exports of agricultural goods such as cotton, fruit and hides. This dependence on exports of agricultural products for foreign exchange places it in a vulnerable position vis-a-vis the Soviet Bloc.

Lebanon

15. Much attention is also being paid to the Lebanon. Trade with the Soviet Union has shown an increase since the signature of a trade agreement in 1954, which was renewed by an exchange of letters in October, 1955. For the first 6 months of 1955, 3.2% of Lebanese exports were to the bloc and 1.9% of its imports from the bloc. Since September, 1955, new trade agreements have been signed with China, Czechoslovakia, Poland and Roumania and a Five-Year agreement with East Germany. Several offers have been made by East European Satellites to set up plants, including cement works, porcelain, crystal and glass factories and a plant for making electrical equipment. Czech equipment will be supplied against exportable goods, mainly agricultural, over the next 7 years. A Czech expert is to study the Litani River development project.

16. It was reported from Beirut that as of 22nd February that a group of six Soviet engineers, led by the Chairman of "Technoexport", the organization for providing technical assistance and equipment to foreign buyers, had arrived in Beirut. The delegation included experts in oil refining, in railways and other means of transportation and in various branches of industry and Middle Eastern experts. It was authorized to negotiate for the supply of equipment, including agricultural implements, and it was understood that it would later proceed to other Arab countries with the same end in view.

Saudi Arabia

17. There have been signs of Saudi Arabian interest in the purchase of Soviet Bloc arms, supplied by way of Egypt, but so far as is known, none have been sent. A Chinese trade mission was in Saudi Arabia on January 6th and a Polish economic mission has been invited to Jedda. East Germany has offered to build a cement plant in Saudi Arabia. Czechoslovakia and Poland have tendered bids for the construction of a railway from Riyadh to Jedda, 1,600 Kilometres in length. Trade with the Soviet Bloc is negligible and Saudi Arabia has its oil royalties, so that it is not interested in markets for agricultural produce.

Jordan

18. Jordan recently signed its first commercial contract with a Soviet Bloc country to sell phosphates to Czechoslovakia.

Yemen

19. It was reported that a Soviet delegation was in Yemen as of February 8th to discuss the sale of arms and to promote trade. Russia has offered to supply machinery in exchange for Yemeni coffee. On March 8th a trade agreement was signed. A Czech trade mission visiting Egypt as of February 16th was to proceed to Yemen to conclude a trade agreement. The agreement, it was reported, would provide for the exchange of Yemeni coffee and leather for heavy machinery. Trade with the Bloc has been practically non-existent. East Germany was also negotiating a trade agreement on the 26th January.

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Turkey

20. Turkish trade with the East European Satellites has grown steadily in the last few years. In 1954 the Soviet bloc took 16% of its exports, particularly tobacco and cotton, and supplied 9.5% of its imports, including textiles and other manufactured goods. During 1955 there were increased trade offers from the USSR and other bloc members to provide equipment for light industries and transportation equipment. The share of the Soviet bloc in Turkish exports rose to 25% in 1955. Trade with the Soviet Union has been low, for political reasons, but has been growing in the past year, particularly Turkish imports from the USSR. Recently it was intimated in a Pravda article of February 8th that the "normalization" of Soviet-Turkish relations, including trade relations, could lead to a resumption of the Soviet economic assistance to Turkey given before world war II. In April, further offers of trade and aid were made, including assistance in the expansion of Turkey's iron and steel industry and the construction of an oil refinery.

Iran

21. The Soviet Union showed its displeasure with Iran for joining the Baghdad Pact, by stopping all imports of Iranian commodities except caviar. The USSR is normally an important outlet for exports of Persian rice and minerals, taking 17% of its total exports (apart from oil) in 1954. The East European Satellites have had little trade with Iran but a Polish trade mission visited Iran in March, 1956 and presumably political and trade overtures will eventually be made to Iran as they have to Turkey and Pakistan.

II. Africa

22. In recent months Soviet offers of economic and technical assistance have been made to independent nations in Africa such as Liberia, Libya and Ethiopia, and the Sudan. While these offers have been turned down by Libya and Liberia, as of 14 April, only the Sudan is reported to have accepted Soviet offers. There is more scope for Soviet economic activity in the independent nations of Africa than in the colonial territories or in Commonwealth countries, but economic penetration in Africa has not gone far to date, though an effort is being made in that direction.

Libya

23. In January, 1956, the new Soviet Ambassador to Libya expressed Soviet willingness to extend financial, technical, and cultural aid. The Libyan Prime Minister stated that the Russian offer was on a generous scale, including twenty-year loans at two per cent interest to be used on any development project, and a gift of some 40,000 tons of wheat, "without any strings attached". On March 30, however, it was reported that the Libyan Parliament had given overwhelming support to the Libyan government's rejection of Soviet aid. The following week, it was announced in Tripoli that the US would make increased aid to Libya available by June 30, 1956, and also for the succeeding fiscal year ending June 30, 1957.

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Liberia

24. It has been reported in Washington (April 7) that Liberia has turned down offers of Soviet aid. In January, 1956, the Soviet Union has proposed an exchange of diplomatic representatives with Liberia, and indicated that it was prepared to give economic and technical assistance. Diplomatic relations are being established. The Soviet Union obtains most of its industrial diamonds from Liberia.

Ethiopia

25. The Soviet Union maintains an embassy in Addis Ababa. At the beginning of the year it was announced that the Soviet Union would like to dispatch an economic and technical mission to Ethiopia, and that it was willing to grant technical and financial assistance in order to promote economic development.

Sudan

26. Various Soviet and Satellite delegations visited Khartoum during the latter part of 1955. It is reported that Soviet and East German trade offices will soon be opened in the Sudan. It has just been reported (April 14) that a visiting Soviet delegation (it had previously been in Syria, the Lebanon, and Egypt) had offered economic and technical assistance to the Sudan, and that this offer has been accepted. The size of the offer was not made public. About three per cent of Sudanese trade was with the Soviet Bloc in the first six months of 1955.

III. South and South-East Asia

27. The chief countries in this area which have qualified for aid on the grounds of "neutralism" as well as of economic need are Afghanistan, India and Burma. World attention was drawn to the Soviet interest in these countries at the time of the Bulganin and Khrushchev visit at the end of 1955. Burma has just been host to a 40-man mission headed by Mikoyan. The mission is also touring Pakistan, Afghanistan, and India. The main features of Soviet relations with these countries have been the loan of \$100 million of Afghanistan for economic development, the provision of a steel plant to India at a cost of about \$118 million and the recent Five-Year Trade Agreement with Burma whereby the Soviet Union agreed to take 400,000 tons of rice annually for 5 years, that is 25 percent of its yearly rice surplus.

Afghanistan

28. The \$100 million Soviet credit announced at the end of the Bulganin-Khrushchev visit to Afghanistan was signed in Kabul on January 28th, 1956. The credit has been granted for a period of 30 years at 2% per annum, to be repaid in 22 annual instalments, repayment to begin at the end of 8 years. Payment will be made in Afghan export goods. It is to be used to supply equipment and materials and to render technical aid in the development of the Afghan economy, notably in agriculture, the building of irrigation projects, electric power installations, motor car repair shops and transport (including the reconstruction of Kabul Airport). Some 15 percent of this aid may be for the purchase of arms.

29. This credit is remarkable, not only for its size but for its long-term aspect and the fact that repayment will tie up increased exports

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to the Soviet Union for the next thirty years. For 1955 it is estimated that about one-third of Afghanistan's foreign trade was with the Soviet Union. The border dispute with Pakistan which led to the signing of a Free Transit agreement with the USSR has resulted in the Soviet Union providing through transit for Afghan trade, for example tea shipped from Japan via Dairen and Siberia. Roads leading from the Soviet Union to Kabul are being greatly improved.

30. Previous Soviet aid extended to Afghanistan, amounting to perhaps \$6 million, covered the provision of two large grain silos, a four mill, a bakery, and gasoline storage facilities. There have been other offers--for an oil pipeline, roads, and a narrow-gauge railway. Credits extended by Czechoslovakia are reported to amount to \$15 million. A part of this credit may be for arms; an Afghan military mission is currently in Prague, visiting military establishments and factories. Offers of credit have also been made by Poland and Hungary. Soviet Bloc economic penetration to date has taken the form of increased trade, the provision of credits for the construction of specific projects, the provision of Soviet technical advisers and personnel, of transport facilities, and of arms and lastly of an economic development loan. All these forms of penetration may be put to political or military use, as the occasion arises.

India

31. India was first singled out for attention in the Five-Year Trade Agreement of December, 1953. However in 1954 and during the first six months of 1955 India's trade with the Soviet Bloc amounted to less than 2% of its total foreign trade. India agreed in principle to accept a steel mill in February 1955 and the detailed project has now received final approval (April 2). The project is for a plant capable of producing 1 million tons of steel ingots, to be completed by the end of 1959. The total cost of Russian-provided equipment and technical know-how, is now estimated at about 114 million. It is to be erected at Bhilai in Central India. The project includes extensive plans for training 4,500 unskilled workers, 700 skilled workers and 500 qualified engineers in India, and advanced training for about 300 skilled workers and 135 engineers and technicians in the USSR.

32. After the Bulganin-Khrushchev visit, it was announced that India would buy 1 million tons of steel from the USSR, purchases to be spread over three years. In return the USSR is to buy Indian export commodities to the value of some \$126 million. A shipping service is being set up between Indian and Black Sea ports with six Indian and six Russian ships. Soviet oil experts, geologists and mining engineers are exploring Indian oil reserves and non-ferrous metal deposits and have already submitted a preliminary report on oil deposits. Meanwhile Indian oil technicians are to receive training in Roumania and the USSR. Other projects under consideration are the construction of a complete aluminum factory and the expansion of a hydro-electric project, valued at about \$20 million each. The Soviet Union has offered a plant to make oil drilling equipment and an exhibition mechanized farm. No further information has become available about Soviet surveying of mines for industrial diamonds.

33. It is understood that a Soviet offer to supply 60 I.L. 28 bombers may still be under consideration, even though India has decided to take up the British offer of Canberras. (April 2nd).

34. The European Satellites have also been actively promoting trade with India. All the Sino-Soviet Bloc countries had large pavilions at the Indian Industries Fair in New Delhi in December, 1955.

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Czechoslovakia has orders for motor-trucks, cranes and electric motors and for 50 steam locomotives and 2,050 railway wagons (valued at nearly \$6.5 million) to be delivered in 1956. A Czech delegation led by the Minister of Foreign Trade was in India in December, 1955 to discuss Czech offers of technical assistance and the supply of industrial plant, including a reported offer of aid for Indian ordnance factories. East Germany, Poland and Hungary have offered various kinds of machinery and plant, some of which has been accepted. Hungary is supplying plant for two electric cable factories and Poland was to deliver in 1955, machine tools for the manufacture of wheels and axles for locomotives and rolling-stock, as well as 2,500 closed railway freight cars in 1956. China delivered 13,000 tons of structural steel to India in 1956.

Burma

35. During Mikoyan's visit at the beginning of April, 1956, a Five-Year Trade Pact was signed (extending the 3-Year Agreement signed in July, 1955). The main provision of this agreement is the Soviet undertaking to buy 400,000 tons of Burmese rice annually. Burma will receive machinery and technical aid from the Soviet Union in exchange for the rice, which amounts to about one-quarter of Burma's normal exportable surplus of rice. There is now some likelihood that the USSR may provide equipment for a steel mill in Burma. Khrushchev has already offered Burma a wide range of assistance not only in agricultural development and basic irrigation but also in the construction of industrial units, and promised to build a technological institute in Rangoon as a gift. "Gifts" pledged by Mikoyan include a hospital, a theatre and a sports centre, in return for which gifts of rice will be made. The Soviet Union has also offered to build a stadium for industrial and agricultural exhibits.

36. Burma now has trade agreements with Communist China, Poland, Czechoslovakia, East Germany, and Hungary as well as with the Soviet Union. It is estimated that during 1955 between one-quarter and one-third of Burma's exportable rice surplus was bought up by the Sino-Soviet Bloc. While Burma has bought some structural steel from China and iron and steel and factory equipment from the European satellites, its imports from the bloc are only now beginning to be recorded in trade returns in any quantity. During December, 1955 and January, 1956 exports to the Soviet Bloc were running at the rate of 25 per cent of Burma's total exports.

Ceylon

37. The Five-Year agreement between China and Ceylon has been renewed for 1956, with one year still to go. It covered an annual exchange of 50,000 tons of Ceylonese rubber for 270,000 tons of Chinese rice, at terms favourable to Ceylon. Ceylon also has trade agreements with Poland and Czechoslovakia as of the end of last year. Both will buy rubber among other things, and will supply machinery and manufactured goods. Czechoslovakia has also offered to provide technical assistance.

Pakistan

38. Pakistan has been the recipient of Soviet trade and aid overtures in 1956 with the object of detaching it from its western alliances in the Baghdad Pact and SEATO. Soviet readiness to expand trade with Pakistan was first made public in Moscow on February 6th in the form of written answers to questions put by a Pakistani editor. The Soviet Union declared that it was willing to extend economic and technical assistance, including knowledge of the peaceful applications of atomic energy. Later it was declared that the Soviet Union was prepared

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to supply a steel plant to Pakistan. Despite Mikoyan's conciliatory remarks on his recent visit, there are a number of political differences to be cleared up between the USSR and Pakistan, notably the Soviet support of a separate Pushtoonistan and of India in the Kashmir dispute.

Indonesia

39. China has had a trade agreement with Indonesia for the past couple of years but its trade with China is not large. A certain amount of trade has developed with the European satellites particularly with Czechoslovakia. In the first 6 months of 1955 Indonesian imports from the Sino-Soviet bloc had risen to 10% of its total from 2.5% in 1954. Czechoslovakia has agreed to provide textile machinery, vehicles and metal goods and East Germany is building a sugar refinery and a refrigeration plant. Hungary and Poland are also delivering manufactured goods and equipment. The Sino-Soviet Bloc exhibited extensively at the Third International Fair at Djakarta in August 1955. The largest and most impressive pavilion was the Chinese. For some reason the Soviet Union has not pushed its trade with Indonesia as far as have China and the European satellites. It was reported in April, however, that the Indonesian Government was considering a Russian offer of economic aid, made in general terms and on a considerable scale.

Malaya

40. Minor purchases of rubber have been made in Malaya during the latter part of 1956. The main new development is the increase in the purchase of consumer goods from China, competing with imports from Hong Kong and Japan.

IV. Europe

41. The most recent effort at penetration in Europe has been the renewal of Bloc trade with Yugoslavia and the extension of economic aid and technical assistance. Credits already agreed to by the Soviet Union and Czechoslovakia amount to \$279 million, larger than those extended to any non-bloc member. Khrushchev referred in his speech to the 20th Party Congress to the Soviet policy of "strengthening friendship and co-operating with the fraternal people of Yugoslavia".

42. Apart from Yugoslavia, Finland and Austria are the countries in Europe which have the strongest trade and economic ties with the Soviet Union. Since 1953 when the Soviet Union signed a new trade agreement with Iceland, the Soviet Bloc has become the largest market for Icelandic fish, taking 25% of its total exports in 1954. Chief Icelandic imports are oil and cement. There were larger Soviet markets for Danish agricultural products in 1953 and 1954, but Soviet purchases from Denmark were restricted in 1955 because Denmark refused to sanction the export of a tanker to the Soviet Union. The Soviet Union is still insisting on a tanker or two fast cargo vessels as the "strategic" price Denmark will have to pay for a trade agreement.

Yugoslavia

43. Soviet credits extended to Yugoslavia as from the 1st January, 1956 comprise: (a) \$54 million over a period of 10 years at 2% interest for the purchase of raw materials in the Soviet Union; (b) a \$30 million loan in gold or western currency to the Yugoslav National Bank to be used in the period 1956-9 for the settlement of its trade deficits and

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(c) an additional \$120 million for agricultural investment and certain industrial enterprises such as fertiliser plants and mining. At the same time Yugoslav trade with the Soviet Union in 1956 is to be almost double the figure for 1955 and to approximate the volume of 1948, the last trading year before the breakdown of economic relations with the Soviet Bloc. Yugoslavia has also signed an agreement with the Soviet Union on scientific and technical co-operation which provides for an exchange of experts and students. There is also a draft agreement on nuclear co-operation providing for Soviet aid to Yugoslavia in the construction of an experimental atomic reactor and the delivery of enriched uranium at a favourable price. All the forms of Soviet economic and technical assistance are present in the above agreements with Yugoslavia, except the supply of arms.

44. In February, 1956, two Czech credits to Yugoslavia were announced amounting to \$50 million and \$25 million respectively. The first is a long-term credit for the purchase of capital goods and machinery and the second for the purchase of industrial products and consumer goods. The credits are repayable in ten years' time and bear interest at 2% per annum. There is also an agreement between the two countries on scientific and technical co-operation. Poland has extended a credit of \$20 million for transportation equipment and machinery. Yugoslavia now has trade agreements with all the European satellites, including Albania and with Communist China. Yugoslav exports to the Bloc have increased during 1955 and the Bloc will constitute a substantial market for Yugoslavia exports in 1956, as well as an increasing source of supply. Increasingly important too, will be the exchange of personnel, both experts and students, with countries of the Soviet Bloc.

Finland

45. Since its post-war reparations to the Soviet Union were converted into commercial exports Finland has been the country in Europe most deeply committed to trade with the USSR and the Soviet Bloc. In 1953 the Soviet Union had become Finland's chief trading partner and trade with the Bloc amounted to about one third of Finnish foreign trade. Finland has become heavily dependent on the USSR for imports of food and raw materials (such as petroleum) and as a market for the products of the shipbuilding and metal-working industries which were built up after the war as high cost-producers for reparations deliveries to the USSR. Though the percentage of Finnish trade with the Bloc declined slightly in 1954 and the first part of 1955, new factors such as the Soviet loans (\$10 million per year during 1954 and 1955 in convertible currency) the receipt of motor vehicles and some industrial equipment from the Bloc and an agreement on scientific and technical co-operation with the U.S.S.R., have been changing the nature of Finnish economic dependence on its big neighbour. In the speeches of the Soviet leaders the political and economic relations between the Soviet Union and Finland are represented as being satisfactory.

Austria

46. So also are Soviet relations with Austria since the agreement signed in May, 1955, which brought to an end the Soviet military occupation of Eastern Austria and guaranteed Austrian neutrality. At the same time Austrian reparations deliveries of oil (1 million tons of crude oil annually for 10 years) and \$25 million per year out of current industrial production for 6 years were agreed on. Later a Five-Year Trade and Navigation Agreement was signed, whereby Austria will export \$25 million worth of goods mainly industrial and semi-manufactured products, in return for Soviet

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food and raw materials. In 1956 it is likely that Austrian exports to the Bloc will increase from the 10% recorded in 1954 to more than 20% of total Austrian exports. A report that the Soviet Union had offered Austria a \$32 million credit has not been confirmed.

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47. The statement made by Kabanov, the Russian delegate to the Economic Commission for Europe on April 9th on Soviet readiness to supply Western Europe with coal and oil came as rather a surprise after the by now familiar pattern of Soviet offers of machinery and technical assistance on credit to underdeveloped countries. It was partly propaganda for the increasing economic strength of the Soviet Union under the sixth Five-Year Plan but also pointed up the European reliance on outside sources of fuel, such as Middle Eastern oil and the dwindling dollar aid from the U.S. Soviet exports of oil to Western Europe have in fact increased during the past two or three years, becoming relatively more important than grain or timber.

V. Latin America

48. Public attention was drawn to the possible extension of Soviet Bloc economic, commercial and political activity in Latin America by an announcement made to a group of foreign correspondents in Moscow on January 16th by Mr. Bulganin. Bulganin declared that the Soviet Union was prepared to establish trade and diplomatic relations with all countries of South and Central America. He said that the Soviet Union offered agricultural machinery, oil and mining equipment, timber, cellulose products, petroleum and petroleum products, rolled metals, cement, asbestos, dyestuffs, chemicals and other products in exchange for Latin American agricultural products and minerals. He also expressed the desire of the Soviet Union for political co-operation with Latin American countries and for the exchange of technical knowledge and visitors between Latin America and the Soviet Union. The original statement had been made earlier in answer to questions put by the Latin American magazine Vision.

49. Soviet diplomatic and trade ties with Latin America are extremely limited. The Soviet Union maintains diplomatic relations with Argentina, Mexico and Uruguay. It has trade agreements only with Argentina and Uruguay, but has had trade dealings also with Brazil and Cuba.

50. Trade with the Soviet Bloc, while still relatively low, has increased in the past two or three years, principally with Argentina, Uruguay and Brazil. These countries account for approximately 80% of Latin American trade with the bloc. In 1954 this trade was estimated at \$200 million, as compared with \$70 million in 1953. Full trade data for 1955 are not available but preliminary trade estimates indicate some increase in trade over 1954. Part of this trade is provided for in trade agreements, the rest is contracted for in separate trade deals.

51. Even if all the existing bloc trade agreements and transactions were fully implemented, the value of the total trade turnover would not exceed \$450 to \$500 million a year. Actual trade figures in 1955 probably did not exceed \$250 million, with exports to the Soviet Bloc exceeding imports by a considerable margin. This figure is very small in comparison with the \$6.4 billion trade turnover between the US and Latin America in 1954. It represented only 1.3% of Latin America's 1954 total trade turnover. The percentage was 8 for Argentina and 5 for Uruguay in 1954.

Argentina

52. In 1953 the first trade agreement was signed by the Soviet Union and Argentina, providing for \$150 million in trade for one year, plus a Soviet credit of \$30 million for the purchase of capital equipment. This was the first credit offered by the USSR to a non-communist country. Results of the agreement, however, were unsatisfactory, for although Argentina, by the end of 1954, had delivered 97% (in tonnage) of its exports, the Soviet Union was behind in its deliveries, except for steel rails and sheet iron. Only a fraction of the \$30 million credit to Argentina was implemented, due, it is believed, to Argentine dissatisfaction with the quality of capital equipment offered by the Soviet Union. The most recent trade agreement of May 19, 1955, a protocol to the USSR-Argentina trade agreement of 1953, provided for an exchange of goods during 1955 in the amount of \$50 million each way, which is considered a more realistic figure.

53. Argentina's trade pacts with the Satellites - Czechoslovakia, East Germany, Hungary, Poland and Rumania - provide for a total annual exchange of approximately \$160 million in 1955, a figure far in excess of the present value of trade with these countries. The pact with Czechoslovakia provides for a credit of \$15 million for Czechoslovakian financing of capital equipment. The most recent exchange with Czechoslovakia was 18 aircraft and spare parts (Skoda Super Aero 45's) for wool, hides and wheat. The deal was worth \$500,000.

Brazil

54. Brazil, the second largest Latin American trader with the Soviet Bloc almost doubled its trade with the Bloc in 1955, \$70 million compared with \$43 million in 1954. It has no trade agreement with the Soviet Union, as diplomatic relations were broken off in 1947.

55. Trade agreements are maintained with Czechoslovakia, East Germany, Hungary and Poland, but diplomatic relations only with Czechoslovakia and Poland. Total trade provided for by these agreements amounts to over \$85 million. Brazil has agreed to ship coffee, cocoa, cotton and wool, in exchange for industrial products.

Uruguay

56. Trade with the Soviet Union is governed by a trade agreement of July 28, 1954, providing for an exchange of goods to the value of \$22.4 million each way. Uruguayan trade with the Bloc in 1954 amounted to \$26 million, the greater part of which was with the Soviet Union. The figure, though small, shows a significant increase compared with about \$3 million in 1953. The increase was largely accounted for by increased exports to the Soviet Union, principally frozen meats and wool, totalling \$19 million. Although the USSR had agreed to ship petroleum products, coal, chemicals, iron and steel products and agricultural machinery, its actual shipments amounted to \$22,000 of drugs and pharmaceuticals. The trade balance of \$19.9 million was settled in sterling.

57. In September, 1955, a commercial and payments agreements was signed by Czechoslovakia and Uruguay, providing for a total of not less than \$7 million annually, and including a reciprocal credit of \$2 million.

58. Uruguay maintains banking agreements with a number of other Bloc countries, but transactions have not been large. Diplomatic relations have recently been established between Uruguay and the Soviet Union.

59. Attention has recently been drawn to Communist China's interest in the development of trade with Latin America, by a joint statement issued in Peking by the Uruguayan Consul and the Chinese assistant Minister of Foreign Trade, referring to the desirability of a trade agreement, the exchange of trade delegations and the setting up of official trade missions. A commercial representative to Communist China has already been named, it was announced in Montevideo on Jan. 16th.

Cuba

60. A significant item of Soviet trade with Central America during 1955 was the purchase of 500,000 tons of sugar from Cuba. At the time, as the Soviet Bloc is normally an exporter of sugar, this was attributed to a drop in sugar production caused by drought in the Southern Ukraine, the largest single area of sugar beet culture. However, after reportedly good crop conditions in the Ukraine in 1955, it has been **announced that** in December, 1955, Russia has purchased 200,000 tons of sugar from Cuba, for shipment January to June, 1956.

Ecuador

61. There have been recent reports of an offer of a Soviet loan to Ecuador in the amount of \$80 million to \$100 million, to cover capital equipment and arms. However, though this report has since been denied emphatically by the official representative of Ecuador in the United States, the visiting Soviet Ambassador for Mexico is at least interested in sponsoring trade relations.

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ANNEX 1 to JIC 181(56).

FREE WORLD TRADE WITH THE SINO-SOVIET BLOC

1953-55

(Million US \$)

Table 1

Trading Areas	Exports to the Bloc						Imports from the Bloc					
	1953		1954		1955		1953		1954		1955	
	Jan.-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.
US and Canada	1.2	1.0	4.1	7.9	8.7	8.1	27.3	24.4	26.7	28.2	31.2	44.1
OEEC Countries ^{a/}	352.8	451.5	488.8	509.0	535.7	516.5	394.5	529.6	455.4	594.8	603.8	728.3
Other Europe	76.4	102.9	93.2	103.5	100.7	129.2	85.5	96.9	82.7	111.5	110.1	117.9
Near East and Africa	55.2	28.3	58.1	64.6	71.9	87.3	58.6	50.4	55.3	66.6	70.4	61.1
Far East	122.7	85.1	102.8	116.0	96.8	139.5	164.6	144.3	128.3	158.6	191.9	184.9
Oceania	17.4	55.9	57.9	15.2	29.9	20.7	5.4	7.3	7.3	8.1	7.3	9.1
Latin America	15.1	23.3	92.6	49.0	57.7	70.0	15.5	15.8	33.0	75.6	75.9	79.8
TOTAL	640.8	748.1	897.5	865.2	901.6	971.4	751.4	886.6	788.7	1,043.4	1,090.6	1,225.2

^{a/} Organization for European Economic Cooperation

SOURCE: CIA/RR IM-420, 3 February, 1956, p. 15

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ANNEX 1 to JIC 181(56)

EXPORTS OF SELECTED COUNTRIES OF THE FREE WORLD TO THE
SINO-SOVIET BLOC, 1954
(in millions of U. S. Dollars)

Table 2

Country	Total to World	Total to Sino-Soviet Bloc Value	Percent of Total Value	Total of Soviet Bloc in Europe	Czechoslovakia	East Germany	Hungary	Poland	USSR	China
<u>Europe</u>										
Austria	609.6	58.8	9.6	57.5	7.5	10.0	11.7	17.9	1.5	1.3
Finland	681.0	190.3	27.9	183.7	4.5	11.7	3.5	14.6	146.6	6.6
Iceland	51.9	12.9	24.9	12.9	2.8	1.0	0.1	1.1	7.9	(1)
Yugoslavia	235.6	6.1	2.6	6.1	2.8	0.9	1.3	n.r.	1.0	n.r.
<u>Middle East</u>										
Egypt	399.8	56.3	14.1	44.9(2)	17.3	2.1	5.3	6.9	5.4	11.4
Iran	111.0	20.3	18.3	20.3	1.3	n.r.	0.5	(1)	18.6	n.r.
Israel	85.0	4.4	5.2	4.4	0.1	(1)	0.2	0.6	3.1	-
Turkey	334.9	53.8	16.1	53.8(3)	12.8	6.7	4.8	14.9	5.2	n.r.
<u>South and South East Asia</u>										
Burma	222.4	0.6	0.3	0.6	-	-	0.6	-	-	(1)
Ceylon	380.0	46.9	12.3	0.4	0.3	n.r.	-	(1)	n.r.	46.5
India	1180.0	19.3	1.6	10.6	4.2	(1)	0.4	0.6	5.3	8.6
Indonesia	856.1	9.1	1.1	6.7	3.8	n.r.	1.6	0.6	0.4	2.3
Pakistan	358.9	33.6	9.4	7.6	0.8	-	0.3	2.9	3.6	26.0
<u>Latin America</u>										
Argentina	1073.1	101.7	9.5	101.7	11.9	n.r.	8.5	22.8	50.8	n.r.
Brazil	1561.8	24.0	1.5	21.5	12.2	n.r.	2.2	6.0	n.r.	2.6
Uruguay	249.0	23.7	9.5	23.7	1.8	n.r.	1.1	0.9	19.9	(1)

Source: U.S. Department of Commerce

Note: -) none
n.r.) no return
(1)) less than \$100,000
(2)) Of these \$7.7 million were to Roumania
(3)) Of these \$6.2 million were to Roumania

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IMPORTS OF SELECTED COUNTRIES OF THE FREE WORLD FROM THE
SINO-SOVIET BLOC, 1954

Table 2

(in millions of U. S. Dollars)

Country	Total to World	Total from Sino-Soviet Bloc Value	Percent of Total Value	Total from Soviet Bloc in Europe	Czechoslovakia	East Germany	Hungary	Poland	USSR	China
<u>Europe</u>										
Austria	634.8	60.3	9.5	59.5	8.6	7.4	13.8	20.5	1.4	0.7
Finland	661.5	190.1	28.7	187.2(2)	18.1	19.9	5.0	28.0	88.4	2.8
Iceland	69.4	12.7	18.3	12.7	1.9	1.4	(1)	1.3	8.1	(1)
Yugoslavia	333.6	3.8	1.2	3.8	1.1	0.2	0.9	-	1.0	-
<u>Middle East</u>										
Egypt	458.9	26.9	5.9	26.2(3)	7.9	1.4	3.7	1.4	6.6	0.8
Iran	223.0	21.2	9.5	21.2	5.7	n.r.	1.2	0.9	13.5	n.r.
Israel	289.7	6.9	2.4	6.9	0.1	-	(1)	3.1	1.7	(1)
Turkey	478.3	45.5	9.5	45.5	13.7	5.3	6.9	8.4	3.4	(1)
<u>South and South East Asia</u>										
Burma	n.a.	2.2	...	1.8	1.4	-	0.2	(1)	0.1	0.4
Ceylon	293.4	33.1	11.3	1.1	0.5	(1)	(1)	(1)	0.4	32.0
India	1231.3	11.2	00.9	6.4	2.8	0.4	0.2	0.2	2.4	4.8
Indonesia	629.1	15.3	4.5	1.8	1.2	n.r.	0.3	0.2	(1)	0.4
Pakistan	324.7	3.0	0.9	1.4	0.8	-	(1)	0.2	0.3	1.6
<u>Latin America</u>										
Argentina	1081.2	55.2	5.1	55.2	14.6	n.r.	n.r.	20.4	13.6(4)	n.r.
Brazil	1633.5	18.8	1.1	18.8	13.5	n.r.	1.0	4.3	n.r.	n.r.
Uruguay	274.5	2.6	0.9	2.6	1.2	n.r.	1.3	(1)	(1)	n.r.

Source: U.S. Department of Commerce

Note: -) no trade
n.r.) no return
(1)) Less than \$100,000
(2)) Finland's imports from Roumania amounted to \$26.5 million
(3)) Egypt's imports from Roumania were \$5 million
(4)) Jan.-August only.

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EXPORTS OF SELECTED COUNTRIES OF THE FREE WORLD TO THE
SINO-SOVIET BLOC, 1955 (partial data)
(in million U.S. Dollars)

Table 4.

Country and Period		Total to World	Total to Value	Sino-Soviet Bloc Percent of Total Value	Total to Soviet Bloc in Europe	Czechoslovakia	East Germany	Hungary	Poland	USSR	China
<u>Europe</u>											
Austria	Jan-Dec	698.8	71.2	10.2	69.4	10.7	12.0	15.1	17.9	5.6	1.8
Finland	Jan-Dec	788.1	202.9	25.8	190.5	8.1	17.2	5.8	15.7	137.8	12.5
Iceland	Jan-Dec	52.1	14.5	27.8	14.5	2.3	1.2	(1)	1.3	9.6	-
Yugoslavia	Jan-Oct	185.0	21.8	11.8	21.8	6.0	0.9	1.9	3.1	9.1	-
<u>Middle East</u>											
Egypt	Jan-Dec	397.4	106.1	26.7	81.5(2)	25.3	4.0	11.9	8.3	20.2	24.5
Iran	Jan-Nov	125.3	18.7	14.9	18.7	2.7	-	0.4	0.3	15.5	-
Israel	Jan-Nov	81.5	2.5	3.1	2.5	(1)	-	(1)	0.5	1.1	-
Turkey	Jan-Sept	211.6	54.1	25.6	54.1	15.9	11.9	7.4	11.0	2.7	-
<u>South and South East Asia</u>											
Burma	Jan-Dec	156.1	13.6	8.7	5.1	0.7	1.0	-	1.3	2.1	8.5
Ceylon	Jan-Dec	407.4	25.8	6.3	0.3	(1)	-	-	0.3	-	25.5
India	Jan-Oct	1047.9	21.9	2.1	6.3	2.0	(1)	0.1	0.7	3.3	15.6
Indonesia	Jan-Nov	813.5	29.6	3.6	24.7	10.2	n.r.	2.7	10.3	n.r.	4.9
Pakistan	Jan-Oct	327.4	35.7	10.9	4.8	0.7	(1)	(1)	4.0	-	30.9
<u>Latin America</u>											
Argentina	Jan-June	499.1	33.9	6.8	32.8	1.5	1.7	0.6	17.4	9.2	1.1
Brazil	Jan-Oct	1161.6	38.4	3.3	33.8	17.4	n.r.	6.3	9.3	0.7	4.6
Uruguay	Jan-Sept	n.a.	7.8	...	7.8	2.1	-	1.0	1.9	2.7	-

Source: U.S. Department of Commerce

Note: -) None
 n.r.) No return
 (1)) Less than \$100,000
 (2)) Includes \$11 million to Roumania

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**IMPORTS OF SELECTED COUNTRIES OF THE FREE WORLD FROM THE
SINO-SOVIET BLOC, 1955 (partial data)**
(in million U.S. Dollars)

Table 5.

Country and Period		Total from World	Total from Sino Value	Soviet Bloc Percent of Total Value	Total from Soviet Bloc in Europe	Czechoslovakia	East Germany	Hungary	Poland	USSR	China
<u>Europe</u>											
Austria	Jan-Dec	885.1	84.6	9.6	83.5	15.2	11.9	19.4	24.4	4.1	1.2
Finland	Jan-Dec	769.4	208.1	27.0	204.0	20.7	22.8	6.8	39.3	87.0	4.1
Iceland	Jan-Dec	77.6	17.3	22.2	17.3	3.2	1.6	-(1)	1.7	10.6	-(1)
Yugoslavia	Jan-Oct	366.8	19.3	5.3	19.3	5.1	1.3	1.1	2.3	8.0	-(1)
<u>Middle East</u>											
Egypt	Jan-Dec	523.5	35.8	6.8	34.8(2)	10.6	2.5	2.0	1.4	6.6	0.9
Iran	Jan-Nov	248.5	23.7	9.6	23.7	3.6	-	1.0	.4	18.8	-
Israel	Jan-Nov	296.0	3.8	1.3	3.8	-(1)	-(1)	0.1	1.2	0.2	-(1)
Turkey	Jan-Sept	371.6	73.9	19.9	73.9	20.8	12.2	9.9	14.6	6.9	-
<u>South and South East Asia</u>											
Burma	Jan-Dec	177.5	4.0	2.3	1.7	1.4	(1)	0.1	(1)	0.1	2.2
Ceylon	Jan-Nov	277.0	15.5	5.6	1.6	0.6	(1)	(1)	0.8	0.1	13.9
India	Jan-Oct	1096.9	15.6	1.4	10.1	2.1	0.5	0.3	2.3	4.4	5.5
Indonesia	Jan-Oct	483.8	37.4	7.7	28.7	16.3	n.r.	7.8	2.8	0.2	8.7
Pakistan	Jan-Oct	239.8	0.8	0.4	0.7	0.4	-	(1)	0.1	0.1	0.2
<u>Latin America</u>											
Argentina	Jan-June	658.4	55.5	8.4	55.5	9.9	-	6.2	14.8	20.5	-
Brazil	Jan-Oct	1085.0	28.8	2.7	28.8	16.0	n.r.	5.1	7.7	n.r.	n.r.
Uruguay	Jan-Sept	n.a.	1.7	...	1.7	1.1	(1)	0.6	(1)	(1)	-

Source: U.S. Department of Commerce

Note: -) None
n.r.) No return
(1)) Less than \$100,000
(2)) Includes \$11.6 million from Roumania

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ANNEX 1 to
JIC 181(56)

CREDITS EXTENDED BY THE SINO-SOVIET
BLOC TO NON-BLOC COUNTRIES

April 1, 1956

Table 6

Recipient Areas	USSR	Bloc Excluding USSR	<u>Million \$ U.S.</u> Total Bloc
<u>Middle East</u>			
Egypt	(1)	200	200
Iran		3	3
Syria		50	50
Turkey		<u>3</u>	<u>3</u>
TOTAL		256	256
<u>South-South East Asia</u>			
Afghanistan	107	15	122
India	130	4	134
Indonesia		<u>18</u>	<u>18</u>
TOTAL	237	37	274
<u>Europe</u>			
Finland	20		20
Yugoslavia	<u>204</u>	<u>95</u>	<u>299</u>
TOTAL	224	95	319
<u>GRAND TOTAL</u>	<u>461</u>	<u>388</u>	<u>849</u>

(1) This table excludes the Soviet offer of equipment for the Aswan Dam valued at a minimum of \$200 million.



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No. CSC 7-17 (JIC)

Department of National Defence

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JOINT INTELLIGENCE COMMITTEE

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Information on Soviet Armed Forces

MAY 15 1956

1. The Department of External Affairs has requested the JIC to prepare a short paper on this subject. This paper is to be included in the "Post Book" for the Soviet Union, and is for the use of our new Ambassador there.

2. The Department of External Affairs requires information on the order of battle, strengths, dispositions, etc., of the Soviet armed forces. As a guide in making your contribution to this paper, the following information would be useful:

- (a) Strengths - officers and men.
- (b) Number of Regular Forces' major units and/or formations.
- (c) General statement on type and state of equipment.
- (d) General statement on training, morale, capabilities, value for war.
- (e) Where appropriate, a short paragraph on armament production.

3. As you may recall, similar papers were done recently for the same purpose on Spain, Sweden and Finland. It would be greatly appreciated if your contributions could be received in the JIS by 1 Jun 56.

J.C. McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

JCM/2-5459/ff

c.c. Mr. G.G. Crean,
Dept. of External Affairs.
DSI
RCMP
JIS

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NO. CSC 1735-2 (JIC)

Department of National Defence

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✓ G.G. Crean, Esq.,
Dept. of External Affairs.

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JIC Semi-Annual Review of Trends in Communist
Bloc Policy Including Communist China

11 MAY 1956

1. Reference is made to my memorandum on this file dated 9 May 56. I now attach para. 28 "Armed Forces - General", which was prepared by DAI; also attached is a revised para. 35 "The Air Force".

2. If no objections to JIC 183/2(56) are received by the Secretary by 15 May, it will be distributed in accordance with para. 3 of my referenced memorandum.

J.C. McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

Encs.

JCM/2-5459/ff

c.c. JIS

may 11/56

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JIC 183/2(56)

7 May 1956

JIC Semi - Annual Review of Trends in CommunistBloc Policy Including Communist ChinaDOWNGRADED TO SECRET
REDUIT A SECRETArmed Forces - General

28. A number of statements have been made by major Soviet leaders during the period of this review which, taken together, throws a good deal of light on their attitude to the likelihood of war, the nature of future war, and the armed forces which they consider necessary to build and maintain.

- (a) Khrushchev, in the report of the Central Committee of the CPSU to the 20th Party Congress, explicitly rejected Lenin's thesis that wars are inevitable as long as imperialism exists. However, there were no suggestion that wars cannot happen, and Khrushchev and later speakers pointed out that the basis for war remains as long as imperialism exists. This modification of Lenin's thesis gives official approval to doubts which have arisen since the end of World War II. On the eve of the 19th Party Congress in 1952, Stalin rejected the notion which was growing up that war was no longer inevitable because of the growth of strong communist forces, and he restated that imperialism must be destroyed in order to eliminate the inevitability of war.
- (b) The Soviet view on the nature of future war and its effect on the composition and balance of forces which they need to build and maintain was stated by Zhukov as follows: "We are building up the Soviet armed forces on the basic assumption that the means and forms of the future war will differ from past wars in many respects. If a war is unleashed in the future, it will be characterized by a mass use of air power, various types of rocket weapons, and various means of mass destruction such as atomic, thermo-nuclear, chemical and bacteriological weapons. However, we proceed from the fact that the very latest weapons, including even the means of mass destruction, do not diminish the decisive significance of ground troops, of the navy, and of aviation. Without strong ground troops, without strategic long-range and tactical aviation, and a modern navy, and without their well-organized coordination, it is impossible to wage a modern war successfully." Zhukov also makes important statements about the role of air power in future war. He says that "The Central Committee and the Government are devoting special attention to the development of the airforce, as the most important means of insuring our Motherland's superiority." and further he states that "The relative strength of the air forces and anti-aircraft defence troops has considerably increased in the composition of our armed forces."
- (c) Recent statements by Soviet officials and scientists indicate a high degree of interest in earth satellites and an intention

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to launch one or more vehicles during the International Geophysical Year 1957-1958. Valuable information on the upper atmosphere and ionosphere may be gained, with a resulting improvement in long-range weather forecasting and radio and radar transmissions, increased knowledge of the earth's magnetic field and other subjects which would contribute to the effectiveness and accuracy of air delivery vehicles.

- (d) Senior military leaders have been propounding through the medium of the press and in speeches the need for a re-evaluation of the importance of "surprise" at a strategical level in nuclear warfare. Hitherto its importance had been stressed as a valuable factor on the battlefield. The reorganization of the Soviet Forces is in itself some indication that military doctrine is undergoing a change and, as an example, there are indications that the High Command is moving away from the concept of "mass" and "centralization".

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 JIC 183/2(56)
 7 May 1956

The JIC Semi - Annual Review of Trends in Communist
Bloc Policy Including Communist China

- I. Delete first para The Air Force. page-9- and
insert the following

35. The Air Force

During the period under review intelligence on Communist Bloc air forces indicated a continuing general improvement in air capabilities. The most significant development was the sighting of BISON heavy jet bombers in limited numbers on operational Long-Range Air Force bases in the Soviet Union. These sightings, with the steady re-equipment of Long-Range Air Force units with BADGER medium jet bombers, show a continuation of the trend to improve Soviet long-range strike capabilities. Efforts to improve air defences were reflected in the sighting of increasing numbers of all weather fighter units with FRESCOs, some of which are equipped with an aid-to-intercept radar. Aircraft strength of the Long-Range Air Force increased during the period with the addition of approximately 100 BADGERS and 10 BISONs. The number of BULLs in operational use is still believed to have remained unchanged since October 1955. Most units of the Long-Range Air Force are still located mainly in European Soviet Union. The 175 BULLs believed to be in the Southern Maritime District in the Far East are as yet not being replaced by turbojet or turboprop types.

Developments in the Tactical Air Force during the period continued along the lines of the preceding six months, reflecting a steady increase in fighter intercept capability, largely through the introduction of a FRESCO variant with aid-to-airborne intercept (AAI) radar. This is substantiated further by the sighting of increased numbers of FARMERS and FLASHLIGHTs at some Tactical Air Force airfields. The appearance of BEAGLE jet light bombers painted black suggests a Soviet interest in night recce and bomber operations. Evidence also continues to indicate that jet fighters and jet light bombers will assume a ground attack role in place of the obsolete BEAST. Approximately 85% of Soviet PVO units are now estimated to be equipped with FRESCOs some of which (FRESCO "D"s) are equipped with an aid-to-airborne intercept.

- II. European Satellite Forces. page -11- insert "light" between
 "Czechoslovakian" and "bomber"
 and add the following at the end of para.

The other Satellites are believed to possess a smaller number of BEAGLES. The East German Air Force continues to train with piston engine aircraft, but there are some indications that a limited jet training programme may be undertaken with close Soviet supervision. Soviet forces in the Satellites have replaced most of their piston recce aircraft with twin and single engine jets. There are no jet recce aircraft on the establishment of any national Satellite air force.

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NO. CSC 2106-1 (JIC)

Department of National Defence

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JOINT INTELLIGENCE COMMITTEE

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10 May 56

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G.G. Crean, Esq.,
Dept. of External Affairs.

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Soviet Activities in the Canadian Arctic

1. Attached is a copy of JIC 184/1(56) dated 10 May 56, on the above subject, which was prepared by the JIS in accordance with the decision reached at the 489th meeting (Item VI).
2. May your comments on this draft be passed to the JIS by not later than 1200 hours, Monday, 14 May.
3. The third draft of this paper will be considered at the meeting to be held on 16 May.

J.C. McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

Enc.

JCM/2-5459/ff

c.c. JIS



*New draft coming at
for May 30 meeting
JL up*

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JIC 184/1(56)
dated 10 May 56.

SOVIET ACTIVITIES IN THE CANADIAN ARCTIC

Aim

1. The aim of this paper is to provide the Canadian Government with timely information, a preliminary analysis of specific Soviet activities in the "Canadian Arctic", and recommendations.

2. The Soviet Union has made numerous announcements regarding hydrological, ice and weather surveys to be carried out in the Arctic. Soviet aircraft activity in connection with Arctic survey has been greatest in the spring months. On the basis of intelligence information which became available to the JIC, an aerial reconnaissance was carried out.

Reconnaissance

3. On the 30th of April an RCAF aircraft on Arctic patrol made the following observations at a point 230 miles northwest of Prince Patrick Island:

- 7 Dakota-type transports
- 1 Single engine transport
- 1 Tractor with drag working on a landing strip
of about 3,000 feet in length
- 8 Tents - each near an aircraft
- 40 Men (approximately)
- 1 Radio homing beacon was heard when the RCAF
aircraft was still some distance away.
It was shut off when the Canadian aircraft
arrived at the point
- 2 Small tripods
- A few drums such as fuel drums
- 1 Object that looked like a short section of a
heavy ladder
- 2 Large mounds of snow which seemed artificially
made.

NOTE: The aircraft seen on the ^{ice} ground were all thought to be subordinate to Polar Aviation, and carried civil markings.

4. The purpose of this site is so far obscure, although there are a number of possibilities. A choice between these possibilities is difficult because we have so far no idea of the final form of the installation, or indeed if it is intended to expand it further.

Possibilities

5. Several possibilities are considered below. While in each consideration we take note of the fact that the aircraft seen on the ice bore Soviet civil markings, and are known to be subordinate to

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Soviet Polar aviation. We are also aware that such markings do not eliminate the possibility that the role of the aircraft could be military or para-military.

a. A Staging Base for operations against North America:

Discussion: The establishment of a staging base in this area cannot be ruled out as part of a planned attack on North America. It would extend the range of one-way missions for Bull and Badger medium bombers to significant areas of North America. It would extend the two-way range of Bison aircraft to a significant area of the North-West and the centre of the United States.

However, we do not believe that this point is a staging base for the following reasons:

- i) Since it is so close to Canadian territory, there is a considerable risk of compromising surprise. This would be particularly the case if the base were for Bison aircraft, which would necessitate a greater effort in locating and developing a base of the required standards.
- ii) There is at this time no other evidence of other preparations for the outbreak of war.
- iii) The aircraft so far observed have been of civil subordination.
- iv) The facilities and length of runways so far observed are not suitable for a staging base.

out of date

However, it should be noted that both paras iii) and iv) are not necessarily significant, since the base may still be under development.

b. An Operating Base for aircraft carrying out photographic, visual or ELINT observation of the DEW Line.

Discussion: Photographic reconnaissance of the DEW Line could be carried out without our knowledge at any time before it starts to operate. The kind of aircraft seen at this site could carry out such missions, but they could be carried out with even greater security by the use of light or medium bombers which could fly higher. Elint observations would not be expected until after the line is in operation. Furthermore, no radio antennae were seen.

c. A Surface (semi-permanent) ELINT or COMINT establishment.

Discussion: It would be an advantage to the Russians to have such an establishment at this point, in particular to follow the construction and the coming into operation of the DEW Line. However, no prefabricated huts or other semi-permanent living accommodation was seen. If the installation were to be in any sense semi-permanent (i.e. a COMINT establishment) we would expect more than tents. Also, there was no central tent or centre of operations - each tent seemed to be by an aircraft. It would be an

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advantage to the Russians to have such an establishment at this point but from the present installation it could not possibly be this kind of operation.

d. A Base for ECM Operations against the DEW Line.

Discussion: This is a highly improbable possibility. It would be most effective for such an operation being on the surface and at considerable distance. Also this kind of an operation is more of a wartime one.

e. A Ground Base connected with the testing of guided missiles or the launching of a satellite.

Discussion: Here again we would expect more than tents. It is not unlikely that the Russians have missile testing ranges in the Arctic but it would appear unlikely that one would terminate so close to North America. The establishment of a station to conduct Earth satellite observations or tracking, or guidance, would undoubtedly require more equipment than was there on the 30th of April.

f. A Permanent Drift Station.

Discussion: It is possible that the installation is an embryo drift station, but in its present stage of development it does not resemble any previous Soviet drift station. The absence of even semi-permanent buildings suggests that the site is of a more temporary nature than a drift station.

g. A Base for Mounting Temporary Scientific Observations Posts.

Discussion: References have been seen to an expedition "████" of which a portion is to be concerned with hydrology and will depend upon observations made by small groups spread over a very wide area of the Arctic. Further, the use of mobile airborne scientific teams for observations has been since the late 40's one of the main Soviet methods of obtaining scientific information on the Arctic. It seems possible that this site is concerned in some way with observations of this kind, and may even be a form of temporary "central post" from which airborne teams will fly to observation sites.

Conclusion

6. Although we cannot entirely exclude the possibility that this Soviet installation has some military or semi-military purpose, we consider it more likely, on the basis of what is now known about the site, that it is civil in character, and probably concerned with scientific observation. We would, however, point out that the current large scale and widespread scientific exercises in the Arctic would be ideal cover under which to establish semi-permanent semi-military installations.

Recommendations

7. a. We recommend that ^{regular} reconnaissance of the site ^{and the area} be continued and further photographs be obtained.
- b. We recommend that no formal protest be made by the Canadian Government until such time as we reach a more general conclusion.



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No. CSC 7-17 (JIC)

Department of National Defence

JOINT INTELLIGENCE COMMITTEE

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MEMORANDUM FOR THE JIC:

Possibility of Soviet Drifting Research Stations Entering Canadian Waters

1. The following memorandum has been received from Mr. Crean:

"The JIC paper No. 176(56) dated April 5, 1956, entitled 'Possibility of Soviet Drifting Research Stations Entering Canadian Waters' has been circulated in this Department. Our legal Division has pointed out that the use of the phrase "Canadian Waters" in this paper implies that all the waters of the so-called Canadian sector are Canadian waters. No such claim has been made by the Canadian Government. Bearing in mind that this is an unclassified paper and might be given a fairly wide circulation by the various recipients, I should consider that it would be well to correct this impression. I recommend, therefore, that the title be changed to 'Soviet Drifting Research Stations' and that the expression 'Canadian Waters' in the sixth line of the first paragraph be replaced by 'waters within the area which is sometimes called the Canadian sector'."

2. If no objections to these amendments are received by the Secretary by 15 May, recipients of the above paper will be asked to amend their copies.

J.C. McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

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c.c. JIS

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CANADA

Department of National Defence

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JOINT INTELLIGENCE COMMITTEE

(Appendix "A"
CANADIAN EYES ONLY)

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✓ G.G. Crean, Esq.,
Dept. of External Affairs.

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19 MAY 1956

JIC Semi-Annual Review of Trends in Communist
Bloc Policy Including Communist China

1. Attached is a copy of JIC 183/2(56) dated 7 May 56, on the above subject, together with Appendix "A", which is marked with the warning "Canadian Eyes Only".
2. You will note that page 7, "Armed Forces - General", is blank. It will be used for the insertion of a paragraph to be prepared by DAI. This paragraph is expected to be available for distribution to the Committee by 14 May, at which time you will be requested to approve the whole paper on short notice.
3. Approval of the distribution of JIC 183/2(56) will also be requested at this time (the distribution is contained in the minutes of the 466th meeting - Item VIII - amended to include Australia and New Zealand).

J.C. McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

Encs.

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JIC 183/2(56)

7 May 1956

THE JIC SEMI-ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOC POLICY INCLUDING COMMUNIST CHINA

(1 October 1955 - 29 February 1956)

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JIC 183/2(56)

THE JIC SEMI-ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOC POLICY INCLUDING COMMUNIST CHINA
(1 Oct, 1955 - 29 February 1956)

I. INTERNAL DEVELOPMENTS IN THE SOVIET BLOC

Internal Politics

1. Within the U.S.S.R. the major political developments described in the previous review have continued into the present period under the Khrushchev-Bulganin regime. To the three most important developments - the maintenance of "collective leadership", the increased drive for greater economic productivity, and the creation of a relatively freer feeling among the people must be added the destruction of the Stalin myth. All these developments can be traced back to the period just following the death of Stalin, but in recent months and especially with the convocation of the 20th Party Congress they have been most pronounced. Certainly a primary aim of Khrushchev and most of the other speakers at the Congress seems to have been to impress on the delegates and the people of the U.S.S.R. that Stalinist one-man dictatorship, has gone for good.
2. "Collective leadership" seems now to be firmly established. While both Molotov and Malenkov have come under fire for "ideological errors" they continue to hold down seats in the Party Praesidium and in the Council of Ministers. Khrushchev appears to be the dominant figure but there is no indication that he is likely to assume the old mantle of Stalinist absolutism. The team which he captains has operated more confidently and with greater flexibility than its predecessor, and with the passage of time the possibility of a return to a Stalin type dictatorship is likely to become more difficult. In spite of the stress on "collectivity", however, Khrushchev is succeeding in placing his candidates in some key posts in the Government and Party, and he probably controls the Party apparatus, the key to the rise to power of Stalin. For example, in December, the First Secretary of the Party in Uzbekistan, was replaced by the premier, who has since become a candidate member of the Praesidium of the Central Committee. In January, the premier of the Russian Soviet Federated Socialist Republic, A.M. Puzanov, associated with Malenkov, was replaced by Mr. Yasnov, the mayor of Moscow, who has worked closely with Bulganin and Khrushchev. And most important S.N. Kruglov was replaced as Minister of the Interior (head of M.V.D.) by N.P. Dudurov, the deputy mayor of Moscow whose career has been party rather than police.
3. The annihilation of the Stalin myth, the vehemence with which his once-loyal followers now attack him and his terrorist tactics, and the present denunciation of "the cult of individualism" lend further support to the thesis that for some time at least a collective group will guide Soviet policy. In a secret session of the Congress Khrushchev denounced Stalin as one who dominated the Soviet people through terror, and who murdered and purged his enemies in order to remain in power. It seems evident that the present regime hopes to consolidate its own popularity by laying the blame for previous crimes and oppression on Stalin and Beria. Although this course appears to have provoked some consternation and hostility within the U.S.S.R., it is apparently being pursued with vigour through local party and trade union cadres. The condemnation of Stalin, however, is not a denunciation of communist ideology and practice and there is clearly no intention of giving up any of the territorial and economic gains achieved by Stalin.

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4. The composition of the Praesidium of the Party remains the same, although the number of candidate members has increased from two to six. The new appointments are Marshal Zhukov, Minister of Defence, D.T. Shepilov, editor of Pravda, L.I. Brezhnev and N.A. Mukhitdinov, First Secretaries respectively of Kazakhstan and Uzbekistan and Mme. E.A. Furtseva, First Secretary of the Moscow City Party Committee. P.K. Ponomarenko, a former candidate member and now Ambassador to Poland, has been dropped. There are over fifty new members of the 125-men Central Committee, and 72 new candidate members; the staff of the Party Secretariat has been raised from six to eight. Non-Russian representation in the Party Committees seems to have been augmented and the present regime seems prepared to grant increased local autonomy under firm party control.

5. During the period under review the Party has strengthened its control over the other major instruments of power. At the local levels the authority of the party cadres has been increased. The influence of the secret police has been sharply reduced since the demise of Beria. A new emphasis has been placed on the legal rights of individuals, and it was announced in December that as a result of trials held in Georgia a number of leading MVD and MGB officials had been sentenced to death or to prison terms for serving the cause of Beria and carrying out acts of terror.

6. As a ruling team the regime has exuded confidence, even enthusiasm, in promoting its internal and external policies. It has admitted that there exist certain technical deficiencies in the Soviet economy compared to some of the capitalist states, but in the new sixth Five-Year-Plan it continues to lay emphasis on heavy industry in order to effect to a greater degree its long term goal of overtaking the USA in per capita production.

7. The Soviet government has made a number of concessions to public opinion and to consumers which reflect its confidence and its more flexible methods. It continues to permit relatively greater freedom of scientific and cultural thought and has officially recognized a number of Western cultural expressions including American jazz, French impressionistic art and functional architecture. It has published or broadcast, unedited, a number of statements of Eisenhower and Eden, and has lowered many of its restrictions on the entry and travel of Western visitors, delegations and journalists.

8. The suppression of the more arbitrary MVD practices has been accompanied by the liquidation of many forced labour camps and the rehabilitation of a large number of political prisoners. Living conditions continue to improve; new regulations reduce in theory the hours of work to six hours on Saturdays and days before holidays and promise further concessions to employees, especially women workers. While heavy industry is still the key to Soviet progress the regime promises to increase consumer goods, to improve the pension system and to step up the provision of housing facilities, though it is difficult to see how this can be accomplished if the heavy industry programme is to continue to take priority.

9. The present leaders are still committed to the monolithic structure of the Soviet state, and show no sign that they would tolerate criticism of their more fundamental aims and methods. As a result of their realistic and less oppressive rule, the Soviet regime is probably in a more popular position vis-a-vis its own citizens than at any time since the war. So long as it can maintain its "collective" unity it may not require the despotic techniques of Stalin to assure itself of continued domination over the people of the USSR. "However, if the trend toward greater freedom continued over a considerable period, the regime

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might find difficulty in maintaining its position without making further concessions or alternatively reimposing stringent measures".

The Economy

10. The shape and pattern of Soviet economic policies in the period 1956-60 have been more clearly defined in the last few months due to the announcement of the sixth Five Year Plan, the speeches at the Twentieth Party Congress, and the 1956 Budget. Essentially, the sixth Five Year Plan is designed to continue the development of the Soviet economy on the pattern of the previous plan, with an even greater accent on increasing industrial output and special emphasis on the rapid growth of the "means of production".

11. The sixth Five Year Plan asserts that it is the long-term goal of Soviet industry to "overtake and surpass the most developed capitalist countries in per capita production". The importance of heavy industry as the only "correct base" for continuing the development of the Soviet economy has been re-affirmed. Of the planned capital investment during the period 1956-60, (equal in total to the combined capital investment of the fourth and fifth Five Year Plans), some 60 per cent is allocated to the expansion of facilities in heavy industry; 20 per cent to social investment in housing, public utilities, schools hospital etc., and 12 per cent to agriculture, while there is a major accent on the equipping of existing plant, the industrial base is to be expanded physically and the degree of regional self-sufficiency improved (industrial development East of the Urals is to be well above the rate for the country as a whole.

12. In view of the expanding labour shortage, arising from the birth discrepancies of the war time years, and the announced intention to reduce working hours, every effort is to be made to increase industrial productivity and efficiency through better management and organization technical training, modernization of equipment, greater specialization, and more extensive use of automatic processes. It is planned thereby to increase labour productivity in industry by 50 per cent in the period 1956-60. Heavy investment in agriculture is to continue in an allout effort to increase grain production and raise stock numbers. The plan suggests no further expansion of "newland" acreage beyond the present programme of 75 million acres which is to be sown to crop in 1956. The emphasis will rest on increasing the yield per acre on all crop land. The output of tractors and of chemical fertilizer will be more than doubled. Although there would appear to be no likelihood of their reaching these ambitious 1960 goals, marked improvement over the present per capita levels will undoubtedly occur.

13. Gross industrial output by 1960 is to increase by 65 per cent over 1955, as compared with an increase of 85 per cent during 1951-55. The heavy industry component is to increase by 70 per cent, and consumer goods by 60 per cent, as compared with a claimed 91 per cent and 76 per cent growth respectively in the previous five years. Although the planned rate of industrial growth during 1956-60 is lower than that achieved during 1951-55, the planned growth in absolute or physical terms is substantially higher. By 1960, Soviet industrial output may represent at least 40 per cent of projected industrial output in North America as compared with a present ratio of some 33 per cent. The margin of North American industrial superiority still remains substantial, but the sixth Five Year Plan indicates the tremendous effort that the USSR is making in order to narrow the gap.

14. By the end of the Sixth Five Year Plan, it may be expected that the economic stature of the USSR in terms of total output of goods and services will be at least one-third higher than in 1955. In terms of

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industrial war potential, however, the USSR may have a strength of the order of 50 per cent higher than in 1955. In its allocation of resources as between investment, defence and consumption, the tendency will be for the investment proportion to rise, while the current proportions flowing to defence and consumption may fail slightly.

15. As expected, the Soviet 1956 budget is in conformity with the new Five Year Plan, and for 1956 indicates no significant changes over 1955 in economic and defence policy. The accent remains on expanding the base of heavy industry, maintaining a high level of defence expenditures, and of increasing agricultural output. Capital investment for 1956 is some 15 per cent over 1955 in comparable prices. The stated decline in defence expenditures is more apparent than real, and does not represent any decline in the production of military end products. Industrial output in 1956 is planned to increase 10.5 per cent over 1955. The allocation to scientific research and development shows a sharp increase. In summary, the budget reflects the continued preoccupation of the regime with ensuring a high level of industrial growth, effecting a higher level of agricultural output, increasing productivity, and with maintaining a strong and modern military establishment.

16. The announced results for 1955 of the plans of the European Satellites indicate that successes were achieved in heavy and basic industries, with moderate over-fulfilment being claimed in all cases. There has been a renewed emphasis on heavy industry in conformity with Soviet policy, and it now appears that all new Five-Year Plans are integrated with that of the Soviet Union and reflect some degree of industrial specialization among the Satellites.

Transportation

17. Transport developments in the Bloc have continued on the lines established during the previous six months. In the USSR, the post-war drive for increased efficiency of the system has continued, and the shape and scale of an ambitious effort in this direction has been revealed by the publication of the new Sixth Five Year Plan. Within the USSR, relatively little new construction is planned, and the major plans include the electrification of the main trunks connecting Moscow with the Donbas and Irkutsk, increasing the carrying capacity of the dry cargo fleet by almost 1/3, and the doubling of the tanker fleet by 1960. To ensure that the volume of transport services will keep pace with the expanding economy, attention will be given to various weaknesses in the railway system and to the greatly increased use of other carriers. The first serious attention to petroleum pipelines is envisaged. In China, the opening of the new railway through the Mongolian People's Republic doubled the existing capacity of Sino-Soviet links. Work continued on the railway to Amoy (which may serve the Fukien airfields by the end of 1956) and on the Yangtze bridge at Wuchang which by 1958 will permit through traffic from north to south.

18. The shipments of petrol, oil, and lubricants to the Far East continued to increase, and, for the first time since June 1954, Soviet vessels returned to the Europe-North China run. Increased use was made of the Northern Sea Route for through shipments, by both merchant and naval vessels.

19. Civil air transport continued to expand into outlying regions. The Soviet Civil Air Fleet gradually increased its scheduled services into Northern areas, while air transport has also continued to service the drift stations in the Arctic basin. Efforts were made to open air services with countries outside the Bloc; new and revised agreements were concluded between the USSR on the one hand and India, Finland and Yugoslavia on the other, and negotiations were opened with Sweden. There

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was mounting evidence suggesting that the Russians were preparing to employ a jet transport on some of these links, as well as on internal routes.

Aircraft Production

20. During the period under review the most important development has been the sighting of what were probably BISONS at Long Range Air Force bases, indicating that they are now being delivered to operational units. No further BEARS have been seen since the 1955 July Air Show, but cumulative production of heavy bombers at the end of February is estimated to be 85 aircraft. Series production of the BADGER medium bomber continues, with cumulative output at the end of February about 425 aircraft. The BEAGLE is still the only light jet bomber known to be in production in the USSR. Although there is no evidence available as yet, it is probable that a new and improved light jet bomber aircraft has been developed. The production change-over from the FRESCO to the Farmer interceptor is continuing, but is not yet complete. The FLASHLIGHT all-weather fighter is believed to be in production at only one factory at this time.

21. There are indications that the Russians are looking to jet aircraft for a large part of their future transport requirements. The CAMEL twin-jet transport, designated the TU-104, is in limited production. Tupolev is also reported to be now working on a four-engine transport. A twin-engine turbo-prop transport is also reported to be under development.

22. Poland and Czechoslovakia continue to be the only Satellites producing combat aircraft. They are still producing the obsolescent FAGOT jet fighter and its trainer version, the MIDGET. There have been reports that Czechoslovakia is going to produce the FRESCO. If this is so, it will be the first time that a Satellite has been allowed to produce an aircraft that had not previously been compromised to the West. There is evidence that East Germany and Czechoslovakia are preparing to produce the twin-engine CRATE, and it is believed that they should be able to produce enough aircraft to maintain the fleet of similar aircraft now flying in the civil airlines of the Bloc. This would leave the Soviet Union free to concentrate on the production of jet and turbo-prop transports.

Naval Shipbuilding

23. Shipyard facilities continue to expand. Although there has been an increase in merchant shipbuilding particularly in tanker construction. Naval shipbuilding has continued at a high rate with submarine production predominating. The large vessel which has been under construction in Leningrad since mid-1952 is now considered to be a Sverdlov class cruiser. It is unlikely that any more Sverdlovs will be built in Leningrad, but a few more will be completed elsewhere. Two new classes of fleet destroyers have joined the Navy, a few of the Tallin class and a substantial number of the Kotlin class. The programme for Kola class ocean escorts has been completed, and the Riga class escort programme is continuing. A large number of 'W' class long range submarines are still being produced, and a much smaller number of the larger 'Z' class long range submarines. The 'Q' class medium range submarine production programme appears to have started. No short range submarines are being build at present.

Atomic Energy and Nuclear Weapons

24. The period under review has been seen a continuing and increasing emphasis on the application of atomic energy to peaceful purposes. A 100,000 kilowatt atomic power station is scheduled for completion in 1956. The sixth Five Year Plan envisages that by 1960 an electrical capacity of between 2,000,000 and 2,500,000 kilowatts will be derived from atomic energy. Ten different types of experimental power reactors are to be built, as well as three large industrial atomic power stations. In the international

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field, the Soviet Union has extended its bilateral agreements on atomic cooperation and aid to include Yugoslavia and Egypt. An increasing number of shipments of radioisotopes and nuclear equipment to satellite countries and China has been noted. The long awaited confirmation that a large yield thermonuclear weapon has been developed in the Soviet Union was obtained in November 1955. At that time there were two explosions at the Semipalatinsk testing area, of which the second was considerably larger than the first and had an energy release in excess of the equivalent of one million tons of TNT (one megaton). Both explosions showed the presence of a thermonuclear component and appeared to have been airburst. This latter point confirms that the devices used in these tests were deliverable by aircraft and therefore had the characteristics of useful weapons. In February 1956 the detection of some relatively short-lived artificial radioactivity in the atmosphere, which was of a type normally associated with nuclear explosions, suggested further tests in the Soviet Union. These explosions appeared to be still in progress at the close of the reporting period. In the absence of any firm information as to the origin of these explosions it is not possible to assess their purpose. On the basis of inadequate evidence they appear to have occurred in the northeastern Siberian area.

Guided Missiles

25. The Soviet Union has a continuing high priority guided missile programme and it is believed that research and development work is being conducted on all the major missile types with the greatest emphasis probably being placed on surface-to-air and surface-to-surface weapons. There is reason to believe that the Soviet Union at the present time possesses a surface-to-surface missile having a range of up to 700 miles and it is estimated that the Circular Error of Probability of this missile is likely to be in the order of three to four miles. There have been indications that the Soviet Union intends to use submarines as launching platforms for guided missiles. It remains possible that the grid-like construction sites in the vicinity of Moscow are being used for surface-to-air missiles although no further confirmatory evidence of this has appeared. There is recent evidence that the Soviets are now testing an air-to-ship missile guidance system, probably from naval aircraft. This system called KOMET, has been under development since 1947. The associated missile is beam rider believed to have a range between 50 to 80 nautical miles.

Electronics

26. In the science of electronics and related physics, the Soviets have revealed two models of digital computers in use one of which is of a size and complexity comparable with modern Western standards. Transistors are still in very short supply, but apparently some are available for research and development work at least. Electronic instruments to be carried in the Soviet artificial satellite are now being developed with a solar battery as a likely source of power. New and lighter anti-aircraft radar suitable for medium range has been noticed in use in East Germany. Soviet army use of mobile decimeter communications links continued to expand. Electronic countermeasures are receiving increased attention. The new equipment noted has been passive equipment of this type rather than new types of radar. Some MIG-17's have been using radar of a type that is useful at short ranges of, say, 10 miles and may have a lock-on capability at 2 miles or less.

Soviet Arctic Research and the International Geophysical Year Programme

27. There is evidence that a further considerable increase in Soviet research in the Arctic basin is to take place during the spring and summer of 1956. The number of drift stations will be increased to three, and their

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equipment is to be much improved. The programme is to include meteorological, hydrological and other observations at over 500 positions in the Arctic Basin and adjacent islands. (An extensive programme is to be undertaken by airborne mobile research teams which are to make observations in over 500 positions in the Arctic basin). Shipborne expeditions are also planned in the Soviet sector and the Greenland sea. "It is evident that the research planned not only relates specifically to problems in the Central Arctic Basin, but also in some aspects ties in with the general programme which the USSR is undertaking in connection with the International Geophysical Year 1957-58. In this connection a large Soviet expedition is now in the Antarctic, and next year the Soviet Union intends to operate three research stations there, which will probably be staffed by a hundred or more scientists. Radio facilities, which could be maintained indefinitely, have been set up to maintain contact directly with Moscow. An extensive hydrographic programme is planned which will cover much of the southern oceans and the Pacific. Particular emphasis appear to be placed on survey in areas which would provide information of value to submarines in wartime. Under the International Geophysical Year Programme preliminary arrangements are being made for manning a station in equatorial Africa. The Soviet Union has announced the construction of an atomic icebreaker.

Armed Forces - General

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The third phase, or modernization phase, of the re-equipment, and reorganization programme showed a distinct increase in tempo at the end of 1955 and can by now be said to have reached its highwater mark. The first phase of this programme took place in 1946-47 with the establishment of three basic tactical formations, the rifle, tank and mechanized divisions. The second phase involved the motorization of the Soviet Army and was completed sometime in 1953. The third phase commenced in 1954 and is well on its way to completion. There is some evidence that formations in the periphery military districts have had first priority in the re-equipment programme, followed by Groups of Forces in the Satellite countries while interior military districts are last on the programme. The main features of the third phase have been the introduction of large numbers of the new medium tank with increased holdings in establishments, a considerable increase in the numbers of the heavier artillery pieces with the resultant increase in artillery firepower, and the introduction into line divisions of amphibian tanks as part of the reconnaissance element.

It is obvious from available evidence that the Soviet Army has reached or is about to reach an unprecedented organizational peak and the Army is probably now considerably more formidable than it was two years ago. Certainly Soviet planners appear to have achieved their objectives of mobility, considerably increased firepower and a greater capability for dispersion. There is every indication that the Soviet High Command in its military thinking is moving away from the two major features which have hitherto characterized Soviet military doctrine. These are the concepts of "mass" and "centralization", and there has been evidence that in a future war, combat groups (brigade groups and higher) may be employed. In addition officer training has apparently been in large part directed towards inculcating in the Soviet officer the ability to think and act independently. The general trend over the past two or three years appears to be directed towards fitting the army both organizationally and tactically to meet the conditions imposed by nuclear warfare and existing evidence indicates that considerable progress may have been made in this direction.

The withdrawal of Soviet Forces from Austria was completed by mid-September. An unspecified number of troops from Austria appears to have been despatched as reinforcements to Soviet formations in Hungary. At the same time it is believed that some 7000-8000 Soviet troops were distributed to the Satellites of which about 3000 were reported to have been despatched to Germany. This latter group consisted almost entirely of specialists and extended service men. Nearly all the Independent Border units have now been withdrawn from East Germany and are believed to have been returned to the USSR. There are, however, possibly 3 or 4 such units still in the Berlin area. These have been withdrawn into the back-ground but so far have not been reported as having returned to the Soviet Union.

Despite the announced reduction of the Armed Forces by 640,000 there has been no real evidence to date that this has in fact been carried out. The strength of the forces in Germany remains substantially the same as before and if anything may show an increase of 3000 representing the intake from Austria. The number of defectors has shown a distinct decline in recent months. There is no indication that this is due to any special preventative measures and may therefore indicate a rise in morale. At the same time, there have been reports that more and more conscripts are signing on for extended service.

The Navy

During this period the main trends of Soviet Naval policy appeared to remain unchanged. The main offensive power of the Soviet Navy still lies with its considerable and fast-growing submarine force. Surface ships

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co-operating with the shore-based Naval Air Force provide a strong defensive force. Further logistic support for the Northern Fleet was provided by the transfer of naval auxiliary vessels from the Baltic to the White Sea area. In the Baltic, the Porkkala naval base was returned to Finland, the evacuation of Soviet naval forces being completed by November, 1955. An interesting amphibious assault exercise took place in the Swinemund area on 22nd October, a feature of this exercise was that Polish as well as Russian forces took part, possibly indicating a trend towards closer co-operation between Soviet and Satellite navies. In all areas fleet exercises were continued with a high degree of activity even during the very severe weather in the Baltic during February. From analysis of exercises it is apparent that the Soviet Navy is kept in a high overall state of readiness for war. It now appears that with the increase in total strength resulting from new construction, some older ships (including once cruiser and six destroyers) are being placed in reserve: previously it was believed that inactive units comprised only a small number of submarines. In addition, the transfer of ships and submarines to the Chinese Communist and Satellite navies has continued, though at a somewhat reduced rate.

The Soviet Naval Air Force appears to rank high on the priority list for modern aircraft, and is now largely composed of jet fighters and light bomber types. There is an increasing amount of evidence that Naval Air Force multi-engine jet aircraft are dropping torpedoes and mines from high altitudes. The fitting of Soviet vessels with new types of Russian produced electronic equipment, including radar and Electronic Counter Measures gear, is being continued. The current Soviet efforts to relax world tension were reflected in their naval policy by an exchange of visits between the Soviet Navy and the Royal Navy; there is evidence that this policy is to be continued in 1956.

The Air Force

During the period under review the Communist Bloc Air Forces continued to improve generally their air capability. Heavy bombers (BISONS) were observed in limited numbers at operational Long Range Air Force bases in the Soviet Union. BADGER (medium jet bomber) re-equipment continued at a steady rate with an increase of approximately 100 aircraft during the period. FLASHLIGHT (All weather fighters) and FARMERS (day fighters) have been sighted in increasing numbers at Soviet Air Force bases. There has been a continuing re-equipment of Soviet Tactical Air Force fighter units with FRESCO aircraft equipped with a radar aid for interceptions.

The number of major airfields, equipped with long permanent runways has increased from 118 to 123, and in addition, there are nine, possibly 23, other airfields under construction or development. Poland continues to remain the most active area of airfield construction, the most significant development there at present being the construction of a very large runway. Only one other runway of comparable size is known to exist in the Sino-Soviet Bloc; it is located at Gross Dolln in East Germany and believed to be capable of handling the heaviest types of aircraft. However, there is no evidence that either airfield has been utilized by heavy bombers. Information, received during the latter part of 1955, revealed that an intensive airfield development was carried out in Southern Ukraine, Crimea, Caucasus, and Kazakhstan area. At least three of the recently observed airfields in that part of the USSR appeared to be capable of accommodating strategic bombers. In late 1955, three air facilities (Tiksi, Mys Schmidta, and Anadyr/Leninka), located in Northeastern Siberia, were definitely identified as major airfields. The reported facilities and installations suggest that these airfields are capable of handling medium and possibly heavy bombers. Together with

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the previously reported Provideniya/Ureliki, these three additional major airfields bring to four the total number of the potential bomber bases, that are known to exist in the Eastern part of the Soviet Arctic.

European Satellite Forces

Although all of the Satellites, with the exception of East Germany, followed the lead of the Soviet Union and announced plans for reducing their armed forces by the end of 1955, to date, no positive evidence is available which indicates that the reductions actually have been carried out. Of all the Satellites, East Germany has been the most active during the last six months. During the latter part of last year, East Germany began taking over the responsibility for policing its borders from the Soviets. On the 18th of January, 1956, the East German Government announced the official establishment of a "National People's Army", to consist of land, air, and sea forces, and a "Ministry for National Defence". Subsequently, Deputy Prime Minister Willi Stoph was made a Colonel General and appointed Minister of National Defence.

Soviet and Satellite political and military leaders gathered in Prague on 27th and 28th January, 1956, for the first meeting of the Political Consultative Committee established by the Eight-Power Warsaw Pact of 14th May, 1955. In a declaration issued at the conclusion of the meetings, the signatories of the Warsaw Pact:

- (a) proposed to exclude nuclear weapons from the equipment of any armies stationed in Germany;
- (b) called for creation of neutral zones in Europe, in which the strength and deployment of armed forces would be regulated by mutual agreement;
- (c) proposed the removal or reduction of occupation forces in Germany;
- (d) reiterated the Communist contention that German reunification could be brought about only through direct negotiations between the East and West Germans;
- (e) repeated previous Soviet proposals for a European collective security pact. During the conference East Germany was accepted as a full member of the Pact.

Little information is available to date concerning actual allocation of specific forces to the Soviet-Satellite Unified Command. It has been reported that Czechoslovakia has placed six of its fourteen line divisions on a stand-by basis for attachment to Marshal Konev's command. Although information is not available regarding similar action by the Soviet Union and the remaining Satellite States, the potential of these countries is high. The Soviet-Satellite Bloc have over 150 line divisions available which may be considered for allocation to the Unified Command, of which approximately 77 are Satellite line divisions.

By the time the field training season of the European Satellite Armies had ended, it was obvious that the level of training reached varied somewhat from that attained in previous years. There is no evidence that the Bulgarian and Czechoslovak Armies tried to conduct manoeuvres on as high a level as in previous years. The East German, Polish and Roumanian Armies, on the other hand, showed some improvement in both the level and the standard of training. The Albanian and Hungarian

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Armies apparently maintained about the same training levels as in past years. It had been expected that increased attention would be given to training under simulated atomic-warfare conditions. The Commandant of the Czechoslovak Cadet Infantry School stated to a group of visiting Western Military Attaches that training in defence against atomic warfare is now standard and that Czechoslovak forces have atomic weapons. According to available information, however, only the East Germans and Poles conducted this type of training during 1955. The air forces of Poland and Czechoslovakia continue to be the most important to the Satellite national air forces. There has been an increase in the Polish jet fighter strength and signs of development of a Czechoslovakian bomber force.

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II. SOVIET FOREIGN POLICY

General

Soviet foreign policy came into much clearer focus in the five months under review. Thanks to two major events which were the occasion of policy statements, and a number of lesser events which showed Soviet policy in action, we now have a much clearer idea of what the Soviet Union means by peaceful co-existence. We can also see that the new Soviet policy is more than just a short-term tactical shift, that it will probably continue for some time, but that there has been no major change in ideological motivations or foreign policy. While certain aspects of the new policy are to some extent influenced by internal considerations, it has sprung primarily from considerations of broad political strategy in the world conflict.

Geneva Conference of Foreign Ministers

The Geneva meeting of Foreign Ministers in October and November, the first major event of the period under review, indicated that the Soviet leaders had no intention of moving toward a settlement of major issues between them and the West. In Europe, the objectives remain the dissolution of NATO, the withdrawal of the United States Forces, and the denial of a unified and re-armed Germany to the Western alliance. Geneva I and Geneva II, but particularly the latter, were concerned primarily with the problems of Germany. Mr. Molotov, whose stubborn personality heightened the impression of intransigence, made the Soviet stand on Germany clear. For the present at least, the Soviet terms for unification are the preservation of the social and economic structure of Eastern Germany within a unified Germany. Realizing that these terms are quite unacceptable to the West, the Soviet Union since Geneva has taken steps to establish the outward signs of East Germany independence by the transfer of "sovereignty", the establishment of diplomatic relations, and permission for East Germany to join the Warsaw Pact. With the transfer of control of travel to East Germany and of all but one check point to the East German Government, the situation in West Berlin is further complicated for the Western Powers. For the present, the Soviet Union seems content to wait in the hope that the movement for re-unification within Germany will lead to re-unification on Soviet terms.

Disarmament was on the agenda of the Foreign Ministers' meeting but no further advance was made from the Soviet proposal of May 10, 1955, and Bulganin's modifications at the Summit meeting. The Soviet Union still refused to accept an adequate system of inspection and control. Since then, the subject has been kept open in the Bulganin-Eisenhower correspondence on a treaty of friendship between the USSR and the USA, which suggests that the USSR may still be interested in a limited disarmament scheme. Khrushchev has suggested that the Soviet Union might be ready to agree to certain partial measures such as the cessation of tests of thermonuclear weapons; not to permit troops in Germany to have atomic weapons (essential for the defence of Western Europe given Soviet manpower superiority); and reduction of military budgets (a dubious proposal in view of the ease of hiding Soviet military expenditures under other budget items) and some reduction in conventional armament.

In spite of Mr. Molotov's rejection at the Geneva meeting of the far-reaching Western proposals on East-West contacts which would, indeed, have struck at the very basis of the Soviet system, there is no indication that the Soviet Union intends to return to the extremes of post-war isolationism. The USSR continues to promote a controlled programme of contacts within its chosen limits. The primary purpose is to obtain scientific and technical "know-how" from the West to assist in its economic development; but there are the additional propaganda

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advantages of blurring and playing down the major issues dividing the West from the USSR, and presenting the Soviet Union in a favourable light as a reasonable and co-operative country. Scientific delegations have been sent to learn Western techniques; Soviet concert artists are being sent abroad more and more; the Russian Orthodox church is being allowed to renew its contacts with churches of other nations; the Supreme Soviet is making every effort to lure Western and other parliamentary delegations to the USSR and to return the visits; foreign statesmen are flocking to Moscow, and the Soviet leaders are spending much time on goodwill tours abroad.

The Middle East and South Asia

The methods by which the Soviet Union intends to extend its influence are best illustrated in the Middle East and South Asia. Accepting the main features of the status quo in Europe for the time being, Soviet attention has been turned in the last five months to those countries lying to the south of the USSR, in the Middle East, South and South East Asia. The most significant new departure is the sale of arms and the offers of economic and technical aid as important instruments of policy. This is indicative of the flexibility and imagination of present Soviet leadership, and the point to emphasize is that economic penetration of the Middle East and South Asia is based not so much on economic as on political motives.

The methods of reducing Western influence in the Middle East are varied. Soviet arms shipments to Egypt have exacerbated the Arab-Israeli dispute. It seems unlikely that the USSR would welcome a serious outbreak of hostilities in the area, but encouragement of nationalistic, and anti-Western, feelings suits Soviet purposes well by making the maintenance of Western influence less tenable. When it appeared that Middle East unrest might have the reverse effect and actually bring additional Western troops into the area in accordance with the Three-Power Declaration in February, the USSR reacted strongly and immediately to say that it would consider any such move as of direct concern to the Soviet Union. Soviet offers of economic and technical assistance have likewise reduced Western influence and have put the Arab nations in a position to blackmail the Western powers. The Soviet Union is also attempting to destroy 'the Northern Tier' alliance, which it has effectively jumped by establishing close relations with the key Arab country of Egypt. Iran, Turkey and Pakistan have been told that membership in the "aggressive" Baghdad Pact is incompatible with friendly relations with their northern neighbour. Iran and Pakistan have been offered trade treaties conditional, it is reported, on their withdrawal from the Pact. By all these moves, the Soviet Union is trying to convince the countries of the Middle East that a policy of neutrality will serve their interests better than adherence to the West. It has also made clear to the West that, although it would not want a military showdown in the area, it is not prepared to let the Western nations impose a solution to Middle Eastern problems without taking into account Soviet interests in the area. Meanwhile, the present Arab-Israeli crisis serves its purposes well with very little risk for the USSR.

In South Asia, the purpose of the new Soviet offensive has been to convince India, Burma and Afghanistan of the advantages of a policy of neutrality and the possibilities of close relations with the USSR. The most dramatic expression of the new Soviet interest in South Asia was the December goodwill tour by Khrushchev and Bulganin. Soviet subscription to the Panch Shila, denunciations of colonialism, support for the Indian position on Goa and Kashmir fell on receptive ears. But the very fact of the tour by the leaders of the second most powerful nation in the world flattered the Asian nations, and particularly India, which was made to feel that the Soviet Union recognized it as an important nation. The constant references to the material achievements which the

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Soviet Union had made in a scant 38 years also had their appeal to Asian nations emerging from colonial status and struggling on the road to industrialization. The Soviet Union has been at pains to emphasize that it is offering trade, not aid, for it realizes Asian sensitivity to any suggestion of "handouts" from wealthier nations. These measures have gone a disturbingly long way to convince the South Asian nations that the USSR has no aggressive designs upon them and that it can and will assist them in their economic development without the unpleasant financial and political conditions which are associated in the Asian mind with Western aid. There may be some disillusionment if there is a failure to live up to undertakings, but it would be unwise to count on such failure. This is clearly what the Soviet Union means by peaceful and competitive co-existence. Military conquest is not involved and even subversion is not of prime importance for the time, but the object is, nonetheless, by economic penetration and by propaganda and diplomatic means, to win South Asia from the West and to ensure its neutrality.

Twentieth Congress of the Communist
Party of the Soviet Union

The 20th Congress of the Communist Party of the Soviet Union has provided a blueprint of Soviet foreign policy for at least the immediate future. In a mood of exuberant self-confidence, the Stalinist hard line was vigorously rejected, to be replaced by the dominant theme of peaceful co-existence between states of differing social systems. Peaceful co-existence between states does not mean that there can be any peaceful co-existence between ideologies, war is rejected as an instrument of policy, but the struggle with capitalism will be pursued by other and more fruitful means. Nor does peaceful co-existence mean that the USSR intends to reduce its military capabilities. These capabilities will not be jeopardized by the demands of heavy industry, of consumer goods or of economic assistance to other countries, though they may be modified in form if a limited disarmament agreement is reached. Meanwhile, Marshal Zhukov emphasized that the Soviet Union has a diversity of atomic and nuclear weapons.

The States of the world are placed in a Soviet order of merit, which gives an indication of the kind of pressure which will be brought to bear on them in furthering Soviet influence. It is significant that several of the countries along the periphery of the Sino-Soviet bloc which the Soviet Union is trying to woo are precisely those countries in whose territory are situated some of the United States Strategic Air Command bomber bases. In taking the offensive against these countries, the Soviet Union is doing so not only because many of them are underdeveloped and therefore offer good possibilities for an extension of Soviet influence, but also because they wish to deny the use of their territory to the bomber and possible missile bases of the United States. As for the Western democracies, the Soviet Union will try to enter into bilateral negotiations with them in an attempt to weaken their unity in opposition to Soviet communism.

Two important revisions of doctrine were made at the 20th Congress, one on the inevitability of war and the other on the methods of transition to socialism. It has been a Marxist-Leninist premise that, while imperialism exists, wars between the capitalist and socialist powers were inevitable. The Soviet leaders have now revised the doctrine to state, that, while the economic basis for the outbreak of war persists, "there is no fatal inevitability of war". Their reasons for revising the doctrine are the deterrent effect of thermonuclear warfare capabilities and the economic strength of the socialist bloc in contrast with the situation pertaining at the time of Lenin when the Soviet Union was surrounded by a hostile and much more powerful capitalist world. The Soviet leaders are making virtue of necessity in preaching peaceful co-existence and the non-inevitability of war, but this may have a markedly favourable propaganda effect in certain sectors of the Western, and even

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more so of the Asian world where the inevitable war doctrine has been a serious deterrent to co-operation with the Communists and with the Soviet Union.

A second major revision of doctrine at the Congress had to do with the possibility of different but valid forms of the socialist state and different methods of arriving at socialism. Previously the doctrine was that all socialist states must be modelled after the Soviet state and that the transition can only come about by revolution. The first tenet was denied in fact by the pilgrimage to Belgrade in May, 1955, and by the position of Communist China within the Sino-Soviet world. The Congress revised doctrine to fit the facts and by so doing put the stamp of orthodoxy on Yugoslav and Chinese Communism. The second tenet made difficult the efforts to form popular fronts, as in Italy and France. It has therefore been revised to say that civil war is not obligatory in all circumstances and that the transition to socialism may come about by parliamentary means, though "acute class revolutionary struggle" will be necessary where capitalism is still strong. It is quite clearly stated that the Communist Party would lead the transition to socialism by parliamentary means and that, once the transformation was achieved, there would be no turning back and no room for differing parties. The model is Czechoslovakia.

The Soviet leaders seem to regard the future course of the world struggle with confidence. The leaders have not abandoned their ultimate aims and are confident that the future is theirs. That they have radically changed their methods of achieving this goal is partly a reaction to Western unity and defence preparations in the face of the Communist threat, but primarily a realization of the ineffectiveness of Stalinism. It may not prove the strength of the regime but it could scarcely have been accomplished by a group of men who felt weak or uncertain. Mr. Khrushchev made clear to Mr. Pearson his conviction that in a more peaceful international climate the free peoples will not accept the sacrifices that prolonged defence preparations and competitive economic co-existence involve. The Communists could stand up better to the sacrifices of the long pull and Communist society would, therefore, prove superior to capitalist society. It must be admitted that the new Soviet policy is having considerable success and that, as the basic Soviet aims remain the same, the challenge from the USSR, while changed in character, remains strong and in some respects more dangerous than the markedly aggressive policy of Stalin.

The European Satellites

Soviet domination of the political and economic life of the Satellites continues. In spite of the Soviet Union's movement toward accepting the validity of different forms of socialism in different countries, there is little evidence that his precept has been extended to the Satellites, nor that the satellite leaders entertain any Titoist aspirations. They are too dependent on the Soviet Union for the maintenance of their position, and without the popular support which would permit of any independence of action.

The 20th Party Congress gave notice that the economies of the Satellites would be even more firmly integrated into the economy of the Soviet bloc, with a more rational industrial specialization by individual countries. The Satellites are being used in the Soviet economic offensive in the Middle East and South Asia and in the effort to trade with Western countries.

Somewhat hesitantly, the Satellites are following the Soviet lead in establishing "normal" relations with the outside world. Albania, Bulgaria, Hungary and Roumania were admitted to the United Nations at the last session of the General Assembly. East-West contacts, though on a much more limited scale than those pursued by the USSR, are

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being encouraged, but so far are limited to sports, cultural affairs and trade. The Satellites are making their peace with Yugoslavia, a process which involves painful internal re-adjustments in view of the number of purges for "Titoist activities" which took place in all of them following the Soviet-Yugoslav break in 1948.

Internally, the relaxation of the more oppressive restrictions has been less noticeable than in the USSR. Some political prisoners have been released and a few elderly people have been allowed to join relatives in the West partly through Red Cross intervention. Nevertheless, trails of "Western saboteurs" and of people engaged in "anti-state activities" continue. There have been no major government changes in the last five months. Some unwarranted optimism about a measure of relief from Soviet bondage apparently existed among the people of the Satellites prior to the Geneva meeting of Heads of State. Soviet refusal to discuss the Satellites there and events since that conference have dashed these hopes.

Yugoslavia and the USSR

In recent months Yugoslavia and the Soviet Union have taken a number of important steps to normalize their relations. With the signing of a protocol on trade in January, it is estimated that trade with the Soviet bloc should not exceed 25 per cent of Yugoslavia's total foreign trade over the next three years, compared with a figure of over 50 per cent in the pre-1948 period. Yugoslavia appears fully aware of the undersirability of allowing itself to again become economically subservient to the Soviet bloc. In addition to the trade agreement, the Soviet Union has undertaken to extend investment credits to Yugoslavia totalling more than \$200 million. Agreements on technical assistance and co-operation in the field of nuclear energy were also signed. Yugoslavia will receive from the Soviet Union the assistance necessary to enable it to construct a reactor which is scheduled for completion towards the end of 1957. Finally, in the cultural field, exchanges of artists and delegations of many kinds between the two countries have been growing in number and have been receiving active encouragement on both sides. Czechoslovakia has also extended two credits to Yugoslavia, one for \$50 million for the purchase of capital equipment and one for \$25 million to be used mainly for the purchase of consumer goods.

On the ideological front, the themes developed by the Soviet leaders in their speeches to the 20th Congress of the Communist Party in Moscow have been welcomed in Yugoslavia as evidence of the abandonment of the aggressive tactics of the Stalinist era. This new Soviet approach will do much to foster good relations between the two countries and may well mean a relaxation of Tito's earlier reluctance to discuss the development of inter-party co-operation. A significant indication of the closing of the ideological gap between Yugoslavia and the USSR was provided by Tito's letter of "comradely greetings" to the 20th Congress, which, from the Soviet viewpoint, probably more than compensated for the absence of the participating Yugoslav delegate. There is still no indication that Tito contemplates a return to the Soviet camp, but a definite trend towards a closer alignment of Yugoslavia with the East and a corresponding weakening of its Western connections undeniably exists.

Soviet Penetration of Under-Developed Areas

During the period under review, the Soviet campaign of using economic weapons to capture the goodwill of the "uncommitted" or neutral nations emerged as a major aspect of Soviet foreign policy. In carrying out this policy the Soviet Union substantially increased the extent of their participation in international trade fairs, bartered arms for agricultural surpluses, boosted normal trade, extended easy credit for eye-catching projects, offered considerable technical assistance and reorganizaed their own administrative structure to provide for greater control and co-ordination. Although the political achievements of the

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campaign are out of proportion to the credits actually accepted (some \$750 million over a five year period) there is every indication that it can and will be intensified with very little cost to the development of the domestic economies of the Bloc.

Indicative of the importance which the Soviet leaders attach to their foreign economic campaign has been the reorganization of the governmental structure concerned with this subject. The Chief Directorate for Economic Relations (GUES), which was established under the Ministry of Foreign Trade earlier in 1955, has become, at least since November, a separate organization. It is now believed to be directly responsible to the Council of Ministers, and is thought to be responsible for the over-all co-ordination of the Soviet programme. GUES appears to have two separate sections dealing with economic relations within and without the Bloc. Two of its Directorates deal with the provision of industrial equipment and scientific and technical assistance. The co-ordination of Satellite trade plans with that of the USSR has been disclosed by East German officials. While the chief trade commitments of the Satellites will be with the Soviet Union and other Bloc countries, they are nevertheless, conducting an export drive with the main emphasis on manufactured goods and industrial equipment, designed at least in part to meet the cost of increasing imports of raw materials and agricultural products.

The event which caused the greatest concern in the past year was the conclusion of the Czech-Egyptian agreement providing for the sale of Bloc tanks, jet aircraft, and light naval vessels, estimated to be worth some \$200 million, with repayment to be made mainly in cotton over a period of years. Arms have also been sold to Syria, and there have been reports that Lebanon and Yemen are also negotiating for Bloc arms supplies. Soviet offers of assistance for the construction of the Aswan High Dam have been rejected by Egypt in favour of the Western offer through the International Bank. At the same time, however, Egypt has accepted Soviet assistance for the establishment of a nuclear physics laboratory.

On the whole, the Satellites have taken the lead in offering assistance to the Middle East, supplying loans for the construction of complete factories, bridges, shipyards, etc. Poland has secured the contract for the initial development of the Hejaz railway, and it has been reported that a Czech offer to build an oil refinery in Syria, has been accepted. Bloc trade is also increasing with the countries of the Middle East, primarily with Egypt, Syria, Lebanon and Turkey, who have no oil revenues and have to depend on the export of agricultural surpluses. The composition of Bloc exports is also changing with more industrial and construction equipment being exported.

The only known sale of arms by the Bloc to countries in Asia is the reported \$5 million worth being supplied by Czechoslovakia to Afghanistan. It is possible that, of the \$100 million credit extended to Afghanistan by the USSR, \$15 million may be for arms. The loan will be used for the development of airfields and roads, irrigation projects and agricultural improvements and is to be repaid over a 30 year period in kind by Afghan exports. In Burma the Soviet Union is building a technological institute promised as a gift by Bulganin and Khrushchev during their visit during December. A similar institute is being furnished to India by the USSR through UNESCO. Bloc trade with South and South-East Asia has also increased. The USSR has agreed to supply India with 1 million tons of steel over the period 1956-58 and to increase imports from India accordingly. By the end of 1955 more than 25 per cent of Burma's exports of rice were being bought by the USSR. Afghanistan's trade with the USSR has also risen considerably since the closing of the Afghan/Pakistan border.

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During the period the Soviet Union has made general offers of aid to the countries of Latin America. Offers of increased trade, and economic and technical assistance have also been extended to Liberia, Libya, Ethiopia and the Sudan. The Soviet Union, in its campaign against the Baghdad Pact, has made attractive economic overtures to Turkey and Pakistan.

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III. INTERNAL DEVELOPMENTS IN COMMUNIST CHINA

Internal Politics

Outwardly, at least, the affairs of the Chinese Communist Party have been placid since the Kao Kang purge. The intensive campaign of mid-1955 against unspecified counter-revolutionary elements appears to have died down, but there is still, however, a considerable volume of internal propaganda directed against the intellectuals as a class. Domestic attention and interest is now largely focussed on the accelerated drive to form agricultural producers cooperatives as an intermediate stage in the socialization process.

The Chinese Economy

Last July the programme of the regime called for the "semi-socialization" of agriculture (organization of producer cooperatives) to be complete by 1960 and "full socialization" (Collectivization on the Soviet model) by 1967. Since October, however, official announcements have steadily advanced these deadlines until it now appears that the goal of semi-socialization is to be completed by the autumn of 1956 and "full socialization" by 1959 or 1960. If these announcements are true, the pace of socialization in China has been phenomenal. It would mean that about 70 million peasant households out of an estimated total of 110 million will have been incorporated into agricultural producers cooperatives. Based on the failure of the attempted drive toward collectivization in 1955 and on the real shortage of trained overseer personnel to carry out such a programme, it seems probable that a great number of the new cooperatives and collectives exist only on paper. Agricultural production is also to be expanded far in excess of former targets. Gross food production in 1956 is now set at almost 10 per cent higher than the bumper crop in 1955 and some 6 million tons more than the original target set for 1957. Even more startling than the 1956 goals has been the target set in the new twelve year Plan. By the end of the 12-year period annual agricultural production is to amount to some 450 million tons or an increase between 150 and 200 per cent. In view of the almost complete absence of a Chinese farm machinery industry, the small proportion of capital investment being allocated to agriculture, the great shortage of chemical fertilizers and to many difficulties involved in opening new lands, the target set in the Twelve Year Plan is completely unrealistic. The lag between social reform and technical reform (i.e. the mechanization of agriculture) in China is so great that no real increase in agricultural production can possibly take place until the technical reform programme becomes effective. At present the technical reform programme is largely in the blueprint stage. It is estimated that the most likely increase during this period will be 20 to 30 per cent. An increase of at least 20 per cent will be necessary in order to keep pace with population growth, and if increased surpluses are to be available for export, to pay for imports of industrial equipment, then the increase will have to be greater than 20 per cent.

As in agriculture, the regime has announced a sweeping speed-up of the industrial programme. The target for overall industrial production for 1956 calls for an 18.6 per cent increase over 1955, and heavy industry is to achieve 99 per cent of the 1957 target. The goals for the energy base have been advanced considerably. The achievements of 1955 do not augur well for the success of these plans. Industrial output showed an increase of 5.4 per cent over 1954 against the originally planned goal of 7.7 per cent. Details regarding the progress of the 1600 major construction projects, or more particularly about the 1956 Soviet-assisted projects, are not available. Nevertheless, the evidence is sufficient to show that a good proportion of the Plan is being fulfilled

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and that this achievement will give China a substantial part of the industrial base on which she can build in succeeding plans. The principal obstacle to the success of Chinese plans continues to be a shortage of raw materials and a shortage of skilled labour particularly at the managerial level.

One of the most interesting aspects of this remarkable acceleration in both agriculture and industry is the fact that it has been the result of the personal and sustained intervention of Mao Tse-tung. On 30 July the Congress adopted the time-table reported previously, and on 31 July Mao outlined the new programme to a group of local Party Secretaries. This accelerated programme was not made public until October and it is evident that Mao had considerable opposition to overcome within the ranks of the Party. It is believed that it was also due to Mao's personal intervention that the goals for industry and commerce were advanced. The real reasons for this sudden and dramatic acceleration are not yet full apparent. Undoubtedly political as well as economic motives are involved and it seems likely that internal considerations predominate. The rapid collectivization of agriculture, if successful, would give the Party tighter control of the peasantry. The need for this tight control is evident in that the regime plans to increase the capital resources at its disposal, in the form of agricultural products, for developmental purposes primarily by a process of squeezing the peasant rather than by attempting to increase the investment that would be necessary to improve yields and open new lands. The disastrous results of the Soviet experience in a similar programme do not seem to be deterring Chinese leaders, although it is interesting to note that it appears to be the theoreticians who are supporting the new course.

One element in Chinese plans may be a desire to present to Asia a dramatic demonstration of Chinese economic prowess. Chinese leaders must undoubtedly be conscious of the scrutiny which their progress is given by the peoples of South-East Asia. Even partial success in achieving the new agricultural and economic goals will undoubtedly place a considerable demand on Soviet assistance and the Chinese Plan has presumably been discussed in some detail with the USSR. A demonstrated Chinese ability to export quantities of manufactured or semi-manufactured goods to South-East Asia would give a substantial boost to the Bloc campaign of economic penetration in the area.

General Defence Policy

Meanwhile, in keeping with trends observed previously, China places the emphasis with its ground forces on consolidation of home defences, including military support of central government authorities in the outlying areas of Tibet and Sinkiang.

The strength of the regular Chinese Communist Army is approximately 2½ millions, in addition to the Peoples' Armed Police of 500,000 and a peoples' Militia of 6 to 10 millions. The regular forces are grouped into four Field Armies, The Chinese Volunteer army in Korea, and the North China Field Forces. Major formations include thirty-five armies (105 organic infantry divisions), some thirty-five independent support divisions, and approximately 105 independent support and ancilliary regiments. The disposition of these forces leaves little doubt that China regards the defence of its industrial heart as the primary military problem, with the maintenance of buffer areas in Korea and Vietnam as part of this important concept. Little military strength is disposed over the vast frontiers with the USSR.

Chinese Communist Army

Within the Chinese Communist ground forces several trends are noticeable, all in keeping with the general trend over the past several years:

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- a. To provide a better balanced army, though it remains a predominantly infantry force. Improvements have been effected in armour, artillery, paratroop, and amphibious components. Chinese and North Korean training in defensive atomic warfare was observed in North Korea in February 1956.
- b. To provide a better balance between field formations and local defence forces. This is being carried out presumably with the object of freeing the field formations to be capable of rapid deployment to any frontier and, if necessary, beyond certain frontiers such as into Korea and South-East Asia. The trend is characterized by paring from the strengths of the field armies troops formerly earmarked for security and by building up the para-military forces of the Peoples' Militia and of the para-military police (Peoples' Armed Police).
- c. To provide a thoroughly national army as distinct from one drawn largely from certain social strata or from particular regions. The object is to combine maximum military efficiency with maximum support from the people as a whole. In November 1955 the Chinese Central Government adopted the Compulsory Military Service Law replacing the Interim conscription Law of September 1954 and the former "volunteer" system of forces recruiting. The system can be expected to result in a systematic turnover providing a relatively small regular force and large numbers of trained men passing to the reserves while still fit for future service.

Chinese Communist Navy

The Chinese Communist Navy have begun increasing their naval exercises both in size and number, exercising almost daily in the Tsingtao area to improve weapon and ship handling efficiency. The small Russian trained naval air force is equipped with Soviet aircraft which include modern FAGOT and BEAGLE jet aircraft. Indications are that the cruiser which was thought to be in Port Arthur for re-arming is now in Dairen. It is still not known when this ship will be operational. The Chinese Communist amphibious potential has been increased by the construction of landing craft in Chinese shipyards.

Chinese Communist Air Force

The aircraft strength of the Air Force has not increased to any great extent during the period under review, although it is now probable that at least 3 regiments have been re-equipped with FRESCOS. The air situation in East China, in terms of numbers of aircraft and deployment has remained comparatively stable, and there is no evidence that the coastal airfields opposite Formosa have been occupied. The period has seen a marked increase in air activity in the Formosa Straits area and several contacts have been made between CCAF fighters and Nationalist intruders in day light and at night. All aspects of training in the Air Force have continued at a high level and a marked improvement in the Ground Control Intercept capability has been evident.

Airfield Construction

Available information indicates that the airfield construction work in China was mainly concentrated in the Formosa Straits area. The recently reported development of the Huiyang airfield now brings

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the total number of new airfields under construction in the area opposite Formosa to seven; three of these are believed completed and suitable for jet fighter operations. In addition one existing field has been improved at least to jet fighter standards, and there are reports that construction has begun on one other. A certain amount of airfield development has been underway in the Kwantung Province and Manchuria, where the accent appears to have been on the extension of runways to jet light bomber standards. In North Korean reports received during December 1955 indicate that reconstruction was completed at seven major airfields. An additional airfield, currently under construction will bring to eight the total number of airfields presently available for jet fighter use in North Korea.

Road Construction

In Chinese road development important progress was noted in areas of economic importance, and in Tibet in urban areas and near the Tibetan-Indian frontier.

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IV. CHINESE COMMUNIST FOREIGN POLICY AND EFFORTS TO EXPLOIT TROUBLED AREAS IN ASIA

General

It is now fairly clear that about the time of the Bandung Conference of April 1955, the Chinese Communists deliberately adopted a somewhat "softer" line in foreign policy, and this trend continued throughout the period under review. While there is no reason to suppose that the Chinese objectives of reducing Western (especially U.S.) influence and extending its own in Asia, has been modified, the new line emphasizes political and diplomatic rather than military action. In Southeast Asia, the Chinese Communists continue to have a ready tool for the extension of their influence by non-military means in the extensive communities of overseas Chinese, who tend to direct their loyalty towards whatever government is in power in China. There have been strong indications that the Chinese Communist Government is even prepared to rely on peaceful methods, to extend its authority to Formosa, although this could, of course, reflect nothing more than a realization that they lack the military power to acquire Formosa by force. The new line doubtless reflects also the new policy of "competitive co-existence" with capitalist countries. Even more than the Soviet Union, Communist China needs an international atmosphere which leave her free to concentrate on internal development.

In its relations with the Western countries which adhere to a policy of non-recognition, the Peking regime has shown itself anxious to foster semi-official contacts, especially in trade and cultural matters without insisting that those countries take the formal step of recognition. An impressive number of Western delegations and prominent individuals visited China during the period under review, including semi-official commercial delegations from Belgium and France. Sino-Italian trade discussions were also initiated. Denied recognition by individual Western governments, the Peking regime has made a considerable effort to appeal over the heads of those governments to commercial interests. By creating the illusion that the Chinese domestic market would be a virtual Eldorado, the Chinese probably hope to secure the relaxation or abolition of the strategic trade embargo and gradually to break down the general Western policy of non-recognition.

Formosa and the Coastal Islands.

The acquisition of Formosa and the coastal islands of Quemoy and Matsu remains a principal objective of Chinese foreign policy. In the Sino-America talks at Geneva, the Chinese representative indicated that while his Government would be willing to renounce force internationally, it could not do so with respect to Formosa, which is held to be an internal Chinese matter. In the course of a statement of Chinese foreign policy on January 30, Chou En-Lai made a strong appeal to the Chinese on Formosa to return peacefully to the mainland. He indicated that a resumption of co-operation between the Communists and Kuomintang would not be out of the question. This appeal, coupled with the fact that force was not used or even ostentatiously threatened during the period under review, probably indicates that the Peking regime is content to rely for the time being on the possibility of the peaceful "liberation" of Formosa. So far as the Offshore Islands are concerned, uncertainty as to what the United States reaction would be is the principal deterrant to a Chinese Communist attack. Nationalist forces on the Offshore Islands have been strengthened and approximately one third of the army is now concentrated on the islands.

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Macao

In October the Chinese Communist Government reacted strongly to an announcement by the Portuguese authorities on Macao that the celebrations would be held to mark the four hundredth anniversary of the founding of the colony. The Portuguese authorities decided to cancel the celebrations and the Chinese Government made no further trouble. The incident did, however, demonstrate the sensitivity of the Peking regime toward the present status in Macao. At no time did the Chinese Government refer to Hong Kong in the context of its statement on Macao.

Thailand

Since some of the restrictions on political expression were lifted in Thailand in December a number of left-wing parties have emerged. Discontent is not at present organized but some leaders with Communist affiliations are now trying to turn their greater freedom to account. Communist influence among Chinese in Thailand, which has been reported recently, has probably existed for some time, but is only now coming into the open. It is alleged that Chinese and Viet Minh agents are active in Northeast Thailand, where there are several dissident groups, including the free Thai movement of Nai Pridi Panomyong, a separatist group led by Tianj Sirikhand, and a Pan-Lao movement. There is also a pocket of Annamese who are under Viet Minh influence. In Southern Thailand the activities of Malayan Communist present a continuing security problem. The control of the Government in Bangkok is not seriously threatened outside these border areas. Nai Tep Chotinchut, leader of the Economists' Party, and other Thais who visited Peking in January and February were arrested on their return. They were quickly released, but it seems clear that the government is prepared to retract its "liberalization" policies if it feels itself threatened.

Malaya

The talks between Chin Peng, Secretary-General of the Malayan Communist Party, and the Chief Ministers of Singapore and Malaya, which took place on December 28 and 29, produced no concrete result. The Chief Ministers stated that the Communist insurgents might return to China or resume a peaceful life in Malaya if they would renounce Communism and submit to a brief internment for questioning. Chin Peng refused to accept this condition and demanded recognition for his party so that it might "propagate its ideology". He then returned to the jungle after announcing that the Communists would lay down their arms when Malaya achieved full self-government. When the Chief Ministers returned from London, where he had been promised full self-government by August 31, 1957, if possible, he broadcast an invitation to Chin Peng, to act on this statement. There has so far been no reply. In the meantime the amnesty declared in September 1954 came to an end, and the campaign against the insurgents has been resumed. The large proportion of Chinese in Malaya makes it certain that they will exert a great deal of influence on whatever government is formed.

Laos

The Communist Pathet Lao continue to hold the larger portion of the two northern provinces of Laos in defiance of the Geneva Cease-Fire Agreement and the International Supervisory Commissions' recommendations. The operations of the Pathet Lao, who have under arms in the neighbourhood of 5,000 troops, appear to be more directly linked to the Viet Minh than the Communist Chinese, although the Peking press has been showing lately more interest in Laotian affairs. A settlement in Laos at this stage appears to hinge mainly upon a settlement in Vietnam favourable to the Viet Minh, although it is possible that broader considerations of Communist strategy in the Far East, endeavouring to win the R.L.G. over to a neutralist policy, may play some part. There

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are indications, however, that Communist China and northern Vietnam might be prepared to sacrifice the Pathet Lao in exchange for a strict policy of neutralism on the part of the Royal Government, including giving up United States military and economic aid. There would seem to be little chance of this happening because, with French aid and influence on the decline, the Royal Government is now almost entirely reliant on United States financial aid. There is a very good probability therefore, that Laos may be actually but not officially partitioned into Communist and non-Communist sectors for an indefinite period. An alternative to this is that the Royal Government may lose patience, as they have frequently shown signs of doing, and attempt to re-take the Pathet Lao zones by force. This could easily have the unfortunate result of bringing the Viet Minh openly into conflict which in turn could lead to SEATO and Chinese Communist intervention with all the attendant dangers.

Cambodia

The visit of Prince Sihanouk to Peking in February brought into prominence the probable future relationship of Cambodia with the Communist world. Following the visit Sihanouk stated it was not Cambodia's intention to exchange diplomatic relations with Communist China as this would prejudice Cambodia's position as an adherent of the neutralist bloc. For similar reasons Cambodia is considering, exchanging cultural and economic missions with Communist China and North Vietnam. The Cambodian government's avowed intention of pursuing a strictly neutral policy may be one of the reasons for its increasingly poor relations with the neighbouring states of South Vietnam and Thailand. This may also be a factor in Cambodia's noticeably cooler relations with the United States. Cambodia's bickering with its neighbours provides a fertile field for Communist subversive and propaganda activities. Cambodian ties with India on the other hand appear to be growing stronger with each step taken toward the Indian neutralist camp. An exchange of diplomatic mission with Moscow can probably be expected within the next few months.

Vietnam

The Chinese Communist Government showed no tendency during the period under review to disturb the armistice settlement in Vietnam. On two occasions it took diplomatic action in support of the Viet Minh complaint that the South Vietnamese Government was not abiding by the terms of the Geneva Settlement. While maintaining a formally "correct" attitude to the armistice settlement, the Chinese have continued to aid the North Vietnamese through technical and economic assistance and possibly also in the training of their armed forces. They may also have provided the Viet Minh with some war material, although there is little direct evidence of this, the present state of the Viet Minh army suggests that additional war material must have been supplied. The Government of North Vietnam can not dispense with this support and are thereby subject to compliance with Chinese Communist policy. The Chinese have also maintained a steady flow of propaganda aimed at the South Vietnamese Government and United States policy in Vietnam.

The Viet Minh have also maintained an ostensibly correct attitude to the armistice agreement, and have repeatedly made propaganda capital out of the refusal of the South Vietnamese to comply with the political provisions of the Geneva Settlement. The nature of their propaganda has betrayed their growing concern about the increasing stability of the Southern regime, particularly as manifested by the referendum in October in connection with the removal of Bao Dai as Chief of State and the elections in March for a constituent assembly in South Vietnam. This campaign also indicates that both the Viet Minh and the Communist Chinese are aware of the dangers of overt intervention.

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Through the period under review the Viet Minh has stepped up its efforts to cultivate the dissident sects in South Vietnam, particularly by providing them with "advisers". Their success in this regard has been offset by South Vietnamese operations against the sects, which have considerably reduced the number and strength of the groups in active opposition to the Diem Government and hence susceptible to Viet Minh pressure. There has been little evidence either way to trained political and military cadres has either increased or decreased.

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APPENDIX "A" to
JIC 183/2(56)
7 May 1956

THE JIC SEMI - ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOC POLICY INCLUDING COMMUNIST CHINA
(1 October 1955 - 29 February 1956)

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APPENDIX "A"

I. THE INTERNATIONAL COMMUNIST MOVEMENT

Communist Dominated International Organizations

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1. The activities of the Communist dominated international organizations in the period under review followed very much the same lines as in the previous six month period. While carrying on all their normal activities in support of Soviet foreign policy, they made a special attempt to interest non-Communist organizations in various schemes for "united action". In general the Communist front organizations, in spite of their more flexible methods, met only with rebuffs in pursuing these tactics.

2. The Executive Board of the International Confederation of Free Trade Unions (non-Communist) at a meeting in December 1955 passed a resolution concerning exchanges with unions belonging to the World Federation of Trade Unions (Communist). The resolution stated that "the Communist dictatorships: seek such delegation exchanges for the purpose of winning moral respectability and legitimacy for their state company unions", and went on to recommend that "no free trade union organizations should exchange delegations with any country which denies its people the fundamental human rights specified in the Charter of the United Nations". This resolution was bitterly attacked on Moscow radio and attributed to "reactionary American labour" leaders who lead the I.C.F.T.U. The World Federation of Trade Unions suffered another setback when the Austrian Government expelled its headquarters from Vienna on February 10, 1956 on the grounds that the organization had exceeded the limits set by its own statutes and had jeopardized the interests of the Austrian state. It is still not known where the new headquarters will be located, but there have been rumours that the W.F.T.U. might establish itself in either Rome or Cairo.

3. The Communist controlled World Federation of Democratic Youth (W.F.D.Y.) continued its "struggle" for contacts with other youth groups. Its Secretary-General said in November that the next World Congress of the organization would consider amending its statutes to permit "limited affiliations" by some organizations which "are interested in specific aspects of W.F.D.Y. activity...without in any way wishing to accept the programme as a whole". No examples were given of the organizations interested in such contacts. The other Communist youth organization, the International Union of Students pursued its efforts to interest other groups in a "Conference of Cooperation" to be held in the spring of 1956. It hoped to hold the meeting in Switzerland but the national organization of Swiss students has refused to be drawn into any such project.

4. An interesting definition of the role of front organizations was given in an article in the Cominform Journal in January. The First Secretary of the Japanese Communist Party said that "these mass movements and organizations are transmission belts for our Party in establishing its links with the multi-millions masses and are simultaneously a school of the national liberation democratic revolution". He criticized those who desire "to compress every mass independent movement and mass organization into narrow Party confines". He warned that "Victory in the revolution cannot be won by the forces of the Communist Party alone". He pointed out that the "international and internal situation has recently changed in our favour "but up to now we have not been able to make adequate use of these favourable conditions".

5. Apart from public statements there were indications from secret sources that the international front organizations were re-assessing their tactics. The World Federation of Trade Unions, for example, was reported

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to have instructed "trade union internationals" under its control to concentrate more on specific problems affecting the interests of the free countries; on specific problems affecting the interests of the workers, rather than on world political issues; and to devote a large part of their resources to the extension of work in new areas and to propaganda.

Communist Parties

6. The most important development in international Communism during the period under review was the Twentieth Congress of the Communist Party of the Soviet Union. It was made clear that "peaceful coexistence" between states did not imply coexistence between ideologies. Instead, a rejuvenated Communism, based largely on the techniques of Lenin, rid of Stalinist accretions and errors, and supported by that large part of the world which had chosen socialism, was to press its attack against capitalism, reformism, and all other erroneous ideologies. In doing so the Party was to use more flexible and realistic tactics. The transition to socialism need not always be accompanied by violence. Action through parliaments could lead to genuine socialism, and genuine socialism could assume different forms, for example, the Soviet Union, China and Yugoslavia were following somewhat different paths to the same goal. Although maintaining their ideological purity, the branches of the Party could cooperate with other working class parties for specific purposes and in order to exploit the contradictions among capitalists.

7. In the months preceding the Congress the various branches of the Party were working out some of the tactics the ideological correctness of which was confirmed at the Twentieth Congress. It is difficult to single out any one line of policy as the dominant one for all countries because while the Party in one country was emphasizing its intransigent revolutionary nature, the Party in another was emphasizing its role as a reasonable opposition party, loyal to national interests and constitutional procedures. In most countries, however, during the period under review the Party was manoeuvring itself toward a position in which, relieved to a large extent of the encumbrance of Stalin's errors and of identification with the day-to-day moves of the Soviet Union as a state, and carrying the banner of a purified revolutionary faith, it could lead a leftist coalition (a "united" or a popular" or a "single" front) to power.

8. In the election in France at the beginning of the year the Communists obtained their usual 25% of the popular vote. They did however gain about 50 seats, and could watch with satisfaction the move of the political centre of balance to the left. In the months preceding the election the Communists strove for a "front unique" with the Socialists and Radicals, by putting forward apparently reasonable suggestions for cooperation and by appealing to rank and file members of these parties on a local level. Some strikes in which the Communists played a prominent part helped to bring about this united action, and protest meetings and agitation among the families of men conscripted for military service in North Africa also served the Communist cause.

9. In Italy the Party had difficulties arising from resignations of Party members and declining popular support in some of its strongholds. Togliatti took care to emphasize that international relaxation of tension did not mean any slackening of the class struggle or any postponing of the advent of socialism. At the same time the Party, sought wider political and social cooperation among all popular forces in search of an "opening to the left". Apparently the left wing of the Party had its doubts about the balance struck by the present leaders between "hard" and "soft" tactics. This internal uncertainty will probably hamper the Party until the directives of the Twentieth Congress are harmoniously adjusted to Italian political problems.

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10. In Greece, Communism secured a useful foothold in February when a coalition, the Democratic Centre, which included the EDA (actually Communist) Party, considerably reduced the strength of the Karamalis Government in the general elections. Since one of the plans of the coalition was a partial amnesty for Communist prisoners from the civil war period, this fact and the inclusion of the EDA in a "loyal opposition" marked an important step towards the rehabilitation of the Communists.
11. In West Germany there were continuing reports of apathy and discontent amongst Party members confronted with the extremely difficult task of selling Soviet policy on Germany. No decision has been taken about banning the Party although the members are apparently prepared to go underground. There were some disturbing reports of Communist trade union elections in West Germany but it appears that these were more the result of adept manoeuvring than any increase in popular support among the workers.
12. In general throughout Asia there were Communist moves towards "popular fronts" with leftist groups, as in Europe with the difference that this tactic had to be combined with "national" policies opposing the Western imperialists. In Indonesia a series of elections in the fall of 1955 indicated that the Communists had made a considerable recovery since 1948 by gaining about 20% of the popular vote. In spite of careful manoeuvring, however, the Communists were unable to make arrangements with any of the other parties in order to gain a coalition government. In India the Communist Party attitude towards the Nehru Government stiffened a good deal early in the fall of 1955 as a reaction to almost complete support for Indian foreign policy and limited support for domestic policy earlier in the year. The Bulganin-Khrushchev visit put the Party in an awkward position again particularly with regard to its public attitude towards Nehru. On the other hand the visit obviously did a good deal to popularize the party with which the Communists were identified. There were reports that the Indian Communists had been told by their Soviet masters to bide their time while the Soviet Government reaped some long range advantages for Communism from its friendly gestures, its economic aid, and its encouragement of India's "neutralist" foreign policy.
13. In the Middle East, the Party appeared to gain ground in Syria, but in Israel it was faced with the awkward problem of Soviet bloc military aid to the Arabs. In the rest of the Middle East there were no new developments but increased Soviet bloc interest in the area and aid to individual nations would undoubtedly strengthen local communist parties. In Latin America, promises of Soviet aid indicated new openings in the future for branches of the Party. The main tactical effort during most of the period under review continued to be the formation of "democratic fronts of national liberation" directed against United States "imperialism". In Brazil an election brought into power a party which the Communists had supported, but there are no clear indications as yet of what this will mean for the future of the Communist Party which remains illegal. In the Argentine the Communists were apparently doing their best among the wreckage of the Peron regime to take over leadership of the Peronist workers.

Soviet Intelligence Services

14. Further developments in the case of the former United Kingdom Foreign Office officials, Donald Maclean and Guy Burgess attracted a good deal of public attention in the period under review. The White Paper issued by the United Kingdom Government was the subject of a debate in the House of Commons on November 3, 1955. The debate dealt primarily with security precautions in the Foreign Service rather than with the activities of Soviet intelligence authorities in recruiting these two men. On February 11, 1956, Burgess and Maclean gave an interview to the press in Moscow, thus revealing publicly for the first time their presence behind the Iron Curtain. They claimed that "neither of us have ever been Communist agents" but that they

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had seen "some chance of putting into practice in some form the convictions/we have/ always held". They hoped to "work for the aim of better understanding between the Soviet Union and the West".

15. Various reasons were suggested for the action of the Soviet authorities in having Burgess and MacLean make this appearance. The United Kingdom Foreign Secretary, Mr. Selwyn Lloyd, mentioned two views, that the interview was intended to "clear the air" for the planned visit of Khrushchev and Bulganin to the United Kingdom, and that it was intended to create distrust between the United Kingdom and the United States. He did not express any strong conviction as to the likelihood of either theory being true but he pointed out the "consistent lack of candour of the Soviet authorities in their statements about these men".

16. The research information about the Soviet Intelligence Services received during this period tended to underline the diversity of Soviet tactics in extending networked based on "legal" and on "illegal" residents. In the previous Review reference was made to the use of Tass agents revealed in the Petrov hearings. We have learned since then from other sources that the Committee of State Security (the KGB) sends a certain number of its agents through the Institute of Journalism to render them better fitted for carrying out intelligence work on Tass correspondents. Apparently intelligence contact with the headquarters of the World Peace Council in Vienna has been maintained through agents who are there as Tass correspondents. People active in the Council are used rarely for intelligence work themselves to avoid compromising the political work of the organization.

17. While all "legal" channels are being exploited carefully, there is information that great emphasis is also being placed on building up "illegal" agent networks. Although it is very much more difficult to establish these "illegal" residents, the networks based on them are very useful in producing information concurrently with the other network and in preparing for any emergency which might dissolve the network based on a "legal" resident.

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II. COMMUNISM IN CANADA

General Review

18. The most significant event affecting Canadian Communists during the past six months was, of course, the Twentieth Congress of the Communist Party of the Soviet Union. The initial reaction to the denunciation of STALIN as revealed in the Labor Progressive Party (LPP) press was one of extreme uncertainty culminating in a decision to "pass the buck" to BUCK who was scheduled to return to Canada late in April fully informed on the new Moscow line. Since, however, comment on so vital an issue could not long be deferred, Party officials in Canada, bolstered by the content of speeches made by leaders of other Communist Parties and later by a letter written by BUCK, himself, from Moscow, took a stand whereby undue stress on the extent of the denunciation was deprecated and full credit given for the Bolshevik "virtues" of criticism and self-criticism. The obvious query as to why the current Soviet leaders and their Canadian Party counterparts were taken in by the STALIN myth is not, of course, convincingly answered, attention being directed instead to other, less incriminating aspects of the Congress.

19. The theme of "Peace" with the usual Communist play on disarmament, the banning of nuclear weapons tests or the encroachment of the American imperialists remained high on the propaganda list. The extensive travels of Dr. ENDICOTT, chairman of the Canadian Peace Congress, indicate the importance the Canadian Communists attach to this particular tactic.

20. Demands for recognition of Red China and for increased trade with the Sino-Soviet bloc also continue to figure prominently in Communist propaganda. Of particular interest in this respect, although not directly tied in with the Canadian Communist movement, is the recent formation of the International Trade Association whose origin is suspect even though its directors are reputable Canadian businessmen.

21. It is not possible to determine whether or not the position of Communists in Canada has been strengthened during the period under review, especially since the reaction of most Communists and sympathizers to the "unpleasant" aspects of the Twentieth Congress is unknown. Despite losses incurred by repatriation to Soviet-bloc countries, particularly the USSR, a slight increase in membership, at least of that in the Labor-Progressive Party, has been observed. It is quite possible that there has also been a slight increase in subscriptions to the Party press. In addition, two Communist-controlled companies have become agencies of Intourist with whatever contribution this may make to Russian Intelligence Service activity in Canada. Little or no activity, however, has been observed for the LPP Commission on Latin-American-Canadian Cooperation which was to provide a "solid basis for unity between Canada and Latin-America directed against the imperialist policies of the U.S.".

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Twentieth Congress of the CPSU

22. Tim BUCK, national leader of the LPP, and Stanley RYERSON, its organizational secretary, were fraternal delegates to the Twentieth Party Congress in Moscow. BUCK gave a short address to the Congress in which he greeted "the great heroic people of the Soviet Union on behalf of the peaceloving Canadian people" (prolonged applause) and then proceeded to expound the familiar LPP theme that "the only real, external danger threatening Canada at the present time is from the American imperialists and their mania to dominate the world". BUCK, who was reported to be undergoing medical treatment in the USSR, is scheduled to address a May Day Rally in Toronto and should by then have dispelled some of the confusion still reigning in Canadian Communist circles as a result of the parent Party's recent denunciation of STALIN.

23. Canadian Communist press reaction to this aspect of the Twentieth Congress was long delayed, so long, indeed, that the Canadian Tribune (LPP weekly) was criticized in Party circles for its tardiness in providing editorial guidance on the subject and for failing thereby to allay the discontent evident even for some of the high-ranking Party members. Full accounts of many of the Twentieth Congress speeches had on their own admission been available to Canadian Communists prior to the first editorial comment in the Tribune, an excerpt of which is here as an indication not only of the stunning blow given the local Communists by the condemnation of STALIN but also of the most natural reaction on their part to defer interpretation of crucial events until the proper line is received from Moscow:

Naturally, some of the disclosures have come as a shock to many people to whom Stalin was, as we in Canada have always assumed, the embodiment of the collective leadership of the CPSU

Fortunately for all interested Canadians, the national leader of the Labor-Progressive Party, Tim Buck, attended the 20th Congress as a fraternal guest. Mr. Buck....will upon his return be able to bring Canadians a first-hand account of the 20th Congress proceedings and decisions.

The process of evaluation at the Congress, which is continuing in the Soviet Union, will be studied by Marxists throughout the world as more facts become available.

But, lacking such authentic information and texts, we deem it unwise to indulge in speculation or the drawing of hasty conclusions.

24. It must have become quickly apparent that discussion of such a resounding issue as the Twentieth Congress, particularly the denunciation of STALIN, could not be deferred until BUCK's return or even until word was received from him in Moscow. The educational director of the LPP, Norman FREED, conducted an all-day seminar in Toronto which was to be the prototype for other seminars across Canada and which had as the basis for discussion the reports of the Twentieth Congress. Many leading LPP members took part. Leslie MORRIS, LPP national organizer, found it necessary to reply via the Tribune to questions, doubtless rhetorical, posed by Canadian non-Communist newspapers pertaining to the downgrading of STALIN. Sure in his own mind only "that the Soviet Union has built a socialist society and is advancing to communism, when each citizen will receive according to need" and otherwise very much on the defensive, MORRIS declared that "the contribution made by

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STALIN to the victory of socialism in the USSR is acknowledged and will continue to be given its rightful place". He also declared that "only good can come out of the application of the Communist principles of the open recognition of errors. The usual capitalist party principle is to cover them up".

25. This leaning over backwards to be fair to the memory of STALIN (thus justifying in part one's own adherence to the STALIN cult and constituting, perhaps, latent criticism of Soviet policy in this regard) while at the same time extolling the virtues of a "frank and honest exposure" of his shortcomings was present not only in the comments made by several Canadian Communists but also in the reports on the Congress published in the Tribune and attributed to the leaders of the British and Italian Communist Parties, POLLITT and TOGLIATTI respectively. The Canadian Communists, through POLLITT, also made some attempt to explain "how the past difficulties could have arisen and why the period they covered was so long" but it was left to BUCK to give what might be termed an official though ineffectual view on the subject.

26. In his Moscow letter under the caption "How Could it Happen?", BUCK declared that:

Those who might be tempted to remark that the members of the Central Committee who were members during that period were equally responsible with Stalin, should stop and think before saying it. The necessity to maintain the unity of the CPSU in the days which preceded the war, during the war, during the postwar period and immediately after Stalin's death, was an absolute imperative. In those conditions and taking into account the long-established personal authority of STALIN, it is clear that correction had to wait the necessary conjunction of circumstances.

However, even BUCK must have realized that the answer was not satisfactory for he states elsewhere in the letter that "the definitive answer to that question [would] undoubtedly come out of the systematic study, and where necessary, correction, of materials and records the Congress instructed the Central Committee to undertake". In other words, the Canadian Communists, as always, would await the correct line from Moscow.

25. Nettled by this too-glaring exposure of their subservience to Moscow, the Canadian Communists tried to regain their aplomb by emphasizing that in at least one respect - the LPP program - they had anticipated the resolutions of the Twentieth Congress but even here, as exemplified by BUCK's letter, LPP braggadocio was tempered by the usual LPP respect for Soviet authority:

"A number of people, including of course those who write solely to suit their capitalist employers, will probable seize upon that far-reaching contribution to claim that the Labor-Progressive Party will now advocate parliamentary action for the advance to socialism" "the instruction of the Twentieth Congress of the CPSU". "I am honest champions of peace and socialism against such deceptions, and bring the truth to uninformed people who may be confused by it, the following must be emphasized:

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The essentials of the estimation submitted by Khrushchev and re-affirmed in the Congress resolution were included in their entirety in the report of the National Executive of the LPP to the sessions of its full National Committee in February, 1952. It can be read today in National Affairs Monthly for March, 1952.

Our analysis was not so well stated, but its political content corresponds exactly with the masterly analysis submitted by Khrushchev. The conclusions embodied in the splendid new LPP program, "Canadian Independence, People's Democracy and Socialism" also correspond with the conclusion drawn by the Twentieth Congress and embodied in its political resolution.

The proceedings of the Congress provide a striking affirmation of the correctness of the LPP's estimation of the change in class political relationships since the war and of the correctness of the line of the party's program."

The Canadian Peace Congress

28. Although the signature campaign conducted by the Canadian Peace Conference in support of the "Vienna Appeal" continued for some time after the Helsinki meeting of the World Peace Assembly in June, 1955 (123,399 Canadian signatures were said to have been obtained), most of the "peace" activity during the past six months has been confined to the ubiquitous Dr. ENDICOTT and his efforts to capitalize in the name of peace on the so-called Geneva spirit. In mid-October he attended a meeting of the World Peace Council Bureau in Vienna and then in early November in Toronto he presided over the Canadian Forum for Peace at which some 1500 delegates were present. In December ENDICOTT went to Helsinki to attend a special meeting of the World Bureau at which it was decided to convene the World Peace Council in April 1956 to discuss disarmament and the prohibition of nuclear weapons. Before returning to Canada ENDICOTT attended the First Italian Peace Congress in Rome. In March the National Council of the Canadian Peace Congress with ENDICOTT as chairman held a two-day conference in Toronto. One of the items discussed was the procedure to be followed by the delegation which immediately afterwards left for Ottawa to try to persuade Members of Parliament and other Canadian government officials to back appeals for disarmament and the banning of nuclear tests. Those unable to make the trip were urged to contact their M.P.'s by letter. ENDICOTT left Canada again late in March to attend the special disarmament meeting of the World Peace Council in Stockholm, 5-9 April. In October 1955 the Canadian Peace Congress commenced publication of a pocket-size magazine, Horizons, to replace its previous periodical, Peace Review. The new publication is part of a world-wide project in peace journalism with most of the material being received from its Communist-controlled namesake in Paris.

East-West Trade

29. The Communist-controlled East-West Export and Import Co. Ltd., of Vancouver has apparently not been successful in attempts to promote the sending of a delegation of Canadian businessmen to China. This

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project has now been undertaken by a new body, the International Trade Association, which has applied for Federal incorporation. While the Association is expected to be directed by reputable non-Communist businessmen, it is known that important Communists are trying to guide it. Two other Communist-controlled trading companies, the M & M Trading Co. of Montreal and the World Trading Corporation of Toronto, have for all practical purposes been abandoned. This suggests that the Communists are relying almost entirely on the International Trade Association to promote interest in East-West trade among Canadian businessmen.

Intourist Activity in Canada

30. The Communist-controlled Ukrainian Book, a Toronto firm established in February 1955 as a wholesale house for Ukrainian-language literature in Canada, has signed an agreement with the All-Soviet Joint Stock Company, Intourist, to forward parcels directly from Canada to the Soviet bloc. The Ukrainian Book collects mailing charges and duty on the goods involved and also sells merchandize to be used in the parcels, about 150 of which are cleared daily. The January 1956 remittance to Intourist amounted to \$16,000 which would indicate that the total business involved is considerable. At least one Communist-controlled travel agency, Overseas Travel Limited in Toronto, has signed an agreement with Intourist. Agencies like the Ukrainian Book and Overseas Travel Limited could contribute to Soviet Intelligence activities in Canada and at the same time swell Party coffers.

LPP Plan of Work - Membership, Subscription Trends

31. In the Plan of Work put forward at the LPP National Committee meeting in August 1955, considerable concern had been expressed over the decline in the rate of growth of Party membership and the low level of subscriptions to the various Party publications, especially National Affairs Monthly, the LPP theoretical journal. There is some evidence that the LPP has had a small measure of success in its attempt to take advantage of the Geneva spirit for in the last quarter of 1955 Party membership increased by about two per cent and, although there was not necessarily any significant net gain in subscriptions, a considerable number of new subscribers was reported.

32. The LPP has shown some concern over a possible drop in Jewish membership owing to the Soviet-bloc sale of arms to Egypt and other Middle East countries. Both the activities of a Jewish sub-committee formed as an advisory body to the LPP and the tour of the western provinces by the National President of the United Jewish People's Order (UJPO) are indications that considerable effort is being made to explain the Communist line in regard to the Middle East. Special discussion groups were also conducted by the UJPO in the various centres but the proposed supplement in Yiddish and English to its press organ, Voehenblat, was apparently not published. It is possible that the pressure on the LPP regarding any drop in Jewish membership would have been eased somewhat both by the revelation of Western arms deals with the Arab states and by the denunciation of STALIN and whatever refutation it may entail of anti-Semitism.

33. Stress on increasing membership was also indicated at the Seventh National Convention of the Communist-controlled Association of United Ukrainian Canadians held in Toronto in February. Included in the program outlined at the Convention (attended by 148 delegates including three from the United States and addressed by one of the two Soviet Embassy officials present) was a campaign to gain one thousand new members by 1957.

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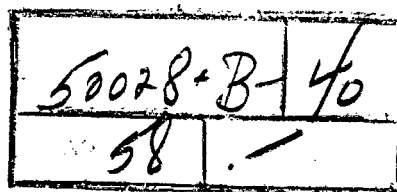
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Department of National Defence

S E C R E T
TS1646-2 (DAI)



OTTAWA,

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8 May 56

REPORT OF
RCAF RECONNAISSANCE OF
RUSSIAN ACTIVITY
AT 78°23'N - 138°00'W

File
E.T.L.

INFORMATION

1 As the result of a report of activity of unknown character at position 78°23'N - 138°00'W, an RCAF aerial reconnaissance aircraft was dispatched on 28 Apr 56 from Ottawa to carry out photographic and visual reconnaissance of that position and the area surrounding it.

2 The aircraft arrived on 30 Apr 56 over the general area which consisted of a very large surface of unbroken pack ice estimated to be approximately 50 miles in diameter at position 78°23'N - 138°00'W (see Appendix "A".) A Russian encampment consisting of a number of aircraft and personnel, several tents and huts, and a runway was apparent.

SUMMARY OF COVERAGE

3 The USSR camp located on pack ice at approximately 78°23'N - 138°00'W was photographed by a 408(P) Sqn Lancaster aircraft at 1838Z on 30 Apr 56. Three runs were made over the camp at approximately 500 ft ASL using a forward facing K24 camera with a 20" focal length lens for oblique photography and a Sonne continuous strip camera with 100 mm lenses for vertical stereo coverage. The K24 camera developed an internal mechanical fault, which was not detectable by the aircrew in flight, and failed to cycle the film properly. The exposures were badly overlapped thus greatly reducing their interpretative value. Three runs were made over the camp at approximately 4,000 ft ASL using an F52 camera with a 12" lens for vertical stereo coverage. The sky was completely obscured by high cloud with lower broken cloud resulting in very flat lighting and barely discernible shadow. This type of lighting renders the detection of thin upright objects such as antenna masts very difficult on vertical photography.

INTELLIGENCE ITEMS (See Appendix "B")

4 General

The camp is composed of seven CAB and one COLT aircraft, eight tents and two small pre-fab huts arranged in an irregular line alongside a snow runway and is located on what appears to be pack ice covered by a thin layer of snow. The surface does not have the appearance of an ice island. The camp has none of the indications of a permanent installation such as were observed in the photographic coverages of the North Pole Three camp, although two of the aircraft appear to have been in their present position for what is estimated to be at least three or four days.

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Very definite snow drifting can be seen around CAB H490. CAB H554 has a very well defined path leading from the door of the aircraft to the adjacent tent. Also, an object which appears to be a possible vertical antenna is located approximately 200 ft to the rear (North) of the tail of this aircraft and it is surmised that it is being used as a communication centre and/or the LF beacon which was heard by the Lancaster aircraft. No fuel supply dump can be seen but a small number of fuel and oil drums, along with miscellaneous supply containers, crates and other debris are scattered around the campsite. Three tripods, which appear to be approximately 5 ft high, are visible. Two are located approximately 130 ft to the rear (North) of CAB H554 and one is located approximately 30 ft to the rear of the starboard wing of CAB H490. This appears to indicate that the crew of these two aircraft, at least, have been engaged in the taking of meteorological observations.

5 Runway

The general direction of the runway is N.E. - S.W. and the prevailing wind in this area at this season is S.W. This runway consists of light snow cover over what appears to be smooth level ice and is suitable for landing wheeled aircraft. The ends of the runway are indicated by "T" shaped markers. The distance between the markers is approximately 2,650 ft. The runway has not been generally bulldozed or rolled. There is evidence of the use of a bulldozer blade being used on one small portion of the runway but it appears that this has been abandoned and an 8-ft square snow drag constructed and towed behind a small tractor for the purpose of smoothing snow drifts and pinacles. There are no boundary markers visible.

6 Aircraft

The seven CAB and the one COLT aircraft are all of a uniform, dark, drab, colour. No military markings are visible. All of the CAB aircraft are on wheels and the COLT aircraft is equipped with skis, which appear to be resting on low, flat, frame-like supports which prevent the skis from freezing to the snow. Three of the CAB aircraft are equipped with light-coloured wing covers and one CAB aircraft with dark-coloured wing covers. The COLT aircraft has no wing covers. The COLT aircraft engine and most but not all of the CAB aircraft engines are fitted with fabric, tent-like, structures extending from the lower portion of the engine nacelles to the ground, presumably housing pre-heating apparatus. These structures do not include the undercarriages. The COLT aircraft and four of the CAB aircraft have very dark fabric engine covers enclosing the tops of the engine nacelles.

7 Aircraft Identification

The COLT aircraft bears the identification - CCCP H120 (USSR N120). Identifications are visible on three of the CAB aircraft - CCCP H554 (USSR N554), CCCP H490 (USSR N490) and CCCP H608 (USSR N608). The wings of the remaining four CAB aircraft were covered by wing covers, as mentioned above. The poor quality of the oblique photography did not permit interpretation of the identifications carried on the sides of the aircraft.

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8 COLT Aircraft Wingspan

The seven larger aircraft are positively identified to be CAB aircraft. The published dimensions of this aircraft are wingspan 94 ft 6 inches and length 64 ft 6 inches. Using these figures the scale of the prints concerned was computed to be approximately 1/4200. With this scale, the length of the COLT was measured to be approximately 38 ft and the wingspan was measured to be approximately 59 ft 6 inches whereas the dimensions given for this aircraft in the publications available to this unit are wingspan 48 ft 8 inches and length 37 ft 2 inches. It is therefore concluded that this particular COLT aircraft is a modification of this basic type.

9 Personnel

Forty personnel were positively identified on the photography. This does not preclude the possibility that additional personnel were present in the aircraft or accommodation, or otherwise not identifiable from the photography. Aircrew counts were 38 and 42.

10 Tractor

One small tractor was visible on the photography towing an 8 ft square, frame-like, snow drag. It carried a bulldozer blade and was measured to be approximately 10 ft in length including the blade.

11 Unidentified Ladder-like Object

An unidentified ladder-like object approximately 20 ft in length and 4 ft in width, with no discernible height, is located to the rear (North) of the Southernmost CAB aircraft. It is surmised that it may possibly be a type of snow drag since tractor tracks are visible around it.

12 Accommodation

Eight hemispherical tents, approximately 14 ft in diameter, are located adjacent to the aircraft. They are of a dark, drab colour and appear to be constructed of fabric stretched over umbrella-shaped frames. Two small, rectangular, 8 ft x 11 ft, structures are located immediately adjacent to the doors of two of the CAB aircraft. They are covered with fabric and appear to be possibly of light pre-fab construction. It is considered that they house equipment and not personnel because of their location and because the 8 tents would accommodate the number of personnel visible on the photography and reported by the aircrew.

13 Poles

Two poles, approximately 10 ft in length and 6 inches in diameter (or width), are located immediately adjacent to the second CAB aircraft from the COLT aircraft.

SUMMARY

14 There is a sizeable Russian operation, the specific function of which is as yet unidentified, underway at this location. At least forty persons and eight aircraft are participating.

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15 It has been determined that the aircraft are subordinated to Russian polar aviation, a non-military agency engaged in general weather and hydrological survey work in the Arctic.

16 So far as is known this is the first time such a Russian operation has been detected in the so-called Canadian sector of the Arctic (Russian ice-island North Pole 3 drifted into the Eastern Canadian Arctic in 1954 and was abandoned.)

A.F.H.Q.
Ottawa, Ontario.

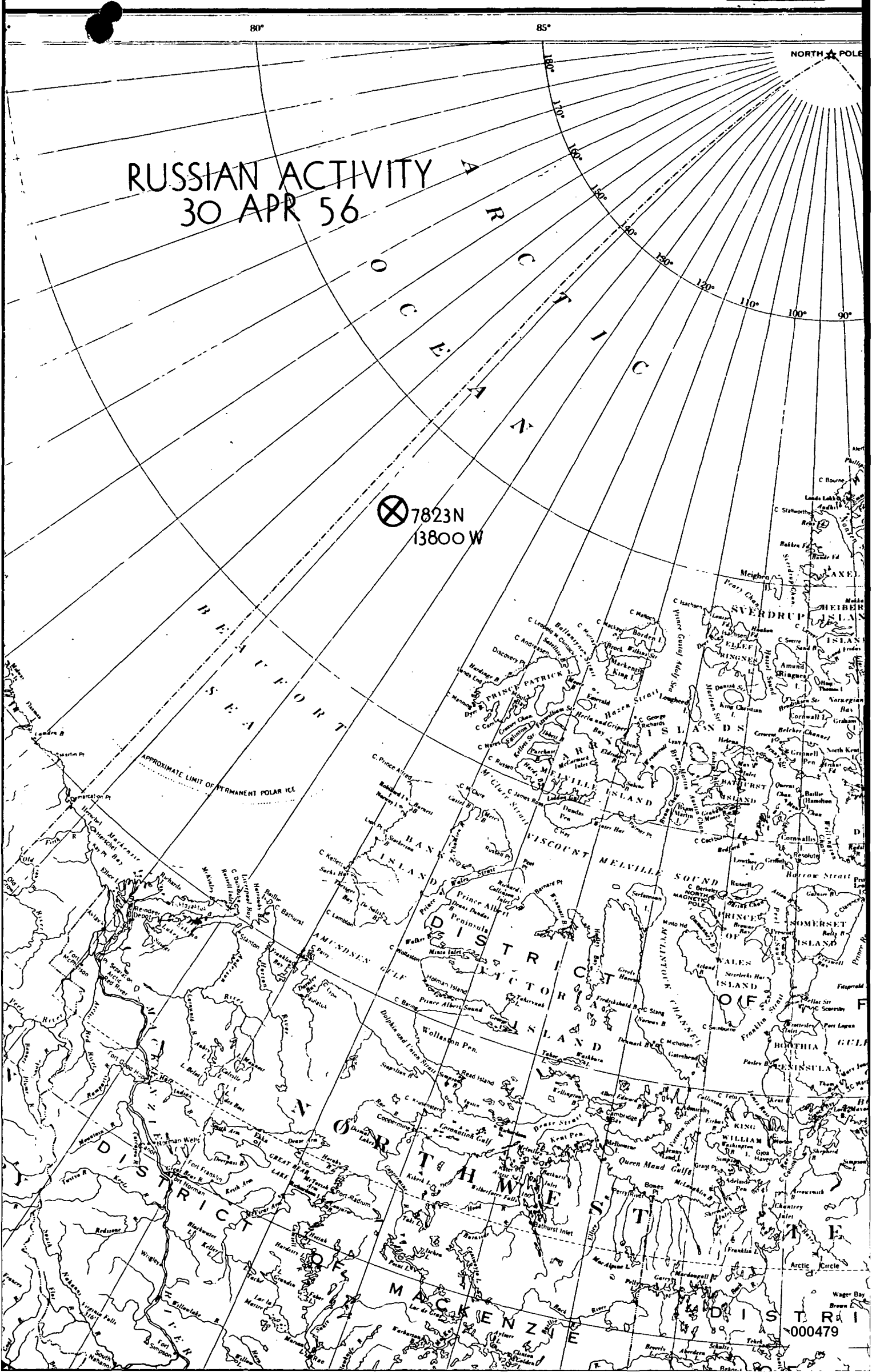
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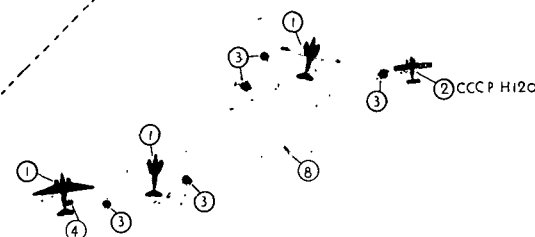
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APPENDIX "B" TO
TS 1646-2 (DAI)
DATED 8 MAY 56

RUSSIAN ACTIVITY

7823 N 13800 W
.30 APR 56

SNOW RUNWAY 2650 FEET



① CCCP H 608

① CCCP H490

① CCCP H554

KEY TO ANNOTATIONS

- 1 CAB AIRCRAFT (7)
- 2 COLT AIRCRAFT (1)
- 3 HEMISPHERICAL TENTS (8)
- 4 PRE-FAB HUTS (2)
- 5 TRACTOR WITH SNOW DRAG
- 6 POSSIBLE ANTENNA
- 7 WELL WORN PATH
- 8 UNIDENTIFIED OBJECT 20' x 4'
- 9 BULLDOZED AREA
- 10 MARKER "T" (2)

FT 100 50 0 100 200 300 400 FT

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IN REPLY PLEASE QUOTE

NO. CG 1747-1 (JIC)

Department of National Defence

CONFIDENTIAL

JOINT INTELLIGENCE COMMITTEE

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MEMORANDUM FOR THE JIC:

Nomenclature for Soviet Ships

1. Attached for information is a copy of SACLANT
Serial 450 dated 16 Apr 56, on this subject.

[Handwritten signature]
J.C. McGibbon
Squadron Leader, RCAF,
Secretary.

Enc.

JCM/2-5459/ff

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SER 450
16 Apr 1956

NORTH ATLANTIC TREATY ORGANIZATION
HEADQUARTERS
OF
THE SUPREME ALLIED COMMANDER ATLANTIC
NORFOLK 11, VIRGINIA, U.S.A.

NATO - CONFIDENTIAL

To: Belgian Liaison Representative to SACLANT.
Canadian Liaison Representative to SACLANT.
Danish Liaison Representative to SACLANT.
French Liaison Representative to SACLANT.
National Military Representative, Germany, to the Standing Group.
National Military Representative, Greece, to the Standing Group.
National Military Representative, Italy, to the Standing Group.
Netherlands Liaison Representative to SACLANT.
Norwegian Liaison Representative to SACLANT.
Portuguese Liaison Representative to SACLANT.
National Military Representative, Turkey, to the Standing Group.
United Kingdom Liaison Representative to SACLANT.
United States Liaison Representative to SACLANT.

Subj: Nomenclature for Soviet Ships.

Ref: (a) SACLANT Naval Order of Battle.

1. It was agreed at the Major Commands' Naval and Naval Air Intelligence Conference held at SHAPE in May 1955 that, for purposes of uniformity, reference (a) would be used as the basic Naval Order of Battle for NATO in peacetime.

2. However, some nations are still reporting on certain classes of ships by nationally chosen type names, rather than those accepted in NATO for the SACLANT Naval Order of Battle. For example:-

- a. "BIRD"-class escorts are still sometimes referred to as "PTICHY"-class destroyers or "YASTREB"-class coastal destroyers.
- b. "OTLICHNY"-class destroyers are still sometimes referred to as "IMPROVED SILNY"-class destroyers.
- c. "SKORY"-class destroyers are still sometimes referred to as "O-II"-class destroyers.
- d. "T-200"-class minesweepers are still indicated by a great variety of names, like "FUGAS"-class, "IMPROVED SHORM"-class, "T (project 59)"-class and others.
- e. Sometimes familiar designations are used, such as "Improved SHCH"-class, or "C"-class minesweepers or "D"-class destroyers.

3. In order to facilitate the compilation of a uniform Soviet Naval Order of Battle, it is recommended that nations, in reporting on various classes of Soviet units, should employ the nomenclature now used in reference (a).

FOR THE SUPREME ALLIED COMMANDER ATLANTIC:

Copies to: Standing Group
SACEUR
CINCHAN
CINCMALRCHAN

(Sgd.) C.L. Best
Commander, U.S. Navy
Assistant Chief of Staff
Intelligence
Acting

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D.L.(2)/GHSoutham/LS

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X-ref 9057-40 L
May 7, 1956

The Secretary,
Joint Intelligence Committee,
Department of National Defence,
O t t a w a .

The JIC paper No. 176(56) dated April 5, 1956, entitled "Possibility of Soviet Drifting Research Stations Entering Canadian Waters" has been circulated in this Department. Our Legal Division has pointed out that the use of the phrase "Canadian Waters" in this paper implies that all the waters of the so-called Canadian sector are Canadian waters. No such claim has been made by the Canadian Government. Bearing in mind that this is an unclassified paper and might be given a fairly wide circulation by the various recipients, I should consider that it would be well to correct this impression. I recommend, therefore, that the title be changed to "Soviet Drifting Research Stations" and that the expression "Canadian Waters" in the sixth line of the first paragraph be replaced by "waters within the area which is sometimes called the Canadian sector".

I should be grateful if you would bring this proposed amendment to the attention of the JIC and seek their concurrence.

cc. Mr. Wershof
Legal Div.
D.L.(1)

(Signed) G. G. Crean

G. G. Crean,
Chairman,

Joint Intelligence Committee.

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DEFENCE LIAISON DIVISION (2)

FAR EASTERN DIVISION

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MAY 4, 1956.

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AMENDMENTS TO J.I.C. 183/1(56) SEMI-ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOCK POLICY.

The following are the comments of Far Eastern Division on the amendments proposed by the Director of Military Intelligence. You will notice that these amendments are based on a policy of exercising restraint in drawing conclusions where the evidence is not strong.

Proposed compromise amendment:

P 70 - In Southeast Asia, the Chinese Communists continue to have a ready tool for the extension of their influence by non-military means in the extensive communities of overseas Chinese, who tend to direct their loyalty towards whatever government is in power in China.

P 75 - We have not seen evidence that Abdul Rahman is in fact controlled by the local Chinese and would therefore not be ready to agree to this amendment. Moreover, the present indications are that Singapore probably will not achieve independence during 1957. If necessary, we could agree to an amendment as follows:

"The large proportion of Chinese in Malaya makes it certain that they will exert a great deal of influence on whatever government is formed."

We consider it unwise to add any forecast as to the future orientation of these Chinese, or the effect their influence may have on insurgent activity.

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- P 76 - This amendment is stated in language which makes the situation appear more clear-cut than the evidence available to us would warrant. There does not appear to be such a clear-cut distinction between Chinese and Viet-minh influence. We should prefer to leave the sentence as it stands, but if it is necessary to make some change, we would suggest that the following should be added to the third sentence:

"...although it is possible that broader considerations of Communist strategy in the Far East endeavouring to win the R.L.G. over to a neutralist policy may play some part."

- P 78 - The first sentence should be split into two. The proposed amendment would be acceptable if amended to read:

"... and are therefore influenced by Chinese Communist policy."

The comment appearing after the proposed amendment to P 79 might be met by changing the third sentence to read:

"They may also have provided the Viet-minh with some war material; although there is little direct evidence of this, the present state of the Viet-minh army suggests that additional war material must have been supplied."

- P 79 - The proposed amendment is acceptable. It would also be desirable to alter "a correct attitude" in line one to read, "an ostensibly correct attitude".

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IN REPLY PLEASE QUOTE

No. CSC 7-17(JIC)

Department of National Defence

SECRET

JOINT INTELLIGENCE COMMITTEE

CANADA

3 May 56

MEMORANDUM FOR THE JIC

SOVIET ECONOMIC PENETRATION

1. Attached for your information is JIC 181(56) entitled Soviet Economic Penetration which will be considered at the meeting on Wednesday 9 May.
2. The following corrections have been noted. These and other minor errors will be incorporated in the next draft:

Annex 1.

Table 1

Delete: present title
Insert: Free World Trade With the Sino-Soviet Bloc.

Insert: after "Exports" "to the Bloc"
after "Imports" "from the Bloc".

Table 2

This table presently consists of 4 pages. Please amend this by numbering the tables in order Table 2, Table 3, Table 4 and Table 5. The present Table 3 (the last page) becomes Table 6.

New Table 3

In the title delete: "Exports" and "To"
insert: "Imports" and "From".

New Table 4

In footnote 2 delete: "from" Roumania
insert: "to" Roumania.

New Table 5

In the title delete: "Exports" and "to"
insert: "Imports" and "from".

Enc.

THB/2-5189/jc

c.c. CJS
CB NRC
JIS

(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary

000487

may 3/56
50028-V-40

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COPY NO. 1

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JIC 181(56)
dated 30 Apr 56

SOVIET ECONOMIC PENETRATION

OBJECT

To examine the nature and extent of Soviet economic penetration in the under-developed areas of the world, and to assess its significance.

SUMMARY AND CONCLUSIONS

1. The Soviet Bloc has embarked on a campaign to extend its influence in the under-developed areas of the world. The principal weapon in this campaign is economic.
2. The campaign was considered as long ago as 1951, but only got into full swing in 1955. Although still in its early stages, the programme is well planned, co-ordinated and expanding. It is world-wide in scope, highly selective and opportunistic, and designed primarily to further political objectives.
3. The offensive was directed initially at South and South-East Asia and selected countries of the Middle East, but more recently it has spread to Latin America and Africa, and countries such as Yugoslavia, Turkey and Pakistan. So far, the greatest concentration of effort has been in the uncommitted nations of India, Burma, Afghanistan, Egypt; but approaches have been made to committed countries such as Pakistan and Turkey in order to foster "neutralism" and to frustrate Western attempts to construct military alliances about the periphery of the Soviet Union.
4. The programme affords economic as well as political advantages to the Soviet Union. With an expanding capability to export capital goods and an increasing requirement for raw materials, the USSR is in a unique position to take advantage of the economic problems confronting the under-developed countries.
5. The Bloc offensive is essentially a drive for expanded trade, supplemented with long-term, low-interest credits to finance industrial development and technical assistance (and additionally, in the Middle East area to finance the export of arms). The number of trade agreements concluded by the Bloc with the under-developed countries has increased ten-fold since 1952.
6. The Soviet Bloc offers of credits are designed not only to foster trade, but to place it on a continuing basis. Credits rather than grants are the principal form of assistance, both to maximize the economic advantage to the Bloc and to overcome the reluctance of the recipients to accept gifts or "charity".

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7. Total credits proffered by the Soviet Bloc as at April 1 are of the order of \$1 billion, while acceptances so far (to be used over a period of some five years) approximately \$750 million (e.g. Egypt, \$200 million for arms purchases; Yugoslavia, \$275 million for developmental and commercial purposes; India, \$110 million for steel mill equipment; Afghanistan, \$120 million).

8. The programme imposes little strain on the economies of the Bloc. The USSR can steadily enlarge its efforts without undue diversion of resource, without creating any real dependency on imported materials or abandoning its general policy of economic self-sufficiency.

9. While the Bloc programme to date is largely in the offer and promise stage, it poses a long-term economic, political, and strategic threat to the Western nations. It will tend to restrict the trading opportunities and affect the economic stability and development of those Western nations greatly dependent on expanded trade; but what is more serious, it may provide the Bloc with opportunities for political subversion.

DISCUSSION

The Background of the Programme

10. Although the development of Soviet trade relations with the West has been governed traditionally by the long-term objective of economic self-sufficiency, this policy, during the period of "co-existence and peaceful competition", does not imply an absence of trade, but only in the long run the minimization of the need of the economy for such trade. Foreign trade has been fostered whenever it was considered to be an effective instrument for the promotion of Soviet industrial growth, or for the attainment of specific foreign policy objectives.

11. In the pre-war period, Soviet foreign trade was mainly an essential expedient for speeding industrial expansion; and in the early post-war years was additionally employed for the political and economic domination of the Satellities, and for the formation and consolidation of Stalin's enunciated Communist Bloc parallel world market.

12. In more recent years, Soviet Bloc trade has become an increasingly important political weapon, not only for the strengthening of Bloc ties, but for the extension of influence outside the Bloc. The decision to launch this new phase in foreign trade was considered, if not actually taken, sometime prior to the death of Stalin. Preparations were apparent as early as 1951 and, propaganda-wise, were highlighted by the Moscow International Economic Conference in April 1952.

13. In an attempt to exert pressure on the West to relax trade restrictions, and in an effort to enlist world-wide support for enlarged trade in the interests "of world peace and higher standards of living", the USSR made grandiose offers to the capitalist world. In addition, the USSR proclaimed itself as a sponsor of economic aid

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S E C R E T

to the under-developed countries. It promised to provide a favourable and stable market for the primary products of the under-developed areas, and to ensure a steady flow of machinery and industrial equipment for their industrialization. For its part, the Soviet Union declared itself prepared to supply machines and equipment to the value of 3 billion rubles (\$750 million at the official rate of exchange) to countries of the Middle East and South and South-East Asia in the subsequent two to three years. Of special appeal was the promise to accept payment in raw material surpluses or in local currencies. At the time, however, no mention was made of long-term credits.

14. In the next three years, the Soviet Union (and the Sino-Soviet Bloc) took a conspicuous part in various trade fairs, particularly in the Middle East and Asia, and sent numerous delegations of trade and technical experts to the capitals of under-developed countries. New trade agreements, some of them long-term, were signed with such countries as India and Egypt.

15. By 1955 the programme of trade and aid had got into full swing with the accelerated extension of trade agreements and with the offers, on favourable credit terms, of capital equipment and technical assistance.

16. In order to facilitate the expansion of trade and the improvement of economic relations with foreign countries, a new organization was set up in Moscow early in 1955. This organization, called the "Chief Directorate for Economic Relations", was originally under the Ministry of Foreign Trade, but it is now thought to be directly responsible to the Council of Ministers, -- evidence of the increased importance attached to foreign economic operations at the policy-making level. GUES, the abbreviation by which it is known, is also in charge of the provision of technical assistance abroad, and of scientific co-operation with foreign countries.

17. Several factors have undoubtedly motivated the Soviet regime to embark on the present policy of economic penetration in the under-developed areas: the acceptance of the fact that the two leading powers have reached a nuclear stalemate and that if further gains are to be made they would have to be by other means - political, economic, subversive; the belief that the Soviet Bloc is now strong enough to compete with the capitalist countries, and the self-confidence that in such a competition the "historic superiority of socialism" will be established and that the communist system will accomplish its purpose without resort to nuclear war.

18. The timing of the present trade offensive is also greatly influenced by the changing structure of the Soviet economy. Prior to the death of Stalin, Soviet foreign trade was characterized by a high proportion of raw materials exports, such as grain, manganese and timber; but in the light of the rapid growth in manufacturing and engineering industries, the general lag in food production, and the increasing requirement for raw materials, the post-Stalin leadership, realising the opportunities that presented themselves to gain an economic foothold and extend political influence in the under-developed countries seeking to industrialize, has introduced to some degree a reversal of the pattern of trade by making available capital goods for export, and by importing more raw materials.

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The Nature and Extent of the Programme

19. The Bloc economic offensive in the under-developed countries is essentially a drive for increased trade, supplemented with credits and generous credit terms to finance industrial development and technical assistance.

20. The aggressive extension of trade agreements, the offering of liberal credit arrangements for commercial and developmental purposes in selected and vulnerable areas, the opportunistic exploitation of local economic situations, the heavy expenditures on trade exhibits, publicity and propaganda, and the global nature of the advances reflect the importance that the Bloc attaches to the programme. It is designed not only to win prestige and influence for the Bloc, to publicize the accomplishments of the Communist system in industrial and technological development, but to influence political alignment, to neutralize Western influence, and to undermine the Western political-military alliances in areas adjacent to the Bloc.

21. The greatest attention so far has been paid to peripheral countries such as Yugoslavia and Afghanistan; to Egypt and Syria in the Middle East; to India, Burma, and Indonesia in South and South-East Asia, and to Argentina in Latin America. With the exception of the special arms deal with Egypt, the major credits so far have been extended to Yugoslavia, Afghanistan and India -- largely to finance capital goods exports to these countries.

22. On the basis of developments to date, the main features of the economic offensive involve the following aspects:

- a. A concerted drive to expand the volume of trade and to extend the number of trade agreements;
- b. The offering of long-term low-interest (usually 2 or 2½ per cent) credits of a commercial nature to finance exports of industrial products or manufactured consumer goods, and of a developmental nature to finance equipment for industrial installations and technical assistance;
- c. The acceptance of surpluses of food, raw materials and local currencies in repayment for capital goods;
- d. Increased participation in international trade fairs, and the establishment of local trade offices;
- e. The provision of arms -- a special form of trade;
- f. The provision of technical assistance, including not only engineers and technicians, but also the equipping of several technical institutes and nuclear physics laboratories. A special feature is the invitation to train students in the Soviet Union;
- g. The avoidance of outright grants, although it might be interpreted that the generous credit conditions incorporate the equivalent of grants or financial gifts, and it may well be that payment may be deferred or interest waived when the USSR deems it of political advantage to do so.

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S E C R E T

23. In conformity with its programme of penetration in the under-developed areas, the Bloc has successfully effected an extensive network of trade agreements. At the present time, the Communist Bloc nations have some 50-60 trade agreements with the under-developed countries, -- a ten-fold growth over 1952.

24. Trade data for selected countries in 1955 already reflect the impact of the trade drive. Based on comparative trade figures for 1954 and 1955, the countries of Egypt, Iran, and Turkey, taken as a group, increased their exports to the Bloc from a total of 14 per cent of total exports in 1954 to 24 per cent in 1955, while imports from the Bloc increased from 8 to 15 per cent of total imports for the same period. In the last quarter of 1955 alone, Bloc trade represented 30 per cent of Egypt's total foreign trade, indicating an increasing dependency on the Bloc. Except for Afghanistan, whose trade with the Bloc now represents some 35-40 per cent of total trade, the impact was less noticeable in South and South-East Asia. Although there was some increase over 1954, trade between the countries of Burma, Ceylon, India, Indonesia, and Pakistan and the Bloc in 1955 represented somewhat less than 5 per cent of total trade. In the case of Burma, however, the Bloc in 1955 purchased some 30 per cent of its exportable rice surplus. Bloc trade with the South American countries of Argentina, Brazil and Uruguay, quadrupled in 1954 over 1953, but in 1955 increased only slightly over 1954. Bloc trade with Yugoslavia in the present year is almost back to the pre-1948 level.

25. The complementary aspect of the economies of the under-developed countries has expedited the exchanges; and the centralized and monopolistic nature of the economies of the Bloc has enabled them to make bulk purchases of commodities such as Egyptian cotton, Burmese rice, and Cuban sugar, and to arrange for the offer of complete equipment for various industrial installations. This situation enhances the Bloc's bargaining position. They have been able to make inroads into the normal supply of capital goods to the area; for example, when India found it impossible to procure greatly needed steel in the West, the USSR stepped in with an offer of one million tons over a three-year period. It is understood that the USSR exacted a premium price for the steel.

26. The offers of long-term low-interest credits to the under-developed areas to assist them in importing capital goods are designed to place the new pattern of trade on a continuing basis. The credit of \$114 million to India for equipment for a steel plant will be spread over the five-year period 1956-60, with repayment on a 12-year basis at 2 per cent interest, commencing after the construction of the plant. The offering of assistance in the form of long-term low-interest rate credits removes the stigma of charity in the eyes of the sensitive leaders of newly independent countries.

27. The commercial and development credits (totalling about \$1 billion as of 1 April, 1956) are mainly designed to foster trade between the Bloc and the under-developed countries. Credit acceptance so far is of the order of \$750 million. The amount of assistance in the form of outright grants is negligible. The main recipients of Bloc credits in South and South-East Asia are Afghanistan (\$120 million) and India (\$150 million). In the Middle East, excluding the \$200 million arms deal with Egypt, Syria has been granted capital credits to the extent of \$50 million. The Yugoslav credit of \$204 million from the USSR (\$120 million for capital equipment, \$54 million for industrial raw materials, and the \$30 million convertible loan), and the \$75 million credit from Czechoslovakia represent the largest single slice.

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S E C R E T

28. The most spectacular aspect of recent Soviet policy has been the offers of economic and military aid in the Middle East. The sale of some \$200 million worth of military equipment to Egypt, mainly to be repaid in cotton over a period of years, has bolstered the domestic position of the Nasser Government, strengthened Egypt's claim to leadership in the Arab world, weakened the Baghdad Pact, caused grave embarrassment in the West by upsetting the already precarious balance of power between Israel and the Arab States, and has given the USSR a de facto voice in the settlement of any dispute in this strategically placed oil-rich area.

29. Soviet economic penetration has been most successful in those Middle East countries which do not have extensive revenues from oil royalties, and are plagued with balance of payments difficulties. The Bloc has successfully exploited the financial difficulties of these countries, as well as their growing sense of nationalism and anti-Israeli sentiments.

30. Although countries like Israel, Turkey, Iran and Pakistan, are less susceptible to economic penetration, because of closer political ties with, and more extensive economic support from the West, the Bloc is currently paying increasing attention to them. The Soviet Bloc, for example, is now taking about 25 per cent of Turkey's total exports, and Soviet leaders have made general statements about their readiness to offer developmental credits and nuclear research assistance to Pakistan, provided she will adopt a more neutral policy.

31. In South-East Asia, Soviet assistance has been directed toward encouraging "neutrality" in Afghanistan, India, and Burma. The Soviet Union has taken advantage of the Afghan-Pakistan dispute to offer a \$100 million credit of Afghanistan. India, as chief spokesman for the "uncommitted" countries of Asia, has been given the greatest attention, both in offers of credit and in the conclusion of trade agreements. In Burma, the Bloc has exploited Burmese difficulties in securing markets for their rice surpluses. The Soviet Union is now taking about 25 per cent of Burma's rice exports, and is supplying in return a wide range of industrial equipment and technical assistance. There is some likelihood that the USSR may also provide equipment for a steel mill in Burma. Bloc efforts in South-East Asia are aimed at exploiting nationalism, anti-colonialism, and undermining SEATO.

32. In Europe, the greatest Bloc effort has been directed toward overcoming the hostility of Yugoslavia. By their extensive offers of assistance, the new Soviet leaders hope to convince Tito to return to the Communist fold and to weaken the Balkan alliance.

33. In Africa, the Bloc's methods have been similar to the ones they have followed elsewhere, although the extent of the campaign has been more limited. Aimed at exploiting nationalist feelings of newly independent countries and weakening western military positions, Bloc efforts have been directed towards the Sudan, Liberia, and Libya. As yet, opportunities have been very limited, but as new territories, such as Nigeria and the Gold Coast, acquire independent status, Bloc activities are likely to increase.

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34. In Latin America, the Bloc is faced with well-established economic and political ties between the area and the United States. Although the Bloc has increased its trade with several countries in Latin America in the last two years, it has still only a minute proportion compared with Latin American trade with the United States and Europe.

35. In the execution of the programme of economic penetration, there appears to be some division of labour among the members of the Bloc, with the European Satellites being assigned the Middle East as their principal area of interest, while the USSR has more or less reserved for herself the key role in South and South-East Asia. Because of her backward economic position, China's role in the Bloc campaign is more of an ancillary nature, although the current acceleration of China's industrial development may have as a secondary motive the aim of impressing the countries of South-East Asia with her internal growth and ability to export industrial equipment even on a limited scale.

36. A key aspect of Soviet penetration relates to the provision of engineers and technicians for specific developmental programmes and also the supplying of several research and teaching institutes staffed with Soviet scientists. In addition, students from countries that the Soviet Union wishes to influence are afforded particularly favourable treatment in the USSR. This latter policy is being pursued both by direct negotiation with the "target" countries, and through international agencies such as UNESCO.

37. In their participation in international trade fairs, the Bloc countries spare no expense to have impressive national pavilions, and with their attractive presentation of capital and consumer goods are aimed as much towards the development of trade as towards their political impact. The propaganda drive at fairs and exhibitions, supplemented with visits of political leaders, the establishment of local trade offices, and extensive advertising in local newspapers, are designed to create a favourable climate for Bloc international economic and political infiltration.

The Economic Capability of the Bloc to Support the Programme

38. By enforcing a high rate of capital investment in industry and a low standard of living for its people the USSR has become the second most powerful industrial nation in the world. The long-term goal is to overtake the most advanced capitalist countries, especially the USA, in per capita industrial production, and to attain a pre-eminent position as a world power. At the present time its level of industrial output is about one-third of North America, or slightly more than that of the United Kingdom and West Germany combined. Industrial output in the European Satellites is about one-third that of the USSR.

39. The engineering industries of the Soviet Bloc have the capability of providing a wide range of capital goods and industrial and transportation equipment, and are in a position to accept capital equipment contracts for the construction of entire factories and industrial installations such as hydro-electric plants, cement factories, sugar refineries, fertilizer plants, steel mills, etc. Although it will be some years before Communist China will be in a position to export substantial quantities of capital equipment, she can now make available the products of her light industries and some types of structural steel.

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40. The present capital credits programme to the under-developed countries of the order of \$150-200 million a year over a five-year period represents less than one-half of one per cent of the Bloc's annual capital goods production. Despite the high requirements of its own re-equipment and industrial expansion programme during the Sixth Five-Year Plan and the promised increase in assistance to Communist China, the USSR has the undoubted capability of steadily enlarging its exports of capital goods to the under-developed areas.

41. In addition, in the field of technical assistance the Soviet Bloc is in as good, and possibly a better position, than the Free World to provide trained technicians and engineers. The Bloc almost rivals the leading Western nations in the number of engineers and scientists and may exceed them in the near future. The number of engineering specialists that graduate each year is now almost three times as high as in North America.

42. In view of the pattern of development of the Soviet economy, the exchange of capital goods for agricultural and mineral products will enable the USSR to utilize its resources more efficiently and may well result in a net economic gain. In contrast to the lower unit cost of producing capital goods there has been a tendency for costs of extracting mineral and agricultural products to rise. With an expanding capability to export capital goods and an increasing requirement for relatively scarce raw materials, the USSR is in a unique position to foster trade with the under-developed countries in need of capital equipment, in some cases plagued with surplus agricultural and primary products.

43. Soviet Bloc stocks of conventional armaments are also enormous, and the exchange of obsolescent holdings for useful industrial products is not only an effective means of penetration in areas where local tensions are high, but results in an economic gain.

44. The USSR can increase greatly its effort to penetrate the economies of the under-developed countries without any undue diversion of resources, without creating any real dependency on imported supplies, or abandoning its general policy of economic self-sufficiency.

Implications of Bloc Economic Activities in the Under-Developed Areas

45. Although the Sino-Soviet Bloc economic drive in the under-developed areas is still largely in the offer and promise stage and, in terms of performance to date, is small as compared with the West's total commerce with the area or total aid granted, it poses a most serious challenge--especially in the long run.

46. While the Western industrial states cannot claim any exclusive trading rights with the under-developed nations, to the extent that Bloc trade and credits expand, they will tend to restrict the trading opportunities of the Western European states, the United Kingdom, and Japan--nations whose industrial capacities call for enlarged markets, and whose stability and development rest heavily on expanding foreign trade. The Bloc has a growing capability to provide capital goods, and through the state trading agencies can provide flexible and liberal credit arrangements. Any reduction of conventional armaments production would release considerable industrial

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capacity for additional export of industrial equipment. Since credits for the equipment of industrial plant involve long term arrangements and create a dependency for re-equipment, and since trade patterns once inaugurated have a tendency to continue, the Bloc can in the long run possible establish a claim for a significant portion of trade with the under-developed areas. A limiting factor, however, is the capability of these areas to furnish raw materials in exchange or to repay the credits granted.

47. Both political and economic conditions in the under-developed countries have contributed to the success of the Russian programme: (i) ambitious plans for economic development; (ii) dependence on a limited range of exportable primary products in order to obtain foreign currencies; (iii) export surpluses (e.g. Burmese rice); (iv) local political differences (e.g. Afghanistan and Pakistan); (v) need for easy terms of credit which do not make heavy demands on the limited supply of foreign currency available at any given time; and (vi) a strong feeling of nationalism especially vis-a-vis the Western powers.

48. The high degree of susceptibility of the under-developed countries to Bloc penetration arises from their earnest desire to achieve a high rate of industrialization, the appeal of the Bloc programme of "trade, not aid", the tendency in some cases to be resentful and suspicious of Western economic grants, however badly they are required, in others to be resentful of the inadequacy of the gifts, the antipathy to private foreign investment, and the realization that here is a marvellous opportunity to "work both sides of the street" to their economic advantage.

49. In view of the need for a high degree of centralized planning and public control in order to enforce savings and direct them into channels of investment, there is the distinct possibility that extensive economic relations with the Bloc may tend to stimulate admiration for the Soviet way of attaining industrialization. Any substantial influx of Soviet technicians under the guise of technical assistance would encourage economic as well as political subversion, and would pose a serious threat to free institutions.

50. The main threat is political and strategic, in that the Bloc economic offensive provides many inducements and pressures beyond mere economic dependence, on countries presently allied with the West. It remains to be seen whether countries like Turkey and Pakistan which have strong military ties with the West will eventually accept Soviet offers because of economic difficulties from which the West is unwilling, or unable to rescue them.

51. The experience of the past few months in Libya and Egypt indicates that Soviet moves may be countered if the Western nations act in time and in unison, e.g., British and American aid to Libya and British and American co-operation with the International Bank in loans for the Aswan Dam Project in Egypt. It may well be that a greater degree of internationalization by the Western countries, or at least co-ordination of national programmes of technical and capital assistance, and of a guaranteed long-term programme of credit on terms equal to that of the USSR, would go far to counter the Bloc offensive. Despite its superiority of financial and industrial resource, and background of experience in economic aid programmes to the under-developed areas, the Western world is confronted with and aggressive opponent in the new phase of the cold war.

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APPENDIX to JIC 181 (56)

Nature and Extent of Sino-Soviet Bloc Economic Penetration of the
Under-Developed Countries by Area and Country as at 1 April, 1956

1. Middle East

Within the last two years there has been a marked increase in Soviet Bloc economic activity in this area, especially during the latter half of 1955 and the first quarter of 1956. China has also become active in the Middle East, having signed trade agreements with Egypt, Syria and Lebanon. In the main, however, the economic campaign has been conducted by the Soviet Union and the East European Satellites, with the Satellites apparently taking the lead under the guidance of the USSR.

The only countries which had a substantial trade with the Soviet Bloc before 1953 were Egypt, Turkey and Iran. Exchanges mostly took the form of Soviet oil or Czechoslovak consumer and other Satellite manufactured goods in return for agricultural products, cotton, rice, fruit, hides and tobacco. Recent developments have shown a trend to long-term trade agreements, the supply of construction and transportation equipment, offers of technical assistance in development projects and lastly the supply of arms and the extension of long-term credits combined with a willingness to take commodity exports in repayment. There has been much advertising of Block industrial equipment in Middle Eastern newspapers, particularly in Egypt, Syria and Lebanon and the Soviet Bloc has taken a prominent part in Trade Fairs. Over the past few months there has been a constant succession of visiting Soviet and Satellite delegations which include not only trade representatives but also technical experts. They are prepared to sign contracts, involving the supply of technical know-how, on the spot. In addition, numbers of technical personnel are arriving in fulfilment of contracts already signed, such as the Czech arms deal with Egypt. (For 1954 and 1955 data on Middle East trade with the Sino-Soviet Bloc see Annex 1).

The most important development to date was the arms contract with Czechoslovakia. This was featured in the Czech press as a purely commercial contract, "with no strings attached". The value of the deal has not been disclosed but may well run to \$200 million. The major part of the deal is to be repaid, over a period of years, in export commodities such as cotton and rice. The sale of arms to Egypt represents a special form of economic and military penetration and political influence. At one blow it bolstered the domestic position of the Nasser Government, strengthened Egypt's claim to leadership in the Arab world, seriously disturbed the already precarious balance of power in the Middle East and gave the USSR a de facto voice in the settlement of any dispute in this strategically placed, oil-rich area.

On the other hand, the Bloc had a setback in Egypt's rejection of the Soviet offer for the Aswan High Dam Project and the acceptance of western assistance. However, other Bloc offers continue to be made and at least two major offers appear to have been accepted in Syria; one, for a Polish survey of the Hejaz Railway, which may be followed by a contract for materials and the other a Czech offer to build an oil refinery "at a bargain price". Many smaller offers are also being accepted. Bloc offers accepted by Middle East countries or under serious consideration amount to about \$300 million.

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Excluding Turkey, the Soviet Bloc commercial drive appears to have been greatest in those Middle Eastern countries which do not have extensive revenues from oil royalties and are plagued with foreign exchange deficits, such as Egypt, Syria and Lebanon. These countries are also members of the Arab League and it has been possible here to take advantage of anti-Israeli feeling as well as of straitened financial circumstances. It is noteworthy, also, that most of the U.S. economic aid to this area has been allocated to Israel, or (partly as military aid) to members of Western Defence Alliances, such as Turkey and Iran. Partly for this reason, as well as for political and military reasons, the latter are less susceptible to offers by the Soviet Bloc.

Egypt

Egypt has been the main target of the Bloc's economic effort in the Middle East. Trade delegations and technical experts from the Soviet Union, Poland, Czechoslovakia, East Germany and Hungary visited Egypt during 1955. As of February 11, 1956, an East German delegation of experts, under the leadership of the Deputy Trade Minister, was in Cairo. It included shipbuilding engineers, reported to be preparing plans for shipyard and drydock facilities at Alexandria, also chemists and construction engineers. Special exhibitions of Czech, East German and Hungarian goods have been held in Cairo in the past two years.

The most startling development was the announcement of the sale of arms from Czechoslovakia, including, it was reported, jet fighters, tanks and naval craft, some of which were of Soviet origin. While the announcement of the Czech deal was made in September reports of Soviet arms offers had come in earlier. Czechoslovakia represented the sale of arms as a straight commercial deal, with payment to be made in cotton over a period of years. The exact value of the deal has not been disclosed, but is estimated to be around \$250 million. An important aspect of the deal is that numbers of Czech technicians and instructors are required on Egyptian soil before the planes and tanks can be put into service. Egyptian military personnel will also have to be sent to satellite countries for training. Two hundred have already gone to Czechoslovakia.

The possibility of longer-term penetration which would have been afforded by the acceptance of the Soviet offer to construct the Aswan High Dam now appears to have been averted. The Soviet offer was for a 30-year loan for an unspecified amount at 2 percent interest payable in Egyptian cotton and rice. The foreign exchange required for the construction of the dam has been estimated at from \$400 to \$600 million. The International Bank offer which has been virtually accepted (as of February 9th) involves loans and grants of foreign currency from the International Bank, the U.S. and the U.K. amounting to \$400 million. The Aswan High Dam, in view of the magnitude of the investment entailed (about \$600 million must be raised internally in addition to the \$400 million of foreign investment) will be the main financial outlay in Egypt in the next 10 to 15 years and occupies a central place in the economic development of the country. In the Egyptian view, it is one of the biggest undertakings in the history of the country.

On February 10th, the day after the announcement in Cairo of acceptance of Western aid for the High Dam Project, a Soviet offer to set up a nuclear physics laboratory was published in Moscow. It was stated that Soviet atomic specialists and equipment would be provided

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and Egyptian scientists and specialists would be trained in Soviet research institutes. The Soviet Union will also supply the required equipment and instruments for geological surveys.

Other smaller offers of capital equipment have been accepted from the East European Satellites. Czechoslovakia has signed contracts for the provision of railway materials (22,000 tons of rail track in 1956) and rolling stock and for the construction of a bridge, a rubber factory and a footwear factory; Hungary is building seven small bridges over the Nile Delta and is constructing a power station and steel plant and East Germany is building a high-tension power line, worth nearly \$3 million, while other projects are under consideration. Egypt has trade agreements with nearly all the members of the Soviet Bloc, including China, with which it has a three-year agreement. While Egypt exports mostly cotton and some rice, it is importing more engineering-type goods, involving the provision of technical assistance in their installation. It still imports petroleum and small quantities of wheat from the Soviet Union and Roumania.

As was to be expected, trade with the Sino-Soviet Bloc has already shown an increase in 1955. This increase has been particularly noticeable in exports to the Bloc which amounted to one-quarter of total Egyptian exports, consisting mainly of cotton, in the first 9 months of 1955. From preliminary trade figures issued by the Egyptian government, which do not include the Czech arms deal, Egypt's trade with the Soviet Bloc increased 65% during 1955. Even without the Aswan High Dam Project, Egypt's trade with the Bloc is likely to continue at a high level in 1956.

Syria

Syria too has been the scene of great economic activity on the part of the Soviet Union and the East-European Satellites during recent months. It is reliably reported that an arms agreement has been concluded with Czechoslovakia. Since the latter part of 1955 Syria has signed trade agreements with the Soviet Union, China and the Chief East European Satellites, including Roumania, Poland was recently awarded a contract for technical study and consultant work for the repair and reconstruction of the Hejaz Railway from Damascus to Medina. Locomotives, rolling stock and general railway equipment, which Poland is capable of supplying, will be required later. It has been reported in Cairo that a Czech offer to build an oil refinery in Syria, with an annual capacity of 750,000 tons, "at a bargain price" has been accepted. Less important offers which have been accepted are a Czech offer to build a sugar refinery and an offer from East Germany to build a cement plant and a textile plant. The report that Czechoslovakia would build an airport at Damascus has not been confirmed.

As of March 4th the Soviet mission which had made its way from the Lebanon to Syria was in Damascus. Discussions, it was reported, covered an oil refinery, a cement factory and a textile mill. The visitors were collecting information on the Syrian economy and were to stay one more week before going on to Egypt and Saudi Arabia.

During the past few months, therefore economic relations with the East European Satellites, in particular, have assumed considerable importance. In 1954 Syrian exports to the Soviet Bloc had been negligible and its imports from the bloc amounted to less than 3% of total imports.

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Preliminary trade figures for the first 6 months of 1955 show only a small increase in exports to the bloc. Since Syria is an oil-deficient country it is important for it to obtain arms and technical assistance which can be paid for in exports of agricultural goods such as cotton, fruit and hides. This dependence on exports of agricultural products for foreign exchange places it in a vulnerable position vis-a-vis the Soviet Bloc.

Lebanon

Much attention is also being paid to the Lebanon. Trade with the Soviet Union has shown an increase since the signature of a trade agreement in 1954, which was renewed by an exchange of letters in October, 1955. For the first 6 months of 1955, 3.2% of Lebanese exports were to the bloc and 1.9% of its imports from the bloc. Since September, 1955, new trade agreements have been signed with China, Czechoslovakia, Poland and Roumania and a Five-Year agreement with East Germany. Several offers have been made by East European Satellites to set up plants, including cement works, porcelain, crystal and glass factories and a plant for making electrical equipment. Czech equipment will be supplied against exportable goods, mainly agricultural, over the next 7 years. A Czech expert is to study the Litani River development project.

It was reported from Beirut that as of 22nd February that a group of six Soviet engineers, led by the Chairman of "Technoexport", the organization for providing technical assistance and equipment to foreign buyers, had arrived in Beirut. The delegation included experts in oil refining, in railways and other means of transportation and in various branches of industry and Middle Eastern experts. It is authorized to negotiate for the supply of equipment, including agricultural implements, and it is understood that it will later proceed to other Arab countries with the same end in view.

Saudi Arabia

There have been signs of Saudi Arabian interest in the purchase of Soviet Bloc arms, supplied by way of Egypt, but so far as is known, none have been sent. A Chinese trade mission was in Saudi Arabia on January 6th and a Polish economic mission has been invited to Jedda. East Germany has offered to build a cement plant in Saudi Arabia. Czechoslovakia and Poland have tendered bids for the construction of a railway from Riyadh to Jedda, 1,600 Kilometres in length. Trade with the Soviet Bloc is negligible and Saudi Arabia has its oil royalties, so that it is not interested in markets for agricultural produce.

Jordan

Jordan recently signed its first commercial contract with a Soviet Bloc country to sell phosphates to Czechoslovakia.

Yemen

It was reported that a Soviet delegation was in Yemen as of February 8th to discuss the sale of arms and to promote trade. Russia has offered to supply machinery in exchange for Yemeni coffee. On March 8th a trade agreement was signed. A Czech trade mission visiting Egypt as of February 16th was to proceed to Yemen to conclude a trade agreement. The agreement, it was reported, would provide for the exchange of Yemeni coffee and leather for heavy machinery. Trade with the Bloc has been practically nonexistent. East Germany was also negotiating a trade agreement on the 26th January.

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Turkey

Turkish trade with the East European Satellites has grown steadily in the last few years. In 1954 the Soviet bloc took 16% of its exports, particularly tobacco and cotton, and supplied 9.5% of its imports, including textiles and other manufactured goods. During 1955 there were increased trade offers from the USSR and other bloc members to provide equipment for light industries and transportation equipment. The share of the Soviet bloc in Turkish exports rose to 25% in 1955. Trade with the Soviet Union has been low, for political reasons, but has been growing in the past year, particularly Turkish imports from the USSR. Recently it was intimated in a Pravda article of February 8th that the "normalization" of Soviet-Turkish relations, including trade relations, could lead to a resumption of the Soviet economic assistance to Turkey given before world war II. However, it is understood that no specific credits have been offered.

Iran

The Soviet Union showed its displeasure with Iran for joining the Baghdad Pact, by stopping all imports of Iranian commodities except caviar. The USSR is normally an important outlet for exports of Persian rice and minerals, taking 17% of its total exports (apart from oil) in 1954. The East European Satellites have had little trade with Iran but a Polish trade mission visited Iran in March, 1956 and presumably political and trade overtures will eventually be made to Iran as they have to Turkey and Pakistan.

2. Africa

In recent months Soviet offers of economic and technical assistance have been made to independent nations in Africa such as Liberia, Libya and Ethiopia, and the Sudan. While these offers have been turned down by Libya and Liberia, as of 14 April, only the Sudan is reported to have accepted Soviet offers. There is more scope for Soviet economic activity in the independent nations of Africa than in the colonial territories or in Commonwealth countries, but economic penetration in Africa has not gone far to date, though an effort is being made in that direction.

Libya

In January, 1956, the new Soviet Ambassador to Libya expressed Soviet willingness to extend financial, technical, and cultural aid. The Libyan Prime Minister stated that the Russian offer was on a generous scale, including twenty-year loans at two per cent interest to be used on any development project, and a gift of some 40,000 tons of wheat, "without any strings attached". On March 30, however, it was reported that the Libyan Parliament had given overwhelming support to the Libyan government's rejection of Soviet aid. The following week, it was announced in Tripoli that the US would make increased aid to Libya available by June 30, 1956, and also for the succeeding fiscal year ending June 30, 1957.

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Liberia

It has been reported in Washington (April 7) that Liberia has turned down offers of Soviet aid. In January, 1956, the Soviet Union has proposed an exchange of diplomatic representatives with Liberia, and indicated that it was prepared to give economic and technical assistance. Diplomatic relations are being established.

Ethiopia

The Soviet Union maintains an embassy in Addis Ababa. At the beginning of the year it was announced that the Soviet Union would like to dispatch an economic and technical mission to Ethiopia, and that it was willing to grant technical and financial assistance in order to promote economic development.

Sudan

Various Soviet and Satellite delegations visited Khartoum during the latter part of 1955. It is reported that Soviet and East German trade offices will soon be opened in the Sudan. It has just been reported (April 14) that a visiting Soviet delegation (it had previously been in Syria, the Lebanon, and Egypt) had offered economic and technical assistance to the Sudan, and that this offer has been accepted. The size of the offer was not made public. About three per cent of Sudanese trade was with the Soviet Bloc in the first six months of 1955.

3. South and South-East Asia

The chief countries in this area which have qualified for aid on the grounds of "neutrality" as well as of economic need are Afghanistan, India and Burma. World attention was drawn to the Soviet interest in these countries at the time of the Bulganin and Khrushchev visit at the end of 1955. Burma has just been host to a 40-man mission headed by Mikoyan. The mission is also touring Pakistan, Afghanistan, and India. The main features of Soviet relations with these countries have been the loan of \$100 million of Afghanistan for economic development, the provision of a steel plant to India at a cost of about \$118 million and the recent Five-Year Trade Agreement with Burma whereby the Soviet Union agreed to take 400,000 tons of rice annually for 5 years, that is 25 percent of its yearly rice surplus.

Afghanistan

The \$100 million Soviet credit announced at the end of the Bulganin-Khrushchev visit to Afghanistan was signed in Kabul on January 28th, 1956. The credit has been granted for a period of 30 years at 2% per annum, to be repaid in 22 annual instalments, repayment to begin at the end of 8 years. Payment will be made in Afghan export goods. It is to be used to supply equipment and materials and to render technical aid in the development of the Afghan economy, notably in agriculture, the building of irrigations projects, electric power installations, motor car repair shops and transport (including the reconstruction of Kabul Airport). Some 15 percent of this aid may be for the purchase of arms.

This credit is remarkable, not only for its size but for its long-term aspect and the fact that repayment will tie up increased exports

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to the Soviet Union for the next thirty years. For 1955 it is estimated that about one-third of Afghanistan's foreign trade was with the Soviet Union. The border dispute with Pakistan which led to the signing of a Free Transit agreement with the USSR has resulted in the Soviet Union providing through transit for Afghan trade, for example tea shipped from Japan via Dairen and Siberia. Roads leading from the Soviet Union to Kabul are being greatly improved.

Previous Soviet aid extended to Afghanistan, amounting to perhaps \$6 million, covered the provision of two large grain silos, a flour mill, a bakery, and gasoline storage facilities. There have been other offers--for an oil pipeline, roads, and a narrow-gauge railway. Credits extended by Czechoslovakia are reported to amount to \$15 million. A part of this credit may be for arms; an Afghan military mission is currently in Prague, visiting military establishments and factories. Offers of credit have also been made by Poland and Hungary. Soviet Bloc economic penetration to date has taken the form of increased trade, the provision of credits for the construction of specific projects, the provision of Soviet technical advisers and personnel, of transport facilities, and of arms and lastly of an economic development loan. All these forms of penetration may be put to political or military use, as the occasion arises.

India

India was first singled out for attention in the Five-Year Trade Agreement of December, 1953. However in 1954 and during the first six months of 1955 India's trade with the Soviet Bloc amounted to less than 2% of its total foreign trade. India agreed in principle to accept a steel mill in February 1955 and the detailed project has now received final approval (April 2). The project is for a plant capable of producing 1 million tons of steel ingots, to be completed by the end of 1959. The total cost of Russian-provided equipment and technical know-how, is now estimated at about \$117.6 million. It is to be erected at Bhilai in Central India.

After the Bulganin-Khrushchev visit, it was announced that India would buy 1 million tons of steel from the USSR, purchases to be spread over three years. In return the USSR is to buy Indian export commodities to the value of some \$126 million. A shipping service is being set up between Indian and Black Sea ports with six Indian and six Russian ships. Soviet oil experts, geologists and mining engineers are exploring Indian oil reserves and non-ferrous metal deposits and have already submitted a preliminary report on oil deposits. Meanwhile Indian oil technicians are to receive training in Roumania and the USSR. Other projects agreed on are the construction of a complete aluminum factory and the expansion of a hydro-electric project, valued at about \$20 million each. The Soviet Union has offered a plant to make oil drilling equipment and an exhibition mechanized farm. No further information has become available about Soviet surveying of mines for industrial diamonds.

It is understood that a Soviet offer to supply 60 I.L.28 bombers may still be under consideration, even though India has decided to take up the British offer of Canberras. (April 2nd).

The European Satellites have also been actively promoting trade with India. All the Sino-Soviet Bloc countries had large pavilions at the Indian Industries Fair in New Delhi in December, 1955.

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Czechoslovakia has orders for motor-trucks, cranes and electric motors and for 50 steam locomotives and 2,050 railway wagons (valued at nearly \$6.5 million) to be delivered in 1956. A Czech delegation led by the Minister of Foreign Trade was in India in December, 1955 to discuss Czech offers of technical assistance and the supply of industrial plant, including a reported offer of aid for Indian ordnance factories. East Germany, Poland and Hungary have offered various kinds of machinery and plant, some of which has been accepted. Hungary is supplying plant for two electric cable factories and Poland was to deliver in 1955, machine tools for the manufacture of wheels and axles for locomotives and rolling-stock, as well as 2,500 closed railway freight cars in 1956. China delivered 13,000 tons of structural steel to India in 1956.

Burma

During Mikoyan's visit at the beginning of April, 1956, a Five-Year Trade Pact was signed (extending the 3-Year Agreement signed in July, 1955). The main provision of this agreement is the Soviet undertaking to buy 400,000 tons of Burmese rice annually. Burma will receive machinery and technical aid from the Soviet Union in exchange for the rice, which amounts to about one-quarter of Burma's normal exportable surplus of rice. Khrushchev had already offered Burma a wide range of assistance not only in agricultural development and basic irrigation but also in the construction of industrial units, and promised to build a technological institute in Rangoon as a gift. "Gifts" pledged by Mikoyan include a hospital, a theatre and a sports centre, in return for which gifts of rice will be made. The Soviet Union has also offered to build a stadium for industrial and agricultural exhibits.

Burma now has trade agreements with Communist China, Poland, Czechoslovakia, East Germany, and Hungary as well as with the Soviet Union. It is estimated that during 1955 between one-quarter and one-third of Burma's exportable rice surplus was bought up by the Sino-Soviet Bloc. While Burma has bought some structural steel from China and iron and steel and factory equipment from the European satellites, its imports from the bloc are only now beginning to be recorded in trade returns in any quantity.

Ceylon

The Five-Year agreement between China and Ceylon has been renewed for 1956, with one year still to go. It covered an annual exchange of 50,000 tons of Ceylonese rice for 270,000 tons of Chinese rice, at terms favourable to Ceylon. Ceylon also has trade agreements with Poland and Czechoslovakia as of the end of last year. Both will buy rubber among other things, and will supply machinery and manufactured goods. Czechoslovakia has also offered to provide technical assistance.

Pakistan

Pakistan has been the recipient of Soviet trade and aid overtures in 1956 with the object of detaching it from its western alliances in the Baghdad Pact and SEATO. Soviet readiness to expand trade with Pakistan was first made public in Moscow on February 6th in the form of written answers to questions put by a Pakistani editor. The Soviet Union declared that it was willing to extend economic and technical assistance, including knowledge of the peaceful applications of atomic energy. Later it was declared that the Soviet Union was prepared

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to supply a steel plant to Pakistan. Despite Mikoyan's conciliatory remarks on his recent visit, there are a number of political differences to be cleared up between the USSR and Pakistan, notably the Soviet support of a separate Pushtoonistan and of India in the Kashmir dispute.

Indonesia

China has had a trade agreement with Indonesia for the past couple of years but its trade with China is not large. A certain amount of trade has developed with the European satellites particularly with Czechoslovakia. In the first 6 months of 1955 Indonesian imports from the Sino-Soviet bloc had risen to 10% of its total from 2.5% in 1954. Czechoslovakia has agreed to provide textile machinery, vehicles and metal goods and East Germany is building a sugar refinery and a refrigeration plant. Hungary and Poland are also delivering manufactured goods and equipment. The Sino-Soviet Bloc exhibited extensively at the Third International Fair at Djakarta in August 1955. The largest and most impressive pavilion was the Chinese. For some reason the Soviet Union has not pushed its trade with Indonesia as far as have China and the European satellites.

Malaya

Minor purchases of rubber have been made in Malaya during the latter part of 1956. The main new development is the increase in the purchase of consumer goods from China, competing with imports from Hong Kong and Japan.

4. Europe

The most recent effort at penetration in Europe has been the renewal of Bloc trade with Yugoslavia and the extension of economic aid and technical assistance. Credits already agreed to by the Soviet Union and Czechoslovakia amount to \$279 million, larger than those extended to any non-bloc member. Khrushchev referred in his speech to the 20th Party Congress to the Soviet policy of "strengthening friendship and co-operating with the fraternal people of Yugoslavia".

Apart from Yugoslavia, Finland and Austria are the countries in Europe which have the strongest trade and economic ties with the Soviet Union. Since 1953 when the Soviet Union signed a new trade agreement with Iceland, the Soviet Bloc has become the largest market for Icelandic fish, taking 25% of its total exports in 1954. Chief Icelandic imports are oil and cement. There were larger Soviet markets for Danish agricultural products in 1953 and 1954, but Soviet purchases from Denmark were restricted in 1955 because Denmark refused to sanction the export of a tanker to the Soviet Union. The Soviet Union is still insisting on a tanker or two fast cargo vessels as the "strategic" price Denmark will have to pay for a trade agreement.

Yugoslavia

Soviet credits extended to Yugoslavia as from the 1st January, 1956 comprise: (a) \$54 million over a period of 10 years at 2% interest for the purchase of raw materials in the Soviet Union: (b) a \$30 million loan in gold or western currency to the Yugoslav National Bank to be used in the period 1956-9 for the settlement of its trade deficits and

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(c) an additional \$120 million for agricultural investment and certain industrial enterprises such as fertiliser plants and mining. At the same time Yugoslav trade with the Soviet Union in 1956 is to be almost double the figure for 1955 and to approximate the volume of 1948, the last trading year before the breakdown of economic relations with the Soviet Bloc. Yugoslavia has also signed an agreement with the Soviet Union on scientific and technical co-operation which provides for an exchange of experts and students. There is also a draft agreement on nuclear co-operation providing for Soviet aid to Yugoslavia in the construction of an experimental atomic reactor and the delivery of enriched uranium at a favourable price. All the forms of Soviet economic and technical assistance are present in the above agreements with Yugoslavia, except the supply of arms.

In February, 1956, two Czech credits to Yugoslavia were announced amounting to \$50 million and \$25 million respectively. The first is a long-term credit for the purchase of capital goods and machinery and the second for the purchase of industrial products and consumer goods. The credits are repayable in ten years' time and bear interest at 2% per annum. There is also an agreement between the two countries on scientific and technical co-operation. Yugoslavia now has trade agreements with all the European satellites, including Albania and with Communist China. Yugoslav exports to the Bloc have increased during 1955 and the Bloc will constitute a substantial market for Yugoslavia exports in 1956, as well as an increasing source of supply. Increasingly important too, will be the exchange of personnel, both experts and students, with countries of the Soviet Bloc.

Finland

Since its post-war reparations to the Soviet Union were converted into commercial exports Finland has been the country in Europe most deeply committed to trade with the USSR and the Soviet Bloc. In 1953 the Soviet Union had become Finland's chief trading partner and trade with the Bloc amounted to about one third of Finnish foreign trade. Finland has become heavily dependent on the USSR for imports of food and raw materials (such as petroleum) and as a market for the products of the shipbuilding and metal-working industries which were built up after the war as high cost-producers for reparations deliveries to the USSR. Though the percentage of Finnish trade with the Bloc declined slightly in 1954 and the first part of 1955, new factors such as the Soviet loans (\$10 million per year during 1954 and 1955 in convertible currency) - the receipt of motor vehicles and some industrial equipment from the Bloc and an agreement on scientific and technical co-operation with the U.S.S.R., have been changing the nature of Finnish economic dependence on its key neighbors. In the speeches of the Soviet leaders the political and economic relations between the Soviet Union and Finland are represented as being satisfactory.

Austria

So also are Soviet relations with Austria since the agreement signed in May, 1955, which brought to an end the Soviet military occupation of Eastern Austria and guaranteed Austrian neutrality. At the same time Austrian reparations deliveries of oil (1 million tons of crude oil annually for 10 years) and \$25 million per year out of current production for 6 years were agreed on. Later a Five-Year Trade and Navigation Agreement was signed, whereby Austria will export \$25 million worth of goods mainly industrial and semi-manufactured products, in return for Soviet

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food and raw materials. In 1956 it is likely that Austrian exports to the Bloc will increase from the 10% recorded in 1954 to more than 20% of total Austrian exports. A report that the Soviet Union had offered Austria a \$32 million credit has not been confirmed.

ECE

The statement made by Kabanov, the Russian delegate to the Economic Commission for Europe on April 9th on Soviet readiness to supply Western Europe with coal and oil came as rather a surprise after the by now familiar pattern of Soviet offers of machinery and technical interest on credit to underdeveloped countries. It was partly propaganda for the increasing economic strength of the Soviet Union under the sixth Five-Year Plan but also pointed up the European reliance on outside sources of fuel, such as Middle Eastern oil and the dwindling dollar aid from the U.S. Soviet exports of oil to Western Europe have in fact increased during the past two or three years, becoming relatively more important than grain or timber.

5. Latin America

Public attention was drawn to the possible extension of Soviet Bloc economic, commercial and political activity in Latin America by an announcement made to a group of foreign correspondents in Moscow on January 16th by Mr. Bulganin. Bulganin declared that the Soviet Union was prepared to establish trade and diplomatic relations with all countries of South and Central America. He said that the Soviet Union offered agricultural machinery, oil and mining equipment, timber, cellulose products, petroleum and petroleum products, rolled metals, cement, asbestos, dyestuffs, chemicals and other products in exchange for Latin American agricultural products and minerals. He also expressed the desire of the Soviet Union for political co-operation with Latin American countries and for the exchange of technical knowledge and visitors between Latin America and the Soviet Union. The original statement had been made earlier in answer to questions put by the magazine Vision.

Soviet diplomatic and trade ties with Latin America are extremely limited. The Soviet Union maintains diplomatic relations with Argentina, Mexico and Uruguay. It has trade agreements only with Argentina and Uruguay, but has had trade dealings also with Brazil and Cuba.

Trade with the Soviet Bloc, while still relatively low, has increased in the past two or three years, principally with Argentina, Uruguay and Brazil. These countries account for approximately 80% of Latin American trade with the bloc. In 1954 this trade was estimated at \$200 million, as compared with \$70 million in 1953. Full trade data for 1955 are not available but preliminary trade estimates indicate some increase in trade over 1954. Part of this trade is provided for in trade agreements, the rest is contracted for in separate trade deals.

Even if all the existing bloc trade agreements and transactions were fully implemented, the value of the total trade turnover would not exceed \$450 to \$500 million a year. Actual trade figures in 1955 probably did not exceed \$250 million, with exports to the Soviet Bloc exceeding imports by a considerable margin. This figure is very small in comparison with the \$6.4 billion trade turnover between the US and Latin America in 1954. It represented only 1.3% of Latin America's 1954 total trade turnover. The percentage was 8 for Argentina and 5 for Uruguay in 1954.

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Argentina

In 1953 the first trade agreement was signed by the Soviet Union and Argentina, providing for \$150 million in trade for one year, plus a Soviet credit of \$30 million for the purchase of capital equipment. This was the first credit offered by the USSR to a non-communist country. Results of the agreement, however, were unsatisfactory, for although Argentina, by the end of 1954, had delivered 97% (in tonnage) of its exports, the Soviet Union was behind in its deliveries, except for steel rails and sheet iron. Only a fraction of the \$30 million credit to Argentina was implemented, due, it is believed, to Argentine dissatisfaction with the quality of capital equipment offered by the Soviet Union. The most recent trade agreement of May 19, 1955, a protocol to the USSR-Argentina trade agreement of 1953, provided for an exchange of goods during 1955 in the amount of \$50 million each way, which is considered a more realistic figure.

Argentina's trade pacts with the Satellites - Czechoslovakia, East Germany, Hungary, Poland and Rumania - provide for a total annual exchange of approximately \$160 million in 1955, a figure far in excess of the present value of trade with these countries. The pact with Czechoslovakia provides for a credit of \$15 million for Czechoslovakian financing of capital equipment. The most recent exchange with Czechoslovakia was 18 aircraft and spare parts (Skoda Super Aero 45's) for wool, hides and wheat. The deal was worth \$500,000.

Brazil

Brazil, the second largest Latin American trader with the Soviet Bloc almost doubled its trade with the Bloc in 1955, \$70 million compared with \$43 million in 1954. It has no trade agreement with the Soviet Union, as diplomatic relations were broken off in 1947.

Trade agreements are maintained with Czechoslovakia, East Germany, Hungary and Poland, but diplomatic relations only with Czechoslovakia and Poland. Total trade provided for by these agreements amounts to over \$85 million. Brazil has agreed to ship coffee, cacao, cotton and wool, in exchange for industrial products.

Uruguay

Trade with the Soviet Union is governed by a trade agreement of July 28, 1954, providing for an exchange of goods to the value of \$22.4 million each way. Uruguayan trade with the Bloc in 1954 amounted to \$26 million, the greater part of which was with the Soviet Union. The figure, though small, shows a significant increase compared with about \$3 million in 1953. The increase was largely accounted for by increased exports to the Soviet Union, principally frozen meats and wool, totalling \$19 million. Although the USSR had agreed to ship petroleum products, coal, chemicals, iron and steel products and agricultural machinery, its actual shipments amounted to \$22,000 of drugs and pharmaceuticals. The trade balance of \$19.9 million was settled in sterling.

In September, 1955, a commercial and payments agreements was signed by Czechoslovakia and Uruguay, providing for a total of not less than \$7 million annually, and including a reciprocal credit of \$2 million..

Uruguay maintains banking agreements with a number of other Bloc countries, but transactions have not been large. Diplomatic relations have recently been established between Uruguay and the Soviet Union.

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Attention has recently been drawn to Communist China's interest in the development of trade with Latin America, by a joint statement issued in Peking by the Uruguayan Consul and the Chinese assistant Minister of Foreign Trade, referring to the desirability of a trade agreement, the exchange of trade delegations and the setting up of official trade missions. A commercial representative to Communist China has already been named, it was announced in Montevideo on Jan. 16th.

Cuba

A significant item of Soviet trade with Central America during 1955 was the purchase of 500,000 tons of sugar from Cuba. At the time, as the Soviet Bloc is normally an exporter of sugar, this was attributed to a drop in sugar production caused by drought in the Southern Ukraine, the largest single area of sugar beet culture. However, after reportedly good crop conditions in the Ukraine in 1955, it has been reported that in December, 1955, Russia has purchased 200,000 tons of sugar from Cuba, for shipment January to June, 1956.

Ecuador

There have been recent reports of an offer of a Soviet loan to Ecuador in the amount of \$80 million to \$100 million, to cover capital equipment and arms. However, though this report has since been denied emphatically by the official representative of Ecuador in the United States, the visiting Soviet Ambassador for Mexico is at least interested in sponsoring trade relations.

SINO-SOVIET BLOC TRADE WITH THE FREE WORLD

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1953-55

(Million US \$)

Table 1

Trading Areas	Exports						Imports					
	1953		1954		1955		1953		1954		1955	
	Jan.-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.
US and Canada	1.2	1.0	4.1	7.9	8.7	8.1	27.3	24.4	26.7	28.2	31.2	44.1
EEC Countries ^{a/}	352.8	451.5	488.8	509.0	535.7	516.5	394.5	529.6	455.4	594.8	603.8	728.3
Other Europe	76.4	102.9	93.2	103.5	100.7	129.2	85.5	96.9	82.7	111.5	110.1	117.9
Near East and Africa	55.2	28.3	58.1	64.6	71.9	87.3	58.6	50.4	55.3	66.6	70.4	61.1
Far East	122.7	85.1	102.8	116.0	96.8	139.5	164.6	144.3	128.3	158.6	191.9	184.9
Oceania	17.4	55.9	57.9	15.2	29.9	20.7	5.4	7.3	7.3	8.1	7.3	9.1
Latin America	15.1	23.3	92.6	49.0	57.7	70.0	15.5	15.8	33.0	75.6	75.9	79.8
TOTAL	640.8	748.1	897.5	865.2	901.6	971.4	751.4	886.6	788.7	1,043.4	1,090.6	1,225.2

^{a/} Organization for European Economic Cooperation

SOURCE: CIA/RR IM-420, 3 February, 1956, p. 15

ANNEX 1 to JIC 181(56)

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EXPORTS OF SELECTED COUNTRIES OF THE FREE WORLD TO THE
SINO-SOVIET BLOC, 1954.
(in millions of U. S. Dollars)

Table 2

Country	Total to World	Total to Sino-Soviet Bloc Value	Percent of Total Value	Total of Soviet Bloc in Europe	Czechoslovakia	East Germany	Hungary	Poland	USSR	China
<u>Europe</u>										
Austria	609.6	58.8	9.6	57.5	7.5	10.0	11.7	17.9	1.5	1.3
Finland	681.0	190.3	27.9	183.7	4.5	11.7	3.5	14.6	146.6	6.6
Iceland	51.9	12.9	24.9	12.9	2.8	1.0	0.1	1.1	7.9	(1)
Yugoslavia	235.6	6.1	2.6	6.1	2.8	0.9	1.3	n.r.	1.0	n.r.
<u>Middle East</u>										
Egypt	399.8	56.3	14.1	44.9(2)	17.3	2.1	5.3	6.9	5.4	11.4
Iran	111.0	20.3	18.3	20.3	1.3	n.r.	0.5	(1)	18.6	n.r.
Israel	85.0	4.4	5.2	4.4	0.1	(1)	0.2	0.6	3.1	-
Turkey	334.9	53.8	16.1	53.8(3)	12.8	6.7	4.8	14.9	5.2	n.r.
<u>South and South East Asia</u>										
Burma	222.4	0.6	0.3	0.6	-	-	0.6	-	-	(1)
Ceylon	380.0	46.9	12.3	0.4	0.3	n.r.	-	(1)	n.r.	46.5
India	1180.0	19.3	1.6	10.6	4.2	(1)	0.4	0.6	5.3	8.6
Indonesia	856.1	9.1	1.1	6.7	3.8	n.r.	1.6	0.6	0.4	2.3
Pakistan	358.9	33.6	9.4	7.6	0.8	-	0.3	2.9	3.6	26.0
<u>Latin America</u>										
Argentina	1073.1	101.7	9.5	101.7	11.9	n.r.	8.5	22.8	50.8	n.r.
Brazil	1561.8	24.0	1.5	21.5	12.2	n.r.	2.2	6.0	n.r.	2.6
Uruguay	249.0	23.7	9.5	23.7	1.8	n.r.	1.1	0.9	19.9	(1)

Source: U.S. Department of Commerce

Note: -) none
n.r.) no return
(1)) less than \$100,000
(2)) Of these \$7.7 million were to Roumania
(3)) Of these \$6.2 million were to Roumania

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EXPORTS OF SELECTED COUNTRIES OF THE FREE WORLD TO THE
SINO-SOVIET BLOC, 1954

Table 3

(in millions of U. S. Dollars)

Country	Total to World	Total from Sino-Soviet Bloc Value	Percent of Total Value	Total from Soviet Bloc in Europe	Czechoslovakia	East Germany	Hungary	Poland	USSR	China
<u>Europe</u>										
Austria	634.8	60.3	9.5	59.5	8.6	7.4	13.8	20.5	1.4	0.7
Finland	661.5	190.1	28.7	187.2(2)	18.1	19.9	5.0	28.0	88.4	2.8
Iceland	69.4	12.7	18.3	12.7	1.9	1.4	(1)	1.3	8.1	(1)
Yugoslavia	333.6	3.8	1.2	3.8	1.1	0.2	0.9	-	1.0	-
<u>Middle East</u>										
Egypt	458.9	26.9	5.9	26.2(3)	7.9	1.4	3.7	1.4	6.6	0.8
Iran	223.0	21.2	9.5	21.2	5.7	n.r.	1.2	0.9	13.5	n.r.
Israel	289.7	6.9	2.4	6.9	0.1	-	(1)	3.1	1.7	(1)
Turkey	478.3	45.5	9.5	45.5	13.7	5.3	6.9	8.4	3.4	(1)
<u>South and South East Asia</u>										
Burma	n.a.	2.2	...	1.8	1.4	-	0.2	(1)	0.1	0.4
Ceylon	293.4	33.1	11.3	1.1	0.5	(1)	(1)	(1)	0.4	32.0
India	1231.3	11.2	00.9	6.4	2.8	0.4	0.2	0.2	2.4	4.8
Indonesia	629.1	15.3	4.5	1.8	1.2	n.r.	0.3	0.2	(1)	0.4
Pakistan	324.7	3.0	0.9	1.4	0.8	-	(1)	0.2	0.3	1.6
<u>Latin America</u>										
Argentina	1081.2	55.2	5.1	55.2	14.6	n.r.	n.r.	20.4	13.6(4)	n.r.
Brazil	1633.5	18.8	1.1	18.8	13.5	n.r.	1.0	4.3	n.r.	n.r.
Uruguay	274.5	2.6	0.9	2.6	1.2	n.r.	1.3	(1)	(1)	n.r.

Source: U.S. Department of Commerce

Note: -) no trade
n.r.) no return
(1)) Less than \$100,000
(2)) Roumania's exports to Finland amounted to \$26.5 million
(3)) Roumania's exports to Egypt were \$5 million
(4)) Jan.-August only.

EXPORTS OF SELECTED COUNTRIES OF THE FREE WORLD TO THE
SINO-SOVIET BLOC, 1955 (partial data)
(in million U.S. Dollars)

Table 4

Country and Period		Total to World	Total to Sino-Soviet Bloc Value	Percent of Total Value	Total to Soviet Bloc in Europe	Czechoslovakia	East Germany	Hungary	Poland	USSR	China
<u>Europe</u>											
Austria	Jan-Dec	698.8	71.2	10.2	69.4	10.7	12.0	15.1	17.9	5.6	1.8
Finland	Jan-Dec	788.1	202.9	25.8	190.5	8.1	17.2	5.8	15.7	137.8	12.5
Iceland	Jan-Dec	52.1	14.5	27.8	14.5	2.3	1.2	(1)	1.3	9.6	-
Yugoslavia	Jan-Oct	185.0	21.8	11.8	21.8	6.0	0.9	1.9	3.1	9.1	-
<u>Middle East</u>											
Egypt	Jan-Dec	397.4	106.1	26.7	81.5(2)	25.3	4.0	11.9	8.3	20.2	24.5
Iran	Jan-Nov	125.3	18.7	14.9	18.7	2.7	-	0.4	0.3	15.5	-
Israel	Jan-Nov	81.5	2.5	3.1	2.5	(1)	-	(1)	0.5	1.1	-
Turkey	Jan-Sept	211.6	54.1	25.6	54.1	15.9	11.9	7.4	11.0	2.7	-
<u>South and South East Asia</u>											
Burma	Jan-Dec	156.1	13.6	8.7	5.1	0.7	1.0	-	1.3	2.1	8.5
Ceylon	Jan-Dec	407.4	25.8	6.3	0.3	(1)	-	-	0.3	-	25.5
India	Jan-Oct	1047.9	21.9	2.1	6.3	2.0	(1)	0.1	0.7	3.3	15.6
Indonesia	Jan-Nov	813.5	29.6	3.6	24.7	10.2	n.r.	2.7	10.3	n.r.	4.9
Pakistan	Jan-Oct	327.4	35.7	10.9	4.8	0.7	(1)	(1)	4.0	-	30.9
<u>Latin America</u>											
Argentina	Jan-June	499.1	33.9	6.8	32.8	1.5	1.7	0.6	17.4	9.2	1.1
Brazil	Jan-Oct	1161.6	38.4	3.3	33.8	17.4	n.r.	6.3	9.3	0.7	4.6
Uruguay	Jan-Sept	n.a.	7.8	...	7.8	2.1	-	1.0	1.9	2.7	-

Source: U.S. Department of Commerce

Note: -) None
n.r.) No return
(1)) Less than \$100,000
(2)) Includes \$11 million from Roumania

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EXPORTS OF SELECTED COUNTRIES OF THE FREE WORLD TO THE
SINO-SOVIET BLOC, 1955 (partial data)
(in million U.S. Dollars)

Table 5

Country and Period		Total from World	Total from Sino Value	Soviet Bloc Percent of Total Value	Total from Soviet Bloc in Europe	Czechoslovakia	East Germany	Hungary	Poland	USSR	China
<u>Europe</u>											
Austria	Jan-Dec	885.1	84.6	9.6	83.5	15.2	11.9	19.4	24.4	4.1	1.2
Finland	Jan-Dec	769.4	208.1	27.0	204.0	20.7	22.8	6.8	39.3	87.0	4.1
Iceland	Jan-Dec	77.6	17.3	22.2	17.3	3.2	1.6	-(1)	1.7	10.6	-(1)
Yugoslavia	Jan-Oct	366.8	19.3	5.3	19.3	5.1	1.3	1.1	2.3	8.0	-(1)
<u>Middle East</u>											
Egypt	Jan-Dec	523.5	35.8	6.8	34.8(2)	10.6	2.5	2.0	1.4	6.6	0.9
Iran	Jan-Nov	248.5	23.7	9.6	23.7	3.6	-	1.0	.4	18.8	-
Israel	Jan-Nov	296.0	3.8	1.3	3.8	-(1)	-(1)	0.1	1.2	0.2	-(1)
Turkey	Jan-Sept	371.6	73.9	19.9	73.9	20.8	12.2	9.9	14.6	6.9	-
<u>South and South East Asia</u>											
Burma	Jan-Dec	177.5	4.0	2.3	1.7	1.4	(1)	0.1	(1)	0.1	2.2
Ceylon	Jan-Nov	277.0	15.5	5.6	1.6	0.6	(1)	(1)	0.8	0.1	13.9
India	Jan-Oct	1096.9	15.6	1.4	10.1	2.1	0.5	0.3	2.3	4.4	5.5
Indonesia	Jan-Oct	483.8	37.4	7.7	28.7	16.3	n.r.	7.8	2.8	0.2	8.7
Pakistan	Jan-Oct	239.8	0.8	0.4	0.7	0.4	-	(1)	0.1	0.1	0.2
<u>Latin America</u>											
Argentina	Jan-June	658.4	55.5	8.4	55.5	9.9	-	6.2	14.8	20.5	-
Brazil	Jan-Oct	1085.0	28.8	2.7	28.8	16.0	n.r.	5.1	7.7	n.r.	n.r.
Uruguay	Jan-Sept	n.a.	1.7	...	1.7	1.1	(1)	0.6	(1)	(1)	-

Source: U.S. Department of Commerce

Note: -) None
n.r.) No return
(1)) Less than \$100,000
(2)) Includes \$11.6 million to Roumania

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ANNEX 1 to
JIC 181 (56)

CREDITS EXTENDED BY THE SINO-SOVIET
BLOC TO NON-BLOC COUNTRIES

April 1, 1956

Table 3

Recipient Areas	USSR	Bloc Excluding USSR	Million \$ U.S. Total Bloc
<u>Middle East</u>			
Egypt	(1)	200	200
Iran		3	3
Syria		50	50
Turkey		<u>3</u>	<u>3</u>
TOTAL		256	256
<u>South-South East Asia</u>			
Afghanistan	107	15	122
India	150	4	154
Indonesia	—	<u>18</u>	<u>18</u>
TOTAL	257	37	294
<u>Europe</u>			
Finland	20		20
Yugoslavia	<u>204</u>	<u>75</u>	<u>279</u>
TOTAL	224	75	299
<u>GRAND TOTAL</u>	<u>481</u>	<u>368</u>	<u>849</u>

(1) This table excludes the Soviet offer of equipment for the Aswan
Dam valued at a minimum of \$200 million.

Department of National Defence

CONFIDENTIAL

JOINT INTELLIGENCE COMMITTEE

1 May 56

50028-B-40	
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MEMORANDUM FOR THE JIC:

Internal and External Developments in the Soviet Union
since Stalin's Death and Attempt to Define Soviet
Political Aims and Methods

1. The following has been received from the Director of Scientific Intelligence:

"A very profound change has taken place in Soviet external and internal politics during the last three years. In the areas studied by DSI, the new Soviet attitude became apparent in the summer of 1953. Since that time there appears to have been a period of development which lasted until about the end of 1954. In early 1955 the present Soviet political attitude appears to have crystallized, and its effects have been felt in all areas since."

"JIS are now preparing a study on Soviet economic and cultural penetration which is obviously an important part of the new Soviet policies. I feel that a wider study is now called for which would review internal and external developments since Stalin's death and attempt to define Soviet political aims and methods on a wide scale."

2. This subject will be considered at the meeting of the Committee to be held 9 May.

(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

HT/2-5459/ff

c.c. CJS
CB NRC
JIS

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2 May 1955

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JIC 137/1(55)

SEMI-ANNUAL REVIEW OF INTELLIGENCE

(1 September, 1954 - 28 February, 1955)

1. Our report at Appendix "A" summarizes important developments that have been observed during the six months under review in the Soviet Union, the European Satellites, Communist China and in troubled areas of the world. It attempts to discern and discuss trends of Communist policy of significance in the conduct of the Cold War, and to provide a semi-annual "stocktaking" of the state of our knowledge of the two Communist regimes and their policies.
2. In internal developments in the Soviet Union the most significant events in the period were the changes in the top level of Soviet leadership. These changes which seem to have been occasioned largely by domestic issues have appeared to leave Krushchev as the single most important individual and to give the career generals of the Army greater influence in government policy. Further governmental changes are probably in store, but the internal stability of the country should continue to remain unaffected to any important degree. Externally the major Soviet concern was the prospect of German rearmament, the Soviet Union adopted a somewhat harsher line towards individual members of the Western alliance. The Soviet leaders showed themselves to be no readier than before to make concessions to the West, although in the discussions on disarmament in the United Nations Vyshinsky advanced proposals which appeared to bring the Soviet position appreciably closer to the Anglo-French position.
3. In spite of a series of statements by Soviet and Communist Chinese leaders expressing solidarity on the Formosan issue the Soviet Government has been careful not to commit itself to open support of a Chinese attack on Formosa or the offshore islands. The extent and nature of military cooperation between the two countries and the circumstances which would make such cooperation fully operative still remains vague, although it is unlikely that the Soviet Union would be able to keep out of a general war on the Chinese mainland. What remains in doubt is the point at which the Soviet leaders would decide that a limited action became a general war. This critical point at which one becomes the other would itself vary with the Communist appreciation of the intentions of the United States. There may well have been agreement between the two Communist Powers on the advantages which they can derive from the maintenance of a state of tension on the Formosan issue.
4. The Chinese Communist regime has now completed a reorganization of governing agencies which ensures the absolute control of the Communist Party over the Government. The Chinese Party appears to be purging itself of doctrinal deviations and is becoming more orthodox in its acceptance of Marxism-Leninism. The Party leaders may have decided to emphasize internal economic developments rather than to devote their energies to the encouragement of revolutionary movements in other countries.
5. In general, the most significant trends of Communist policy in the period are as follows:
 - a. The collective leadership in the Soviet Union is undergoing changes as the result largely of disagreements on domestic matters. Internal stability remains unaffected however.

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- b. There has been a continued substantial growth in the industrial and defence sector of the Soviet economy but agriculture is still lagging. Changes in the Soviet leadership have been accompanied by a reaffirmation of the importance of a rapid expansion of basic and heavy industry, the expansion of agricultural output and increased expenditures on defence.
- c. In the Satellite countries the most dramatic development was the reversion in Hungary's economic policy and its political repercussions within the government leadership. Apart from admissions of serious shortcomings in Poland other Satellites appeared to steer a steadier course. In Czechoslovakia and Poland the campaign against German rearmament was a very important feature.
- d. There are indications of a reemphasis on heavy industry in the Satellites and greater Soviet efforts to integrate and coordinate Satellite industrial production with that of the Soviet Union. A unified Soviet Command structure is also in prospect for the Satellite Armed Forces.
- e. There has been a continued improvement in the strength and equipment of the Soviet Armed Forces. In armaments production expansion and development, as far as it is known, is most notable in the fields of naval shipbuilding and long range aircraft.
- f. The bases of Soviet foreign policy continue to be unchanged. The theme of "peaceful coexistence" continued to receive emphasis in the period under review. In conjunction with trade policies and Soviet offers of technical and economic assistance it was employed for the most part in attempts to influence the uncommitted or partially committed non-communist countries.
- g. While the USSR has agreed to some increase in the flow of capital equipment to China, the additional credits granted to help finance this trade remains relatively small. The Soviet Union has increased its assistance to Communist China in the form of military supplies.
- h. The Chinese Communist regime continues to improve its administrative control over the land mass of Mainland China.
- i. In the economic sector, the Communist Chinese have achieved some degree of progress in the expansion of basic and heavy industry, but due to the impact of the floods, agricultural output in 1954 was somewhat lower than in 1953. The crop disasters were a major economic setback to the regime and resulted in severe internal problems of rehabilitation and food distribution in the affected areas of Central China. The country continues to be heavily dependent on the Soviet Union for imports of capital equipment. China's requirements are probably increasing more rapidly than its ability to pay for them by exports thereby increasing its reliance on Soviet credits to balance its commodity trade with the rest of the Communist bloc.
- j. Communist Chinese defence expenditures appear to have stabilized. The regime continues to be dependent on the

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Soviet Union for all heavy military-end items. A reorganization of the Communist Chinese Army carried out in the past six months has considerably improved the firepower of the Army's formations. The Chinese Communist Navy has been strengthened by the addition of several submarines and other units received from the Soviet Union. There has been no recent significant increase in Communist Chinese Air Force capabilities. The development of airfield facilities now being undertaken should facilitate the redeployment of additional units to East China in the area opposite Formosa.

- k. The elimination of Western influence from Asia continues to be a principal objective of Communist Chinese policy. Towards Korea Communist Chinese policy has been one of relative inaction. In contrast the Chinese leaders have seemed willing to maintain tension in the Formosan area, in spite of their continuing preoccupation with the pursuit of domestic policy objectives and the advantages of remaining on good terms with the Colombo Powers.

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Appendix "A" to
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2 May 55
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Semi-Annual Review of Intelligence
(1 September 1954 - 28 February 1955)

I INTERNAL DEVELOPMENTS IN THE SOVIET BLOC

Internal Politics

1. In retrospect, Soviet internal affairs from September 1, 1954 to February 28, 1955 are naturally dominated by the resignation of Malenkov and the related changes in the Government which took place at the end of this period. In December and January some definite signs appeared of disagreement on policy at the top sharp enough to presage changes in Government. Pravda and Izvestia carried editorials stressing heavy industry and consumer goods respectively in a way which suggested that an old line was ending and a new one beginning. It appeared, however, that the implications for control at the top had not been worked out and that newspapers were following conflicting directives. In January Pravda emerged with what then seemed to be the authoritative line, denouncing a group of economists who had been saying that expansion of consumer goods industries might proceed as fast as expansion of heavy industry.

2. Apart from increasing signs of a re-emphasis on heavy industry in the two months preceding the Government changes, a firmer line was adopted towards the West over German rearmament and there were threats of bolstering East bloc armaments. We do not believe that the commitments of aid of industrialization to China made in October were large enough to have affected the Soviet leaders decision that greater investment in heavy industry was again required.

3. In the underworld of Soviet internal power politics, the execution of a former Minister of State Security and Beria henchman, Abakumov, together with some of his associates on December 24 indicated that some old scores were being settled. But the actual changes in the Government when they came in February were, by themselves, not as dramatic as one might have expected in the uneasy preceding period. Malenkov resigned as Chairman of the Council of Ministers and was made a Minister of Electric Power Stations and a Deputy Chairman of the Council of Ministers. Marshal Bulganin moved from the position of Defence Minister to that of Chairman of the Council in Malenkov's place. Marshal Zhukov took over as Minister of Defence. The Chairman of the Committee of State Security, Serov, was given ministerial status, as were heads of Committees of State Security of the Republics, but whether this move had any real significance with relation to the other changes or whether it was merely, as it appeared to be, a formal ratification of something decided some months before we do not know. At the end of February several Ministers were changed and new additional appointments were made to positions of First Deputy Chairman and Deputy Chairman. Mikoyan, who was relieved as Minister of Trade in January and Pervukhin and Saburov, who were, like Mikoyan, thought to be in Malenkov's camp so far as the consumer-goods policy was concerned, nevertheless moved up to be First Deputy Chairman, leaving their former Chief at a lower level. In terms of any balance of power between various groups thought to exist at the top, these last changes were very difficult to explain but the main changes earlier in the month did seem to leave Khrushchev as the single most powerful individual and to give the career generals of the Army greater influence in governmental policy. The

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appointment of one such career general, Zhukov, as Defence Minister seemed to provide some degree of military realism and conservatism to balance any increase in zeal for revolutionary expansion. Marshal Bulganin as Premier has considerable executive and political experience, if no real military career behind him, but it seems likely that he will follow Khrushchev's lead rather than develop any distinctive policies of his own.

4. Malenkov's statement of resignation admitted general inability to perform the exacting duties of a head of government and responsibility for serious errors in agricultural policy (which in the past year or so seemed very much in the hands of Khrushchev but over which there had been serious disagreements between the two men several years before). Malenkov was, of course, identified more in the public mind with promises to the consumers than any other leader. It might therefore have seemed expedient to drop the man most associated with a policy which could not survive the competing demands of other sectors of the economy. Agriculture was, according to Khrushchev's statement before the Central Committee of the Party in January in a chronically bad state and there would seem to have been good reason for presenting some evidence to the people that errors in that field were not being dealt with lightly. To have admitted that any current policies were to blame would, of course, have put the entire collective leadership into an embarrassing position and the responsibility was therefore left in some obscurity. Tax concessions to the peasant, which seemed to have been very much a part of the Malenkov policy of amelioration and individual incentives were attributed in his resignation statement to the wisdom of the Party.

5. So far as the general question of internal stability in the Soviet Union is concerned, the changes in February do not seem to have had much effect on the population. It is possible that more governmental changes will follow in the next few months but unless these changes result from some catastrophic failure in agricultural projects (brought on by severe drought or administrative bungling in the virgin lands project) or from some crisis over foreign policy, there will not likely be great unrest throughout the country. The secret police have not yet risen from their post-Beria decline. Whether they will do so or whether the Army stands as the final arbiter in national disorders will be one of the interesting problems of the future. So far as Malenkov himself is concerned nothing has yet been said openly to smear him with the charge of treason on top of incompetence.

6. There were a number of other indications of changes in governmental and Party organizations. There was talk of "broadening the base" of the Party echelon, and it seemed that an effort was being made to decentralize and to give more responsibility to officials at local levels. An interesting development in this direction was the transformation of a number of All-Union Ministries into Union-Republic Ministries which, although still directed from the centre, are also responsible to the local government.

7. A comparatively mild but sustained anti-religious campaign ran along in parallel with increased religious enthusiasm which, while far from being a religious revival, resulted in larger attendance than before (including rather more young people) and a gradual but notable increase in the number of churches reopened. The anti-religious campaign was abruptly modified by a Party Decree, signed by Khrushchev, in the early winter. The decree castigated the attacks on priests as disloyal persons and deprecated affronts to the sensibilities of the faithful. This move may have been determined by the need to enlist more support from the peasantry (where religious feeling is still strong) for the massive and vital agricultural campaign, or by foreign policy considerations. It is significant that it was immediately followed by protestations by religious leaders of all important sects that the rearmament of West Germany was a bad thing. Immediately after the Decree was published, Malenkov received the Patriarch, an act which carried wide interest in view of the traditional role of the Church in rallying the people against a foreign threat.

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8. Within the satellites the most dramatic development was the definite reversion in economic policy in Hungary early in 1955 accompanied by strong criticism of Premier Nagy's policies by Party Secretary Rakosi. Nagy has subsequently been ousted from the leadership of the Government. There were strong rumours that Premier Ceorgheiu-Dej in Roumania would also suffer as a result of policy changes in the Soviet Union but nothing definite has happened. In Poland the First Secretary of the Party, Bierut, admitted serious shortcomings in many aspects of Party activity and, in particular, promised that the police would behave better, but there were no Government changes at the top. Other satellite regimes seemed to steer a steadier course. In Czechoslovakia and Poland the campaign against German rearmament was a very important feature in this period and the people were probably increasingly anxious about the possibility of increased Russian control as a counter measure to Western plans.

The Economy

9. The year 1954 was one of substantial growth in the industrial and strategic sector of the economy. Both the primary and manufacturing branches of industry showed striking gains over 1953, reflecting the substantial input of capital equipment and labour. The industrial sector was the recipient of slightly more than one-half of all new investment in the national economy. It is estimated that the number of industrial workers increased by 6 per cent to 15.3 million and in combination with a 7 per cent increase in industrial labour productivity produced a 13 per cent increase in gross industrial outputs (as compared with a 1953 increase of 12 per cent over 1952).

10. While the Plan Report for 1954 did not reveal separate indices for producer and consumer goods, it is estimated that producer goods, which represent some 70 per cent of gross industrial output, increased by 14 per cent; while consumer goods output increased by 11 per cent. In 1953, both segments of industry increased by 12 per cent. The 1954 figures, therefore, indicate that the emphasis is being transferred back to producer goods.

11. On the whole, 1954 was not a successful year for agriculture, grain output being little higher than in 1953. Livestock numbers, however, did show a fairly good increase. One of the most serious problems that arose was that of the widespread droughts in the Ukraine and Volga areas, which produced some local food shortages. Output, however, from the "virgin" lands cultivated made up for the deficit in the drought-inflicted areas. The main development in agriculture was the launching of the new lands programme. An enormous area of some 45 million acres of virgin and idle lands was ploughed, and some 9 million acres sown with spring grains. The programme of increasing agricultural output continues to be a major pre-occupation of the regime.

12. The 1955 budget, which was presented on February 3rd to a special session of the Supreme Soviet, reflected three vital aspects of Soviet policy: a reaffirmation of the importance of a rapid expansion of basic and heavy industry, the expansion of agricultural output and increased expenditures on defence. The re-emphasis on basic and heavy industry is partly associated with the need to expand production of agricultural equipment, and partly with the need to broaden further the military-industrial bases. While fixed investment in heavy industry indicated a rise of only 3 per cent over 1954, there was a sharp increase (of the order of 75 per cent) in the allocation of subsidies and grants-in-aid to industrial enterprises. Overall investment in light industry was cut by almost 30 per cent.

"It is planned that the gross output of industry in 1955 will rise by 9 per cent, reflecting a slower rate of growth in fixed investment, industrial labour force, and productivity. Output of capital goods is to rise by 10 per cent over 1954, and consumer goods by 6 per cent. It would appear that 1955 is to be a year of consolidation and readjustment preparatory to the introduction of the Sixth Five-Year Plan".

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13. The twelve per cent increase in revealed defence expenditure for 1955 over 1954 mainly reflects the additional cost of new weapon system, such as the entry into full production of the medium jet bombers and the expanded delivery programme of the long-range submarines. The over-all allocation of resource to defence in 1955 remains, however, at the same proportion of gross national product as in 1954,--some 15 per cent.

14. While the rapid raising of the "material and cultural standard of living" apparently is to be deferred, the regime must of necessity continue to make some degree of concession to both agricultural and industrial labour, if productivity is to be sustained and it would appear that the larger proportion of the estimated \$10 billion increment in output during 1955 is to accrue to consumption. The new economic policy is essentially a continuation of the early post-Stalin policy with a renewed emphasis on the rate of growth of basic and heavy industry, and a continuation of the programme of expanding agricultural output.

15. The reports on plan fulfilment for 1954 generally indicate progressive but uneven economic development in the East European Satellites. Poland and East Germany in particular had a generally successful year. Czechoslovakia, Bulgaria, and Roumania moderately so, while in Hungary there was some degree of deterioration in heavy industry, which showed a three per cent decline. The premier of Hungary has recently been the subject of almost constant criticism for his failure to emphasize heavy industry and there has been a struggle over economic policies between Rakosi and Nagy since June, 1953. Gross industrial production in Poland and East Germany rose by some 10 per cent over 1953, while in Czechoslovakia the increase was of the order of five per cent. The rate of expansion has slowed down in all the Satellite countries.

16. Economic developments in the European Satellites in 1954 were strongly affected by the transfer of emphasis from heavy industry to consumer goods, and the attempt to increase agricultural output. Agricultural plans, however, were not fulfilled. In keeping with recent developments in the Soviet Union, there would appear to be a shift in policy towards the maximum development of heavy and engineering industries in the industrialized Satellites. This promises to create new economic problems during 1955. There are indications that greater efforts will be made to integrate and co-ordinate Satellite industrial production with that of the USSR, especially in the production of defence goods. This is to be expected since signs point to a coordination of all Five-Year Plans with the USSR commencing in 1956.

Transportation

17. Early in 1954 the Soviet Government undertook a programme of research in the Central Arctic Basin which is the largest attempted thus far. The intention, which has been frequently repeated in the press, is to complete the exploration of the region in order to ensure the maximum development of the Northern Sea Route. However, in view of the scale, timing, apparent urgency and security policy which characterized the expedition, strategic reasons as well as the needs of the Northern Sea Route may explain the priority attached to certain of the fields of research. Continuing Soviet awareness of the strategic importance of the Arctic and sub-Arctic is shown in other developments of relatively recent origin, e.g. development continued in the area in such activities as the construction of airfields; the further development of railway facilities in the Central Arctic such as the extension of the Vorkuta Railway to the Yenisey river.

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18. Construction continued of two new rail links between China and the Soviet Union. The first which links the Trans-Siberian through the Mongolian People's Republic with Tsining will provide a route from Moscow to Peking, about 700 miles shorter than the present route through Manchuria. It is expected to become operational in 1955. The second, the completion of which is not likely before 1959, will link Alma Ata with Lanchow

Armaments Production and Armed Forces

19. Aircraft Production Sightings of the Badger- (39 medium jet bomber) on the factory airfield of Kazan and at Soviet Air Force bases have confirmed previous estimates that this aircraft is in series production. Although it was previously estimated that factory 22 at Kazan was producing all of these aircraft, recent evidence indicates that production of the Badger is also being carried out at either or both of factories 1 and 18 at Kuibyshev. Production of this aircraft at two or more factories would further support an intention of major re-equipment of the Soviet medium bomber force with the Badger.

20. The Bison (Type-37 heavy bomber) which was shown in the 1954 May Day air parade has been seen recently at a factory airfield in Moscow. A large delta-winged aircraft flying overhead was sighted by a fairly reliable source in August, 1954. This aircraft is considered to be an experimental type, but it indicates Soviet interest in other models of medium or heavy bomber aircraft, and may mean that they have not as yet plumped decisively for the Type-37 as the answer to their requirements for a heavy jet bomber.

21. Substantial additions, particularly at Kazan and Kuibyshev, have been noted at nearly all observed aircraft factories. This expansion of the Soviet aircraft industry has appreciably increased their capacity especially for the production of large aircraft. The report of a British traveller, the first such visit of a Westerner to a Soviet aircraft factory, at least since the war, has confirmed estimates that the Soviet aircraft industry was working well below capacity up to the end of 1954.

22. Land Armaments: The Soviet Union continues to improve its ground weapons system and has continued to show new equipment on public parades. The parade of 7 November, 1954, was the third successive parade on which new equipment was publicly displayed for the first time. This included a new tracked prime mover, a new 16 barrelled rocket launcher, a four-barrelled AA MG, the new automatic rifle, SMG and LMG. New medium tanks have been observed in Eastern Germany, and these sightings indicate that re-equipment of Soviet Forces with a new medium tank is well underway. There have been several reports of a new model heavy tank which is likely in production. It is possible that a new AA gun of an estimated calibre of 122 mm. exists and is in production. A new Soviet amphibian vehicle was sighted in river crossing exercises on the Elbe.

23. While direct factory intelligence continues to be poor, the public showing of new equipment and other sightings leads to the conclusion that the Soviet Union has embarked on an extensive re-equipment programme which will include new AFVs (medium and possibly heavy), AA and field guns, rocket launchers, heavy mortars, MGs and a new family of small arms as well as prime movers and other vehicles.

24. Naval Shipbuilding: The period between September 1954 and March 1955 has seen the continuance of the programmes for the steady expansion of the Soviet Navy. Shipbuilding activity and particularly submarine building activity continued at a higher rate than that estimated in the first half of 1954. The Soviet Naval Air Force continued its re-equipment of jet aircraft and this programme may now be considered to be virtually complete. Soviet advances in the electronic field have continued during the period and equipment noted on Soviet warships has been up to western standards. In some cases Soviet equipment may be ahead of Western developments.

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25. The building programme of Sverdlov-class cruisers has continued and there are now a total of eighteen operational or in construction. The appearance of a new class of fleet destroyer, designated the Tallin-class, was an outstanding event of the year. There are three or four of this class in service now and the production rate is estimated to be twelve a year. A new class of probable A/S escort (DDE) destroyer vessels, designated the Kola-class, appeared during the year. At least two are in service. In view of the expansion of submarine building facilities and the inclusion of new yards into the programme, it is now estimated that 68 long-range submarines will be built in 1955 and as many as 80 in 1956. At this rate it is believed that it will be possible to cut back the submarine building programme after 1958. Construction of a new type of medium submarine, temporarily designated "Q" class, is taking place at the Sudomekh Yard, Leningrad. Three of this class had apparently been launched by the end of October 1954.

26. Nuclear Weapons. The Soviet Union conducted an atomic weapon test programme during September and October of 1954, and at least six explosions took place. It was significant that this series of tests followed the same pattern as the original U.S. test programme in the increase in the number of explosions in successive series. Also this series represented different types and sizes of weapons. The fact that no large thermo-nuclear explosion took place during this series is considered to be due to the fact that the present Russian weapon testing range is probably inadequate for the testing of large weapons from the safety point of view. Partial support for this is given to this theory by a low-grade intelligence report that the Soviet Union is constructing a new thermo-nuclear weapon testing range in the area north-east of Tura (64°N 100°E) where there are virtually no inhabitants. The Soviet Union has also announced the completion and successful operation of a 5000 kilowatt power plant run on atomic energy.

27. Guided Missiles: Intelligence still fails to demonstrate mass production of any guided missile. The army newspaper published by the Ministry of Defence recently claimed that the Soviet Union has an equivalent of the US Nike surface to air missile and has developed pencil-like jet powered AA rockets. In a further article, the same source claimed that the Soviet Union had all the GM secrets such as those of rockets and pilotless aircraft capable of carrying atomic explosives. Without further elaboration, the article stated that in spite of the difficulties arising from the flight and landing speed of these weapons, effective means of defence against guided missiles exists. It is accepted that the Soviet Union is developing and testing prototype Guided Missiles but evidence on production is almost non-existent. The Soviet Union now has a research and development programme in operation approaching that of the US. There is evidence of field trials being conducted and of the construction of what appear to be launching bases around Moscow. It is considered likely that the Soviet Union would produce and stockpile a less perfect missile than would the British or Americans, in order to have available an immediate defensive and offensive capability in case of hostilities. However, there is no concrete intelligence to support this statement.

28. Bacteriological Warfare Methods: Within recent months the belief that the Soviet Union are actively engaged in B.W. research and development has been strengthened. The Soviet Union has developed, what is believed to be a highly effective vaccine against anthrax, which can also be used for human beings. This gives it a decided advantage over the West, where no human vaccine exists. For this and other reasons it is thought that anthrax would be a favoured Soviet bacteriological agent.

29. The Army: No major changes have been apparent in the Soviet Army organization in the period under review. The figures for the estimated strength remains as in the last semi-annual review that is about 2½ to 3 million men organized into about 175 line divisions. In East

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Germany and Austria, the annual replacement of troops due for demobilization took place during October. In East Germany, approximately 194,600 troops were brought in and about 179,200 returned to the USSR. These totals are almost double those of 1953 and are believed due to the fact that two age groups were due for release at the end of 1954.

30. The autumn manoeuvres in East Germany were followed by a number of formation exercises lasting until the end of October. This extension of exercise activity was an innovation and could be considered as part of the new training pattern which developed in 1954 under the vigorous leadership of General Grechko. Atomic warfare training was introduced into the Soviet Army in late 1953 and limited training which could be identified as such was seen throughout 1954. The emphasis was on the defensive aspects, such as digging of deep slit trenches, digging in of guns and vehicles, use of personal CW equipment to avoid contamination and decontamination methods. The Soviet study of logistics under atomic warfare conditions has been directed to consideration of the vulnerability of concentrations of reserves and material, to the dispersion of supplies in depth and to the use of aircraft and helicopters for supply.

31. During 1954 substantial quantities of Soviet tanks, light armoured vehicles, guns, trucks, small arms and other equipment were imported into East Germany. There were no indications that the material imported was being stockpiled. Distribution of the new equipment was widespread and some of it was traced to East German units. It was notable that truck imports, amounting to more than 20,000, were equal to about one third the total trucks in GSFG and they have probably resulted in the replacement of the remaining Lend-Lease and older native Soviet vehicles. This replacement and modernization programme has undoubtedly resulted in a substantial increase in the firepower, mobility and overall capability of the Soviet Army in East Germany.

32. The Navy: There was no major redeployment of ships, but five long-range submarines and eleven fleet minesweepers transferred from the Northern to the Pacific Fleet areas via the Northern Sea route. Two Gordy class destroyers, two fleet minesweepers and three "M"-class (short range) submarines were transferred to the Chinese Communist Navy in the autumn; two long-range "S" class submarines were transferred to the Chinese Communist Navy in June 1954. A total of four "M" class submarines have been transferred to the Polish Navy.

33. During the period of this estimate, naval training activity in all fleet areas has been considerably greater than activity in the same period in previous years. The Soviet Navy is now placing more emphasis on winter training. This training consisted mainly of co-ordinated exercises in which all types of surface ship and submarines took part. There was a high level of submarine activity and extensive co-operation by naval aircraft with both surface ships and submarines. Available intelligence indicates that units of the Soviet Navy devote a considerable proportion of their sea exercise programme to anti-aircraft training. During the year most types of vessels participated in intensive anti-aircraft training both as individual ships and as members of a composite force. SNAF utility squadrons provide drogue towing facilities with IL-28 aircraft. Evidence available indicates an association of TU-4 Bull aircraft with the Naval Air Force of the Black Sea Fleet. Helicopters are now appearing in units of the SNAF in the Pacific and Black Sea areas. The Catalina is being replaced by the Type 34 and at present approximately 60 to 80 are in service with the SNAF.

34. The Air Force: The Soviet and Satellite Air Forces have continued during the last six months to modernize and re-equip. The Soviet Air Force still consists of about 20,000 aircraft in all with about 10,000 fighters, 3200 light bombers, 1,000 medium bombers, and ground attack,

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transport, and reconnaissance types. There has been an increase in the collective strength of operational aircraft in the Satellite Air Forces from 2200 to 2650. This increase is mainly in jet fighter aircraft. The Soviet Long Range Air Force increased during the six month period by approximately 60 Badger (Type-39) jet bombers, but its overall capability still depends on the Bull (Tu-4) of which there are about 1020.

35. The most significant development in the Tactical Air Force during the period under review was the completion of the light bomber re-equipment program. It is estimated that there are now 2200 Butcher (IL-28) in operational regiments. In the Naval Air Forces it appears that all the Soviet light bomber units have now been converted to jet aircraft, and that the conversion of FALCON (Mig 15) fighter aircraft to Fresco (Mig-17) is about 70% completed.

36. There has been an increasing number of indications of airborne intercept radar equipment in widespread areas of the Soviet Union and the Satellites. There have been many indications that airfields are being steadily improved. It seems evident that the Soviets now have at least ten year-round operational airfields located in the areas along the North Siberian Seaboard, at least capable of handling Coach (IL-12) type of aircraft, and possibly heavier types on a 24 hour basis.

37. European Satellite Forces and Armaments Production: The strength of the European Satellite armies has remained constant during the last six months. They are estimated to total approximately 980,000 men organized into seventy five line divisions. Reliable evidence indicates that the 1954 training programme was not very successful. Only in Czechoslovakia and East Germany were improvements over previous years noted. The only significant item noted regarding the East German Army during the last six months is that plans are now known to exist for conscription. These could be put into operation at a moment's notice.

38. The policy of standardization on Soviet type organization, weapons and equipment has gone far to eliminate the shortcomings which previously existed in the Satellite armies. They are however still short of heavy equipment and it is perhaps significant that no item of postwar Soviet Army equipment has so far appeared in the Satellites. Recent Soviet announcements of a build-up of Satellite forces in reply to the proposed armament of Germany will likely be reflected in increased armament production in Czechoslovakia, Poland, East Germany and possibly Hungary. The build-up of the armament industry in these countries noted since 1951 appears to be continuing. Production of the MIG-15 in Poland was confirmed during the period. This is the second European Satellite country to start production of combat aircraft, Czechoslovakia being the first. There were again reports of the re-activation of the aircraft industry in East Germany, with production of a transport aircraft mentioned for initial production. There is still some doubt, however, as to whether actual aircraft production will in fact start in the near future.

39. Early, the Soviet Military Attaches in Poland, Czechoslovakia, Hungary, Bulgaria, Roumania and possibly Albania were withdrawn. These officers, all distinguished field commanders, had held their posts less than eighteen months. It had been considered that their task in war would be to co-ordinate the operations of the Soviet and Satellite Forces. The reason for their withdrawal is not known but it may indicate closer and more formal Soviet-Satellite cooperation or integration, possibly in the form of a joint headquarters.

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II SOVIET FOREIGN POLICY AND ATTEMPTS TO EXPLOIT
DEVELOPMENTS IN TROUBLED AREAS OF
THE WORLD OF SIGNIFICANCE IN THE COLD WAR

40. The period began in an atmosphere apparently favourable to Soviet aims. Dissension within the Western camp following the defeat of EDC in France, the effects of the Soviet "peace offensive" and the generally relaxing effect of the Geneva Conference had made it unlikely that the British and the Americans could retrieve a workable defence system to include the German Federal Republic out of the wreckage of EDC. The subsequent pace of Western diplomatic effort however forced the Soviet Union to place the major emphasis in its foreign policy on the campaign against German rearmament.

German Rearmament

41. On October 6, in a speech in Berlin, Mr. Molotov again suggested a four-power conference, offered to withdraw Soviet occupation troops from Germany and insisted that the Soviet Government stood for free elections in Germany. He referred to the possibility of creating friendlier relations between the Soviet Union and the German Federal Republic and to the important trade possibilities which the West Germans could look forward to if they abandoned the idea of rearmament. At about the same time, in the General Assembly of the United Nations, Mr. Vyshinsky said that the Soviet Union would accept the Anglo-French proposals on disarmament as a basis for further discussion and put forward certain proposals which appeared to involve concessions to the West on some important points.

42. In spite of these various approaches, however, the Paris agreements were signed on October 23, and the signing was followed by a new Soviet note to the three leading Western powers which referred vaguely to counter measures that the "peace-loving" European nations might have to take if German rearmament were accomplished. The note suggested a four-power meeting on Germany and a meeting in Vienna to discuss the Austrian State Treaty.

43. On November 29 a conference on European Security was convened in Moscow. It was attended only by the Satellites, none of the European nations having accepted the invitations distributed on November 14. A declaration issued as an agreed statement from the member governments attending the meeting indicated that the Satellite countries would be expected to share the burden of any new military measures designed to balance the addition to Western strength of the arming of West Germany. The Declaration also foreshadowed, in the event of ratification of the Paris Agreements, an integrated command structure for the armed forces of the Satellite countries. A Soviet note of December 9 to the three Western Powers contained the specific warning of increased Soviet-Satellite armaments. In furtherance of its campaign of threats the Soviet Government next informed the French and United Kingdom Governments that it would annul the Franco-Soviet and Anglo-Soviet treaties if those Governments ratified the Paris agreements. The tone of Soviet statements became noticeable harsher and the number of threats increased. In an attempt to repair the negative impact in the West of the milder tone of earlier Soviet pronouncements Soviet propagandists vigorously denied that there would be any opportunity for negotiation on Germany after ratification of the Paris Agreements. The Soviet leaders probably did not expect that Mendes-France would reach agreement so quickly with his allies on an alternative to EDC, and their tactics were unable to prevent this development.

44. Since the French Assembly had finally, on December 30, approved the Paris agreements, the Soviet Government seems to have decided that thereafter it had to direct its chief attention to German opinion. These tactics together with the uncertainty in France and changes in the Soviet Union persuaded many Germans that it might be desirable to make one last effort to negotiate with the Russians before embarking on rearmament. They complicated Chancellor Adenauer's task of securing ratification of the Paris agreements.

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Disarmament

45. The Vishinsky offers on disarmament in October played, as we have noted, an important part in the campaign against German rearmament. Some positive initiative was probably considered desirable in order to maintain among non-Communist countries the necessary minimum of confidence in the possibility of peaceful co-existence. The Vyshinsky proposals may also possibly have been intended to keep the Western Governments seriously enough interested in the possibility of agreement with the Soviet Union that they would consider making some further changes in their own views on disarmament.

Austria

46. Throughout this period the question of the Austrian State Treaty was a secondary issue inevitably linked in Soviet notes and statements to a solution of the German problem. In his speech of February 8 Mr. Molotov referred in somewhat different terms to the conditions under which evacuation of foreign troops from Austria might take place. He reiterated the need for guarantees against Anschluss but it was not very clear whether there was any greater likelihood than before that the Austrian problem could be separated from the German one or that the interested powers could agree on what would constitute guarantees against Anschluss. When the French Government tried to sound out the Russians in December on the possibility of phased withdrawal of occupation troops from Austria, their request for comments was completely ignored.

Peaceful Co-existence

47. Soviet policies in other fields and Communist propaganda generally were organized to support the main effort to disrupt Western plans for the German Federal Republic. The peace offensive was obviously intended to portray the Soviet Union as a peaceloving, civilized nation which had changed its way and against which it was no longer necessary to set up elaborate defences such as those involved in EDC or West European Union. It seems also to have been intended to retrieve some of the major errors of Stalinist diplomacy and to give Soviet diplomats some opportunities for influencing some non-Communist governments and exploiting differences in the non-Communist world. Efforts were continued to attract those countries outside the Sino-Soviet Bloc, whose affiliations still remained indefinite, closer to the Soviet Union and to avert the development of stronger ties between them and the West. Exchanges of delegations (for example, the United Kingdom Parliamentary Delegation in October), visits by individuals to the Soviet Union, press interviews given by Soviet leaders, Soviet participation in the UNESCO Conference in December and a number of other moves of this sort were designed to maintain a more relaxed international atmosphere. Various members of the Soviet ruling group in speeches and in interviews with correspondents sought to dispell the notion that the recent changes in the Soviet Government would have an adverse effect on the Soviet attitude to the West. A notable change, however, was discernible in statements about atomic warfare. Hitherto it has been acknowledged that world civilization would be destroyed in a new war. The emphasis now was placed on the theme that war would mean the end of the capitalist system and that small countries like Britain would be particularly vulnerable to atomic destruction. Apart from internal reasons for this change in emphasis the Soviet leaders probably also hoped to exploit popular concern in the West over the implications of atomic warfare.

Yugoslavia

48. In the period the Soviet Government continued efforts to improve relations with Yugoslavia with the cessation of hostile propaganda, conclusion of a trade agreement, friendly references to the liberation of Belgrade by Yugoslav forces and proposals for some cultural contacts. As part of this campaign, the Soviet Government accepted the settlement of the Italian-Yugoslav dispute over Trieste. The Soviet Union has not however gained in any immediate sense from these moves since relations between Yugoslavia and the West have not been affected nor has the recently created Balkan Alliance been weakened to any noticeable degree by the new Soviet policy.

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Scandinavia

49. The Soviet Union has followed a similarly moderate course in dealings with Finland and, in spite of that country's failure to attend the Moscow Conference on European security, has not brought any unreasonable pressure on the Finns. Relations with Sweden were improved somewhat by an agreement on rescue work in the Baltic, but early in 1955 the Soviet Union apparently warned Sweden about the activities of the Northern Council, of which Sweden is a member.

The United States

50. In its relations with the leading Western powers it should be noted that the Soviet Government has, on the whole, followed a much harder line with respect to the United States than with respect to the others, although in December and in the first two months of 1955 sharp personal attacks were made on Field Marshal Montgomery and on Sir Winston Churchill. Two incidents in the Far East involving United States aircraft resulted in an angry exchange of notes between the Soviet Union and the United States, but after the second incident the Soviet reaction was noticeably moderate.

Middle East

51. The pattern of normalization of relations was followed in other parts of the world. Some friendly overtures coupled with offers of trade were made to Turkey and border and financial problems were settled in an agreement with Iran. Iran, by accepting the International Oil Agreement and dealing firmly with Communist conspirators, was ensuring a greater internal stability and a friendlier relationship with the West than has existed for several years. Soviet overtures did not, therefore, seem to be based so much on any hope of immediate rewards in dissension and reaction against the West as on a long term hope of counteracting Western influence and preventing the extension of defence agreements such as the Turco-Pakistan pact around Soviet borders. In this area Soviet policies received some setback when relations with the Soviet Union were broken by Iran and when Iraq and Turkey concluded a defence treaty.

52. Whenever possible, Communist propaganda and subversive agents aided any nationalist demonstration against Western influence in the Middle East, but the Soviet Government has made no important moves in this area in recent months. Against the influence which Communist agents may have exerted, one must set the important facts of Anglo-Egyptian agreement on evacuation of the Canal Zone and the Oil Agreement with Iran, both concluded in the closing months of 1954 and both of which, while solving only a few problems, nevertheless gave the West new opportunities for stabilizing the Middle East and increasing its defences against possible Soviet aggression.

Asia

53. In Asia the Soviet Government has been more active in promoting economic and cultural contacts. Afghanistan, India, Indonesia and Burma have apparently been selected for trade, technical assistance and cultural relations programmes. The offer of a steel plant to India was the most striking example of tactics obviously aimed at cultivating India's favour and good will. The Soviet Union has also emphasized differences between Indian and Western policy on Southeast Asia. Two days after the signing of the Manila Treaty on September 8, which India refused to join, the Soviet Foreign Ministry issued a statement denouncing the treaty, and a good deal of attention has since been devoted to the subject in Soviet propaganda.

54. During this period the Soviet Government made the opening moves towards normalization of relations with Japan. In Molotov's replies to a Japanese editor on September 13, in the Sino-Soviet declarations of October 12, in a further statement by Molotov on December 17, and then in preliminary contacts with Japanese representatives, the Soviet Government pursued its aim of reestablishing normal relations in order, presumably by diplomatic and economic pressures, to counter United States influence in that country.

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Relations with Communist China

55. In October of last year Krushchev and Bulganin led a high level Soviet delegation to Peking. A number of important agreements emerged from these discussions with the Chinese leaders which were of considerable political and economic importance to China which provided for the withdrawal of Soviet Troops from Port Arthur. While the Soviet Union has agreed to some increase in the flow of capital equipment to China, the additional credits granted to help finance this trade remain relatively small. The Soviet Union has increased to some extent its assistance to Communist China in the form of military supplies. There is evidence for example that in this period the Communist Chinese have received a number of Soviet destroyers, minesweepers, submarines, and aircraft. It is not, however, as yet possible to say whether this help has had any bearing on Chinese intentions or the nature or extent of Soviet support the Chinese could expect if hostilities broke out in the near future.

56. While the Soviet Government has endorsed China's policy towards Formosa and has condemned the U.S.-Formosa defence treaty, it has been careful not to commit itself to open support of a Chinese attack on Formosa or the offshore islands. It is of significance that in references to Communist China's expressed intentions to liberate Formosa the Soviet Union has insisted that the problem is an internal Chinese one. Such statements could be intended to justify an attitude of detachment on the part of the Soviet Union should hostilities actually break out between Communist China and the US in the Formosa area, and, if interpreted in that sense by the Communist Chinese, might have some restraining effect on their actions now. On the other hand on February 22nd Peng Teh-huai, Defence Minister of Communist China, made a speech at Port Arthur in which he said that the Soviet Union and Communist China would support one another at all times if anyone should dare to launch aggressive war. This statement, followed upon similar ones made recently by Mao Tse-tung in Peking and by Bulganin in Moscow. The extent and nature of military cooperation between the two countries and the circumstances which would make such cooperation fully operative were left vague, although it is unlikely that the Soviet Union would be able to keep out of a general war on the Chinese mainland. What remains in doubt is the point at which the Soviet leaders would decide that a limited action became a general war. This critical point at which one becomes the other would itself vary with the Communist appreciations of the U.S.

57. The Soviet Union might well be reluctant to see its Chinese ally embark on hostilities in the Formosan area which could involve the risk of hostilities in the Far East. Even a limited war would probably stimulate some measures of Western rearmament. Nevertheless, there may well have been agreement on the advantages which they can derive from the maintenance of a state of tension in the Formosan issue. Mr. Molotov may feel that his campaign against the Paris Agreement stands to benefit from the exploitation of Allied differences over the Formosan problem. He has suggested to the British Ambassador in Moscow that the U.S. could not maintain its present position on the problem without British support. Both the Soviet Union and Communist China may see therefor ultimate benefit for the Communist cause in the prospect either of isolating the United States or of a voluntary retreat by the United States in the Far East in order to preserve a united front with its Western allies.

Central and South America

58. Communist activity has apparently been strong enough to force the United Kingdom to suspend further steps towards self government for the colony of British Guinea. Chronic unrest in other parts of Central and South America has not fallen into any definite Communist mould.

East-West Trade

59. Although Bloc trade with the West as a whole increased slightly during 1954 as compared with 1953, the relaxation of CoCom controls in August brought no significant developments, and indeed Soviet trade declined in the last half of 1954 from the high level set in the first six months, probably due to the lack of exportable surpluses.

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60. Of special significance, as already noted above, is the increasingly important role which the provision of aid to selected under-developed countries is playing in the foreign relations of the Soviet Union. In this connection the most significant development in the period was a Soviet-Indian agreement in principle for the construction under the technical supervision of Soviet engineers of a modern integrated iron and steel plant in India. This agreement, which was signed in New Delhi on 2 February, 1955, was the first of its kind between the two countries, and was also the first major agreement on technical and economic aid for industrialization extended by the Soviet Union to a non-Communist country. The proposed plant is planned to be in operation by 31 December, 1959, with an initial capacity of 1,000,000 tons of ingot steel to be rolled into 750,000 tons of rolled-steel products. The estimated total cost of the project is \$200 million, of which the cost of the equipment and technical services to be provided by the Soviet Union is to amount to about \$100 million. The Soviet Union is to be responsible for the technical supervision of construction, supply, and installation of equipment, the provision of detailed working drawings, and the training of Indian personnel.

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III - INTERNAL DEVELOPMENTS IN COMMUNIST CHINA **DECLASSIFIED TO SECRET**
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Internal Politics

61. In the period under review, the "New Democracy" in China was yielding to that of State Capitalism; the Communist Party dominated political and economic activity to an increasing extent as the non-communist elements were squeezed out. This process followed the pattern laid down by the "General Line" which provides for a gradual extension of state control in all the branches of economic life. Private industry is to be eliminated by the state playing an increasing role in production and distribution, while the peasantry are to be led to enter into mutual aid schemes and finally to cooperative farms. It would seem, however, that the peasants have not always been amenable, and the spread of socialism in the countryside has been slow. Nevertheless no purges are announced against the rich peasants, who are to be won over by persuasion, more or less forceful.

62. The regime is well established, with the general support of the mass of the people. There is some discontent among the peasants, especially in the South, who have been relegated to the second rank in relation to the urban proletariat as the first five-year plan, with its emphasis on heavy industry, enters its third year. However, this is not thought to be serious. The regime has been successful in giving China international prestige, while internally it has succeeded in convincing the people that its policies will contribute to their eventual betterment. The elections to the National Peoples' Congress which took place in August are a case in point. While by no means democratic in any sense of the term, it should be remembered that the Kuomintang had not permitted even the semblance of popular consultation. The prospective candidates in last August's elections were discussed in a village meeting under the supervision of the local party organization. Such discussion, controlled as it was, was useful for the following reasons:

- (a) it gave the people the impression that they had effectively participated in the choosing of their representative and in the work of the Government generally;
- (b) it provided an opportunity for elaborate political instruction; and
- (c) it permitted the regime to weed out, when determined opposition to a candidate became evident, those officials who made themselves unpopular through oppressive methods.

63. The imposition of a common political ideology, by permitting centralized control of the party organizations, was helpful in pushing administrative control to the frontier areas. In order to overcome the difficulties posed by the presence of large numbers of minority races in China, the local "autonomous area" has become a feature of Chinese regional administration. There are 115 such "autonomous areas", whose purpose would seem to be to integrate the minority races into the political system of China while making anodyne concessions to local nationalism.

64. However, it should not be inferred that all is well in the Chinese garden. At the February 1954 meeting of the Central Committee of the Chinese Communist Party, Liu Shao-chi, who is Secretary General of the Central Committee and the party's chief theoretician, made an

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important speech attacking both bourgeois counter-revolutionary elements and individualism within the party itself. Among certain high-ranking cadres "there is still a lack of understanding of the importance of collective leadership, of the importance of consolidating and enhancing the prestige of the Central Committee". While it would have been unwise to read evidence of serious disunity into Liu's remarks, it remains true that the party has had difficulties in overcoming resistance from both the right and the left -- those who were unwilling to push beyond the stage of the "New Democracy", and those who were impatient of the gradualness of the transition to socialism as laid down in the "General Line". The purge of Kao Kang and Jao Shou-shih would seem to reflect this latter tendency within the Chinese Communist Party. Party discipline has been tightened as a result.

65. An important event during 1954 was the meeting in September of the National People's Congress. The *raison d'être* of the Congress was to adopt a new constitution giving legal form to the transition from capitalism to socialism, but the reorganization of the governing agencies is perhaps of greater interest. In theory, the highest state power is the National Peoples' Congress, but in practice there are four organs through which power is effectively exercised. These are:

- (a) The Chairman of the Republic (Mao Tse-tung) who has the power to legislate by decree and is Commander-in-Chief of the armed forces.
- (b) The Standing Committee of the National Peoples' Congress. This body, of which Liu Shao-chi is chairman, is probably the effective legislature, meeting when the National Peoples' Congress is in recess.
- (c) The State Council. This body corresponds roughly to the Cabinet. It comprises 41 members, but an inner Cabinet is made up of Chou En-lai (Premier and Minister for Foreign Affairs) and the ten Vice-Premiers.
- (d) National Defence Council. The supreme military command, headed by Mao Tse-tung and Chu Teh.

66. It is of course difficult to judge the precise relationship of these organs to one another as the situation is complicated by the play of personalities. Mao remains the head of the government, despite his illness last winter, but may have delegated a substantial part of his authority to Liu Shao-chi and Chou En-lai. Shortly after the Geneva Conference, there were reports that Liu had opposed the more accommodating attitude adopted by Chou as Foreign Minister, and that serious rivalry existed between the two. These reports have not been borne out. However, Liu through his position as Secretary of the Central Committee, would seem to be in a position of greater influence than Chou. Chu Teh is probably little more than a figurehead.

67. The control of the communist party over the government is now absolute. Of the ten Vice-Premiers of the State Council who constitute an "Inner Cabinet", all but one are members of the Central Committee, and the other is a reserve member. The Supreme Court is now presided over by a party member. At the same time, the Party is purging itself of its doctrinal deviations and is becoming more orthodox in its acceptance of Marxism-Leninism. Developments and recent statements of Chinese leaders' would seem to indicate that the Chinese communists have decided not to bend their energies to the encouragement of revolutionary movements in other countries for the time being, but are emphasizing internal economic

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development as did the Soviet Union after Trotsky's disgrace. Liu's attacks on the leftist deviationists and the purge of Kao Kang and Jao Shou-shih may be indications that the Chinese communists have passed this internal crisis with relative ease, and that although revolution in underdeveloped countries is founded on the peasantry, in the period of transition to socialism the peasant must take a second place to the industrial worker, who is accomplishing the essential task of building an industrial base.

The Economy

68. Communist China's economic policy is designed to achieve a rapid rate of industrial development along the lines of the Soviet model. To this end, the first Five-Year Plan was introduced in 1953. This Plan of industrialization includes the renovating or building by 1959 of some 156 enterprises in the fields of iron and steel, non-ferrous metallurgy, coal mining, oil production and refining, electric power, machine building (blast furnaces, machine tools, rolling mills, mining equipment, etc.) and chemical and synthetic rubber plants. The most important objectives of the Plan include the training of large numbers of skilled workers, the development of mineral resources, a broader energy base, higher agricultural output, extension of transportation facilities, and the development of a heavy armament industry.

69. There is every indication that the regime, aided by Soviet engineers and imported Soviet machinery and equipment, is achieving a fair degree of success in making its planned goals for the industrial segment of the economy. Steps have been taken to train several hundred thousand technicians a year, and to accumulate the necessary financial resources for a rapid rate of capital investment. Overall planned investment in 1954 was set at \$5 billion, of which one-half was allocated to industry. Some 80 per cent of industrial investment was channelled into heavy industry. To achieve a rate of investment of almost 15 per cent of gross national product in a country with a per capita output of less than \$60 indicates the determination of the regime to industrialize rapidly.

70. Defence expenditures appear to have stabilized at approximately \$2.5 billion, -- some 7 per cent of gross national product in 1954.

71. The severest blow to the economy in 1954 was occasioned by floods which the Communist Chinese admit to be the severest in over a century. The flood waters inundated about 40,000 square miles of China's richest agricultural land and seriously affected the overall production of both spring and winter crops. According to Communist Chinese sources, the loss in food crops amounted to 15 million metric tons. Although grain production in 1954 is claimed to be 3 per cent higher than in 1953, it seems unlikely that bumper crops in other areas offset the losses in the areas affected by the floods. The regime is unquestionably faced with serious internal problems of rehabilitation and food distribution in the famine areas of Central China.

Sino-Soviet Economic Relations

72. An event of special significance was the signing of the Soviet-Chinese Accord in October, 1954. Three items of economic interest were included in this agreement. First of all, the four mixed Soviet-Chinese companies which were set up in 1950 and 1951 are to be dissolved and the entire assets transferred to the Communist Chinese Government. The companies were established for the purpose of (1) the mining of non-ferrous and rare metals in the province of Sinkiang, (2) the extraction and

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refining of oil in Sinkiang, (3) the building and repair in Dairen, and (4) the organization and exploitation of civil airlines. Secondly, it was agreed that the Soviet Union would assist Communist China in the building or renovating of an additional 15 industrial enterprises over the 141 enterprises agreed to in September, 1953. Thirdly, two financial figures were announced. The first figure refers to the granting of an additional Soviet credit of 520 million roubles. The second figure refers to the Soviet agreement to supply additional capital equipment, for the 156 industrial enterprises, being built or renovated, amounting to over 400 million roubles.

73. The October, 1954, credit of 520 million roubles appears to stand quite apart from the additional equipment granted for the development of the 156 industrial establishments. This latter equipment will be largely paid out of increased Chinese exports, while the credit of 520 million roubles will be utilized (as in the case of the 1950 credit) to finance the trade deficit of Communist China with the Soviet Union. The granting of the new credit is quite understandable. The 1950 credit of \$300 million expired at the end of 1954, and repayment commences in 1955. The new credit is so small, -- in dollar equivalent terms representing about \$75 million -- that it is unlikely to finance China's trade deficit with the Bloc for more than one year; and represents about 10 per cent of China's estimated 1955 imports from the Bloc.

74. Since 1950, Communist China's trade with the Soviet Bloc has increased considerably. As Communist China's requirements expand with the development of its Five-Year Plan, its dependence on the Soviet Bloc will probably increase. In fact, Communist China's requirements are probably increasing more rapidly than its ability to pay for them by exports, thereby increasing its reliance on Soviet credits to balance its commodity trade with the rest of the Bloc.

Armaments Production and Armed Forces

75. Armaments Production. At the present time, Communist China is capable of supplying little more than the peacetime requirements of the military establishment for light arms and ammunition. For all heavy military end items it is dependent on the Soviet Union. The first trial flights of Communist Chinese produced aircraft have been announced. The aircraft in production is probably a Russian designed small piston engined type such as the YAK-18 trainer with imported engines. Communist China does not yet have the capability of producing tanks, other AFVs, motor vehicles or specialized items. Except for a 70 mm howitzer, they have produced no artillery or AA artillery. It is believed that Communist China is now self-sufficient in the production of pistols, rocket launchers and the 57 mm recoilless rifle, and approaching self-sufficiency in SMG, mortars and LMGs. The current Five-Year Plan calls for a general expansion of the arsenal system by 1957, at which time production can be expected to be more diversified than the relatively short list of items now being produced. There is no possibility, however, of Communist China producing heavy or specialized equipment in the immediate future.

The Army

76. Though the Army has not overcome its technical dependence on Russia, it has in the past six months carried out a reorganization which has considerably improved the fire power of its formations. Conscription has come into effect, permitting a higher standard of recruit, and, for the first time, a permanent commissioned rank structure has been introduced. Though the division remains the basic unit, there has been emphasis on the creation of trained staffs at higher levels, principally in the formation of armies that embrace three divisions, and concurrently of army troops.

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The result is a substantial increase in value for war without an increase in numerical strength in the regular forces. The strength of the regular Field Forces remains at about 2,225,000, and that of the regular Security Troops between one-half and one million. In addition, there is a Peoples' Militia of some six to ten millions, which is constantly being improved in training and equipment.

77. The Army continues gradually to withdraw forces from Korea. Veteran formations are being placed alongside other formations on the East Coast and in the Southern frontier regions while the frontiers with the USSR are lightly held. The principal strength of the Army lies in defence and its capabilities for this role have continued to improve. Morale has remained high and relations with the people are good. Both civilians and the military in China are kept energetic in defensive preparations by threats of foreign interference in Chinese affairs. Direct and indirect links between the Army and the people, are maintained in such forms as the organization of agricultural troops and, recently, of railway construction divisions.

Communist Chinese Air Force

78. In October and November 1954 there were indications of redeployment of Communist Chinese Air Force units in a southward direction. Falcon (MIG-15) units were transferred from Northeast China to the Shanghai/Hangchow Bay area. But there is no evidence that the Communist Chinese Air Force was deployed to airfields on the China coast directly opposite Formosa.

79. The air order of battle has not changed significantly in the past six months, and is estimated at a total of 1750 aircraft, of which 840 are jet fighters, and 115 are light jet bombers. The Communist Chinese Naval Air Force has been augmented during the past six months by about 10 Butcher (IL-28) light bombers, to bring the estimated air order of Battle to about 123 total aircraft. Of this total about 23 are light jet bombers and 40 are piston fighters.

80. During the period under review a good deal of attention has been paid to the expansion of air facilities for civil air traffic, and there is evidence that the military airfield potential of Communist China is increasing in the more strategic areas. Considerable construction activity has been noted at Luchiao on the Coast.

Chinese Communist Navy

81. The Navy is still not a significant force, although there is evidence of the transfer from the Soviet Union of some destroyers, submarines and minesweepers. There is a small naval air force under the operational control of the Navy. While the Chinese Communist Navy has so far been employed only in the protection and control of coastal shipping, it has available large numbers of junks and other coastal craft which could be employed in amphibious operations over short distances.

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IV - COMMUNIST CHINA FOREIGN POLICY AND EFFORTS TO EXPLOIT

TROUBLED AREAS IN ASIA

82. In the period under review a principal objective of Communist Chinese policy remained the elimination of Western influence from Asia. However, the complete freedom of action of the Chinese in attaining this objective was limited by the necessity to remain on friendly terms with the Colombo Powers and by the fact that the development of the first Five Year Plan had the effect of directing Chinese energies primarily to the solution of industrial problems. The Chinese leaders probably believe that the economic progress made under communism may exercise a power of attraction over those in the other countries of Southeast Asia who are impatient of the comparatively slow progress made under parliamentary democracy.

Formosa

83. In Formosa the situation is complicated by questions of national prestige, as Formosa is traditionally Chinese territory, and by the presence of a rival government providing a rallying point for the anti-communist Chinese. The restraining influence of the Colombo Powers might not have sufficient effect in the case of Formosa. For the foreseeable future Communist China lacks the amphibious and air force capabilities to sustain a successful invasion of Formosa against combined Nationalist and U.S. forces, provided that Nationalist morale does not collapse. A successful attack on Quemoy against the Chinese Nationalists supported by conventional U.S. air and naval forces seems to be well within the capabilities which the Chinese Communists may have built up in the area although the action might be prolonged if the U.S. were determined to defend Quemoy. The morale of the Nationalist forces on the offshore islands could be a decisive factor either before or after the initiation of military operations. If Nationalist morale collapsed, the Chinese Communists might even be capable of taking Formosa. The Chinese Communists probably feel it to be desirable to maintain or to increase tension in order to test the firmness of U.S. intentions and, if possible, to impede U.S. plans for stabilizing the Nationalist regime on Formosa, so long as fighting against U.S. forces is not involved.

Tibet and the Sino-Indian Agreement

84. An important event during the year, the effects of which have carried on into the period under review, was the signing in April of the Sino-Indian agreement on Tibet, which provided formal recognition by India of China's special position in Tibet, and contained the first enunciation of the Five Principles which are to regulate relations between the two countries. The Five Principles are:

- (1) Mutual non-intervention in each other's internal affairs;
- (2) mutual non-aggression;
- (3) mutual respect for each other's territorial integrity and sovereignty;
- (4) equality and mutual benefit;
- (5) peaceful co-existence.

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85. These principles were reiterated during Chou En-lai's visits to New Delhi and Rangoon, and again when Prime Ministers Nehru and U Nu paid return visits to Peking in October and December respectively of last year.

The Colombo Powers

86. The emphasis on non-involvement of India, Burma and Indonesia is of some help to the Chinese, particularly in preventing strong Asian participation in any alliances against Chinese expansionism. Accordingly the Chinese may well refrain from substantial help to subversive elements in these countries for the present, in order to encourage them to maintain their neutralist attitude. Such an attitude would be consonant with the appreciation that the Chinese regard the maintenance of Western influence in Asia as the main threat to their security. While it is impossible to know whether the Chinese are aiding either faction of the Burmese communist rebels, (U Nu is now apparently convinced that they are not) it is significant that the Chinese have not pursued military action against the Nationalist troops which took refuge in Burma when the communist armies overran Yunnan Province. It is debatable whether Thailand, which has sought protection within the Manila Treaty would enjoy the same measure of protection from communist attack.

87. As one expression of this principle establishing friendly relations with the non-involved nations of Southeast Asia, China entered into trade agreements with Ceylon, Burma and Indonesia during 1954. China exchanged industrial equipment for Burmese rice, which will be passed on to Ceylon in exchange for rubber.

88. The Indonesian Government is the only one of the Colombo Powers that has not taken determined action against the domestic communist party. As the present coalition is in part dependent on communist support in Parliament, and is influenced by the Communist Party, the Chinese may consider that it is only a question of time before the Partai Komunis Indonesia is in a sufficiently strong position to dominate the Government.

Overseas Chinese

89. In December, agreement was reached in Peking between Chinese and Indonesian officials on the status of the overseas Chinese in Indonesia. Under this agreement, which represents a concession by Chinese communists, the Chinese have abandoned their traditional claim that the overseas Chinese remain Chinese nationals, owing allegiance to China, even when they have become citizens of another country.

90. While it would be unbelievable that the Peking regime would overlook the overseas Chinese as an arm of their policy, the agreement indicated the extent to which it will try to allay the suspicions of the Colombo Powers. It is likely that similar agreements will be concluded with other friendly governments, such as Burma, where the overseas Chinese are numerous. Unfortunately, they are most numerous in Malaya (44%), British Borneo (25%) and Thailand (15%), where the communists will feel no compunction in using their influence to weaken the Government.

Thailand

91. Although laissez-faire conservatism is a traditional feature of Thai politics, it is doubtful whether such a system is viable today. In addition, the Thais historically prefer capitulation to determined resistance. If the Manila Powers cannot give effective guarantees to Thailand, the Chinese may be able to put pressure on the Thai Government to adopt a more accommodating attitude, or may attempt to engineer a coup d'état under the leadership of ex-premier Pridi Phanomyong (who was last heard of in Peking) who still commands a large following in the

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Viet Minh Vietnamese refugees in Northeastern Thailand whose activities present a potentially serious threat. There is also a danger that the Pan-Lao movement might make some progress among those of the Lao race in Northern Thailand. Although the evidence does not suggest that the communists have taken full advantage of these opportunities, the situation could become grave if the communists were permitted to extend their influence over the whole of Laos. In that event, the "Thai autonomous area" in Yunnan could become a base from which dissidents could infiltrate into Thailand.

Japan

92. In October there was published a Sino-Soviet declaration on relations with Japan which expressed the hope that better relations with Japan would be possible, and said in part: "They (i.e., the Soviet Union and China) stand for the development of extensive trade relations with Japan on mutually profitable terms". On February 4, 1955, the Japanese Government signified its willingness to enter into discussions with the Soviet Government with a view to "normalizing" relations between the two countries. In any negotiations looking to a termination of the state of war between Japan and the Soviet Union, or the conclusion of a peace treaty, the Japanese will seek return of the Habomai and Shikotan islands at the southern end of the Kurile chain, return of Japanese prisoners of war and war criminals still detained in the Soviet Union, fisheries rights in northern waters neighbouring Soviet territory, Soviet support for Japanese membership in the United Nations. It is difficult to predict in advance how far these Japanese requirements will be met by the Soviet Union in order to reduce United States influence in Japan. Japanese public opinion also favours negotiations for the normalization of relations with Communist China in order to secure access to cheap and handy raw materials and markets. The establishment of official relations would be very difficult since Japan signed a peace treaty with Nationalist China and the Peking Government would want this scrapped and recognition withdrawn before entering into normal diplomatic relations with Japan. However, unofficial relations may be established particularly for the purpose of trade promotion and the easing of tensions over fishing operations in the east China sea.

Indonesia

93. Although the Vietnamese traditionally distrust the Chinese and look to Moscow for their source of ideological inspiration, circumstances have dictated that the Democratic Republic of Vietnam is dependent on the Chinese for technical and economic assistance. As Haiphong is a convenient outlet for the products of Southwest China, the Chinese have good reason to wish to achieve a position of influence in North Vietnam. At the same time the Vietnamese may be expected to resist Chinese attempts at political domination, in so far as such resistance will be consistent with the necessity to keep China as a source of aid. The Vietnamese will also be affected by Chinese influence among the overseas Chinese in South Vietnam, where they form 10% of the total population.

94. It is possible that the Chinese might be satisfied with the existence of Laos and Cambodia as neutral nations. In the meantime, however, the Pathet Lao are increasing their political and military control of the Northern Provinces of Laos, and it is known that a Viet Minh training battalion is operating in the area. The present evidence would indicate that communist activity in the area is at this time a responsibility of the Viet Minh.

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Korea

95. Soviet influence was dominant in North Korea in the post-war years, and is still important because of the Soviet Union's position as a supplier of military and industrial equipment. However, the presence of large Chinese forces in North Korea has guaranteed that Chinese influence will be strong, especially since communist policy towards the Korean question has to be regarded primarily as a matter of Chinese defence. At any rate there do not appear to be any cleavages between Chinese and Soviet policy. Their energies are at present devoted to the reconstruction of the buffer state of North Korea. They may hope, on the premise that time is on their side, that the Government of Syngman Rhee may become discredited, and that the experience of China may repeat itself in Korea. For that reason Chinese policy towards Korea is one of relative inaction, although they may come to believe that the reconvening of the Korean Conference will precipitate division in the West.

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Department of National Defence

JOINT INTELLIGENCE COMMITTEE

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G.G. Crean, Esq.,
Dept. of External Affairs.

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APR 27 1956

JIC Semi-Annual Review of Trends in Communist Bloc Policy Including Communist China

1. Further to memorandum on this file dated 25 Apr, attached is a copy of Appendix "A" to JIC 183/1(56), on the above subject.
2. May your comments on this appendix be passed to the JIS by not later than 1200 hours, 30 Apr, please, for consolidation by the JIS and consideration by the Committee at the meeting to be held 2 May.

J.C. McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

Enc.

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APPENDIX "A" to
JIC 183/1 (56)
25 April 1956

THE JIC SEMI - ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOC POLICY INCLUDING COMMUNIST CHINA
(1 October 1955 - 29 February 1956)

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APPENDIX "A"

I. THE INTERNATIONAL COMMUNIST MOVEMENT

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Communist Dominated International Organizations

1. The activities of the Communist dominated international organizations in the period under review followed very much the same lines as in the previous six month period. While carrying on all their normal activities in support of Soviet foreign policy, they made a special attempt to interest non-Communist organizations in various schemes for "united action". In general the Communist front organizations, in spite of their more flexible methods, met only with rebuffs in pursuing these tactics.

2. The Executive Board of the International Confederation of Free Trade Unions (non-Communist) at a meeting in December 1955 passed a resolution concerning exchanges with unions belonging to the World Federation of Trade Unions (Communist). The resolution stated that "the Communist dictatorships seek such delegation exchanges for the purpose of winning moral respectability and legitimacy for their state company unions", and went on to recommend that "no free trade union organizations should exchange delegations with any country which denies its people the fundamental human rights specified in the Charter of the United Nations". This resolution was bitterly attacked on Moscow radio and attributed to "reactionary American labour" leaders who lead the I.C.F.T.U. The World Federation of Trade Unions suffered another setback when the Austrian Government expelled its headquarters from Vienna on February 10, 1956 on the grounds that the organization had exceeded the limits set by its own statutes and had jeopardized the interests of the Austrian state. It is still not known where the new headquarters will be located, but there have been rumours that the W.F.T.U. might establish itself in either Rome or Cairo.

3. The World Federation of Democratic Youth (Communist) continued its "struggle" for contacts with other youth groups. Its Secretary-General said in November that the next World Congress of the organization would consider amending its statutes to permit "limited affiliations" by some organizations which "are interested in specific aspects of W.F.D.Y. activity...without in any way wishing to accept the programme as a whole". No examples were given of the organizations interested in such contacts. The other Communist youth organization, the International Union of Students pursued its efforts to interest other groups in a "Conference of Cooperation" to be held in the spring of 1956. It hoped to hold the meeting in Switzerland but the national organization of Swiss students has refused to be drawn into any such project.

4. An interesting definition of the role of front organizations was given in an article in the Cominform Journal in January. The First Secretary of the Japanese Communist Party said that "these mass movements and organizations are transmission belts for our Party in establishing its links with the multi-millions masses and are simultaneously a school of the national liberation democratic revolution". He criticized those who desire "to compress every mass independent movement and mass organization into narrow Party confines". He warned that "Victory in the revolution cannot be won by the forces of the Communist Party alone". He pointed out that the "international and internal situation has recently changed in our favour "but up to now we have not been able to make adequate use of these favourable conditions".

5. Apart from public statements there were indications from secret sources that the international front organizations were re-assessing their tactics. The World Federation of Trade Unions, for example, was reported

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X to have instructed "trade union internationals" under its control to concentrate more in the free countries (of specific problems effecting the interests of the free countries) on specific problems affecting the interests of the workers, rather than on world political issues, and to devote a large part of their resources to the extension of work in new areas and to propaganda.

Communist Parties

6. The most important development in international Communism during the period under review was the Twentieth Congress of the Communist Party of the Soviet Union. It was made clear that "peaceful coexistence" between states did not imply coexistence between ideologies. Instead, a rejuvenated Communism, based largely on the techniques of Lenin, rid of Stalinist accretions and errors, and supported by that large part of the world which had chosen socialism, was to press its attack against capitalism, reformism, and all other erroneous ideologies. In doing so the Party was to use more flexible and realistic tactics. The transition to socialism need not always be accompanied by violence. Action through parliaments could lead to genuine socialism, and genuine socialism could assume different forms, for example, the Soviet Union, China and Czechoslovakia were following somewhat different paths to the same goal. Although maintaining their ideological purity, the branches of the Party could cooperate with other working class parties for specific purposes and in order to exploit the contradictions among capitalists.

7. In the months preceding the Congress the various branches of the Party were working out some of the tactics the ideological correctness of which was confirmed at the Twentieth Congress. It is difficult to single out any one line of policy as the dominant one for all countries because while the Party in one country was emphasizing its intransigent revolutionary nature, the Party in another was emphasizing its role as a reasonable opposition party, loyal to national interests and constitutional procedures. In most countries, however, during the period under review the Party was manoeuvring itself toward a position in which, relieved to a large extent of the encumbrance of Stalin's errors and of identification with the day-to-day moves of the Soviet Union as a state, and carrying the banner of a purified revolutionary faith, it could lead a leftist coalition (a "united" or a popular" or a "single" front) to power.

8. In the election in France at the beginning of the year the Communists obtained their usual 25% of the popular vote. They did however gain about 50 seats, and could watch with satisfaction the move of the political centre of balance to the left. In the months preceding the election the Communists strove for a "front unique" with the Socialists and Radicals, by putting forward apparently reasonable suggestions for cooperation and by appealing to rank and file members of these parties on a local level. Some strikes in which the Communists played a prominent part helped to bring about this united action, and protest meetings and agitation among the families of men conscripted for military service in North Africa also served the Communist cause.

9. In Italy the Party had difficulties arising from resignations of Party members and declining popular support in some of its strongholds. Togliatti took care to emphasize that international relaxation of tension did not mean any slackening of the class struggle or any postponing of the advent of socialism. At the same time the Party, sought wider political and social cooperation among all popular forces in search of an "opening to the left". Apparently the left wing of the Party had its doubts about the balance struck by the present leaders between "hard" and "soft" tactics. This internal uncertainty will probably hamper the Party until the directives of the Twentieth Congress are harmoniously adjusted to Italian political problems.

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10. In Greece, Communism secured a useful foothold in February when a coalition, the Democratic Centre, which included the EDA (actually Communist) Party, considerably reduced the strength of the Karamalis Government in the general elections. Since one of the plans of the coalition was a partial amnesty for Communist prisoners from the civil war period, this fact and the inclusion of the EDA in a "loyal opposition" marked an important step towards the rehabilitation of the Communists.
11. In West Germany there were continuing reports of apathy and discontent amongst Party members confronted with the extremely difficult task of selling Soviet policy on Germany. No decision has been taken about banning the Party although the members are apparently prepared to go underground. There were some disturbing reports of Communist trade union elections in West Germany but it appears that these were more the result of adept manoeuvring than any increase in popular support among the workers.
12. In general throughout Asia there were Communist moves towards "popular fronts" with leftist groups, as in Europe with the difference that this tactic had to be combined with "national" policies opposing the Western imperialists. In Indonesia a series of elections in the fall of 1955 indicated that the Communists had made a considerable recovery since 1948 by gaining about 20% of the popular vote. In spite of careful manoeuvring, however, the Communists were unable to make arrangements with any of the other parties in order to gain a coalition government. In India the Communist Party attitude towards the Nehru Government stiffened a good deal early in the fall of 1955 as a reaction to almost complete support for Indian foreign policy and limited support for domestic policy earlier in the year. The Bulganin-Khrushchev visit put the Party in an awkward position again particularly with regard to its public attitude towards Nehru. On the other hand the visit obviously did a good deal to popularize the country with which the Communists were identified. There were reports that the Indian Communists had been told by their Soviet masters to bide their time while the Soviet Government reaped some long range advantages for Communism from its friendly gestures, its economic aid, and its encouragement of India's "neutralist" foreign policy.
13. In the Middle East, the Party appeared to gain ground in Syria, but in Israel, it was faced with the awkward problem of Soviet bloc military aid to the Arabs. In the rest of the Middle East there were no new developments but increased Soviet bloc interest in the area and aid to individual nations would undoubtedly strengthen local communist parties. In Latin America, promises of Soviet aid indicated new openings in the future for branches of the Party. The main tactical effort during most of the period under review continued to be the formation of "democratic fronts of national liberation" directed against United States "imperialism". In Brazil an election brought into power a party which the Communists had supported, but there are no clear indications as yet of what this will mean for the future of the Communist Party which remains illegal. In the Argentine the Communists were apparently doing their best among the wreckage of the Peron regime to take over leadership of the Peronist workers.

Soviet Intelligence Services

14. Further developments in the case of the former United Kingdom Foreign Office officials, Donald Maclean and Guy Burgess attracted a good deal of public attention in the period under review. The White Paper issued by the United Kingdom Government was the subject of a debate in the House of Commons on November 3, 1955. The debate dealt primarily with security precautions in the Foreign Service rather than with the activities of Soviet intelligence authorities in recruiting these two men. On February 11, 1956, Burgess and Maclean gave an interview to the press in Moscow, thus revealing publicly for the first time their presence behind the Iron Curtain. They claimed that "neither of us have ever been Communist agents" but that they

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had seen "some chance of putting into practice in some form the convictions/we have/ always held". They hoped to "work for the aim of better understanding between the Soviet Union and the West".

15. Various reasons were suggested for the action of the Soviet authorities in having Burgess and MacLean make this appearance. The United Kingdom Foreign Secretary, Mr. Selwyn Lloyd, mentioned two views, that the interview was intended to "clear the air" for the planned visit of Khrushchev and Bulganin to the United Kingdom, and that it was intended to create distrust between the United Kingdom and the United States. He did not express any strong conviction as to the likelihood of either theory being true but he pointed out the "consistent lack of candour of the Soviet authorities in their statements about these men".

16. The research information about the Soviet Intelligence Services received during this period tended to underline the diversity of Soviet tactics in extending networks based on "legal" and on "illegal" residents. In the previous Review reference was made to the use of Tass agents revealed in the Petrov hearings. We have learned since then from other sources that the Committee of State Security (the KGB) sends a certain number of its agents through the Institute of Journalism to render them better fitted for carrying out intelligence work ~~on~~ Tass correspondents. Apparently intelligence contact with the headquarters of the World Peace Council in Vienna has been maintained through agents who are there as Tass correspondents. People active in the Council are used rarely for intelligence work themselves to avoid compromising the political work of the organization.

17. While all "legal" channels are being exploited carefully, there is information that great emphasis is also being placed on building up "illegal" agent networks. Although it is very much more difficult to establish these "illegal" residents, the networks based on them are very useful in producing information concurrently with the other network and in preparing for any emergency which might dissolve the network based on a "legal" resident.

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II. COMMUNISM IN CANADA **DOWNGRADED TO SECRET**
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General Review

18. The most significant event affecting Canadian Communists during the past six months was, the Twentieth Congress of the Communist Party of the Soviet Union. The initial reaction to denunciations of STALIN as revealed in the Labour-Progressive Party (LPP) press was one of extreme uncertainty. Since, however, comment on so vital an issue could not long be deferred, the Canadian Party took the stand that undue stress on the extent of the denunciation was to be deprecated and full credit given to the Bolshevik "virtue" of self-criticism.

19. It is not possible to determine whether or not the position of Communists in Canada has been strengthened during the period under review, particularly as it is too soon to assess the reaction of Communists and their sympathizers to the Twentieth Congress. Despite some losses incurred by repatriation to Soviet-bloc countries, particularly the USSR, a slight increase in membership, in the Labour-Progressive Party, has been observed. It is quite possible that there has also been a slight increase in subscriptions to the Party press.

Twentieth Congress of the CPSU

20. Tim BUCK, national leader of the LPP, and Stanley RYERSON, its organizational secretary, were delegates to the Twentieth Party Congress in Moscow. BUCK gave a short address to the Congress in which he greeted "the great heroic people of the Soviet Union on behalf of the peace loving Canadian people" and then proceeded to expound the familiar LPP theme that "the only real, external danger threatening Canada at the present time is from the American imperialists and their mania to dominate the world". BUCK, currently reported to be undergoing medical treatment in the USSR, is scheduled to address a May Day Rally in Toronto and should by then have dispelled some of the confusion reigning in Canadian Communist circles as a result of the parent Party's recent denunciation of STALIN.

21. Meanwhile in Canada it must have become apparent to the Party leaders that discussion of such a resounding issue as the Twentieth Congress, particularly the denunciation of STALIN, could not be deferred until BUCK's return. It was revealed that the educational director of the LPP had "opened a discussion as one of a series of seminars being organized by the LPP across Canada to study the reports of the Congress. Many leading LPP members took part in the all-day seminar". Leslie MORRIS, LPP national organizer, replying to questions, doubtless rhetorical, posed by Canadian non-Communist newspapers, declared: "The outstanding fact is that the Soviet Union has built a socialist society and is advancing to communism, when each citizen will receive according to need." Then, as if sure in his own mind of at least this "truth" but still very much on the defensive, MORRIS went on to state not only that "the contribution made by STALIN to the victory of socialism in the USSR is acknowledged and will continue to be given its rightful place but also that only good can come out of the application of the Communist principles of the open recognition of errors. The usual capitalist party principle is to cover them up". This leaning over backwards to be fair to the memory of STALIN while at the same time extolling the virtues of a "frank and honest exposure" of his shortcomings seemed to be the cautious stand that was to be adapted to the LPP until at least the return of their leaders from Moscow.

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The Canadian Peace Congress

22. Although the signature campaign conducted by the Canadian Peace Conference in support of the "Vienna Appeal" continued for some time after the Helsinki meeting of the World Peace Assembly in June, 1955 (123,399 Canadian signatures were said to have been obtained), most of the "peace" activity during the past six months has been confined to the ubiquitous Dr. ENDICOTT and his efforts to capitalize in the name of peace on the so-called Geneva spirit. In mid-October he attended a meeting of the World Peace Council Bureau in Vienna and then in early November in Toronto he presided over the Canadian Forum for Peace at which some 1500 delegates were present. In December ENDICOTT went to Helsinki to attend a special meeting of the World Bureau at which it was decided to convene the World Peace Council in April 1956 to discuss disarmament and the prohibition of nuclear weapons. Before returning to Canada ENDICOTT attended the First Italian Peace Congress in Rome. In March the National Council of the Canadian Peace Congress with ENDICOTT as chairman held a two-day conference in Toronto. One of the items discussed was the procedure to be followed by the delegation which immediately afterwards left for Geneva to try to persuade Members of Parliament and other Canadian government officials to back appeals for disarmament and the banning of nuclear tests. Those unable to make the trip were urged to contact their M.P.'s by letter. ENDICOTT, left Canada again late in March to attend the special disarmament meeting of the World Peace Council in Stockholm, 5-9 April. In October 1955 the Canadian Peace Congress commenced publication of a pocket-size magazine, Horizons, to replace its previous periodical Peace Review. The new publication is part of a world-wide project in peace journalism with most of the material being received from its Communist-controlled namesake in Paris.

East-West Trade

23. The Communist-controlled East-West Export and Import Co. Ltd. of Vancouver has apparently not been successful in attempts to promote the sending of a delegation of Canadian businessmen to China. This project has now been undertaken by a new body, the International Trade Association, which has applied for several incorporation. While the Association is expected to be directed by reputable non-Communist businessmen, it is known that important Communists are trying to guide it. Two other Communist-controlled trading companies, the M & M Trading Co. of Montreal and the World Trading Corporation of Toronto, have for all practical purposes been abandoned. This suggests that the Communists are relying almost entirely on the International Trade Association to promote interest in East-West trade among Canadian businessmen.

Intourist Activity in Canada

24. The Communist-controlled "Ukrainian Book", a Toronto firm established in February 1955 as a wholesale house for Ukrainian-language literature in Canada, has signed an agreement with the All-Soviet Joint Stock Company, Intourist, to forward parcels directly from Canada to the Soviet bloc. The Ukrainian Book collects mailing charges and duty on the goods involved and also sells merchandize to be used in the parcels, about 150 of which are cleared daily. The January 1956 remittance to Intourist amounted to \$16,000 which would indicate that the total business involved is considerable. At least one Communist-controlled travel agency, Overseas Travel Limited in Toronto, has signed an agreement with Intourist. Agencies like the Ukrainian Book and Overseas Travel Limited could contribute to Soviet Intelligence activities in Canada and at the same time swell Party coffers.

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LPP Plan of Work - Membership, Subscription Trends

25. In the Plan of Work put forward at the LPP National Committee meeting in August 1955, considerable concern had been expressed over the decline in the rate of growth of Party membership and the low level of subscriptions to the various Party publications, especially National Affairs Monthly, the LPP theoretical journal. There is some evidence that the LPP has had a small measure of success in its attempt to take advantage of the Geneva spirit for in the past quarter of 1955 Party membership increased by about two per cent and, although there was not necessarily any significant net gain in subscription, a considerable number of new subscribers was reported.

26. The LPP has shown some concern over a possible drop in Jewish membership owing to the Soviet-bloc sale of arms to Egypt and other Middle East countries. Both the activities of a Jewish-sub-committee formed as an advisory body to the LPP and the tour of the western provinces by the National President of the United Jewish People's Order (UJPO) are indications that considerable effort is being made to explain the Communist line in regard to the Middle East. Special discussion groups were also conducted by the UJPO in the various centres but the proposed supplement in Yiddish and English to its press organ, Vochenblat, was apparently not published. Stress on increasing membership was also indicated at the Seventh National Convention of the Communist-controlled Association of United Ukrainian Canadians held in Toronto in February. Included in the programme outlined at the Convention, attended by 148 delegates including three from the United States and addressed by one of the two Soviet Embassy officials present, was a campaign to gain one thousand new members by 1957.

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DEPARTMENT OF EXTERNAL AFFAIRS

MEMORANDUM

TO: ...MR. WEBERHOF.....

Security .. UNCLASSIFIED

Date April 20, 1956

FROM: ...DEFENCE LIAISON (2) DIVISION.....

File No.

50028-13-40

REFERENCE:

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SUBJECT: Possibility of Soviet Drifting Research Stations Entering.....
Canadian Waters

I am enclosing for your information
and retention a copy of a JIC paper dated
April 5 on the above subject.

[Signature]
Defence Liaison (2) Division.

c.c. Mr. Barton
Legal Division



IN REPLY PLEASE QUOTE

NO. CSC 7-17 (JIC)

Department of National Defence


JOINT INTELLIGENCE COMMITTEE

16 Apr 56

Secretary,
Chiefs of Staff.

Possibility of Soviet Drifting Research
Stations Entering Canadian Waters

1. Attached are 13 copies of JIC 176(56) dated 5 Apr 56 on the above subject, which was approved at the 484th meeting of the JIC.
2. May this document please be circulated to the Chiefs of Staff for information.


(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

Encs.

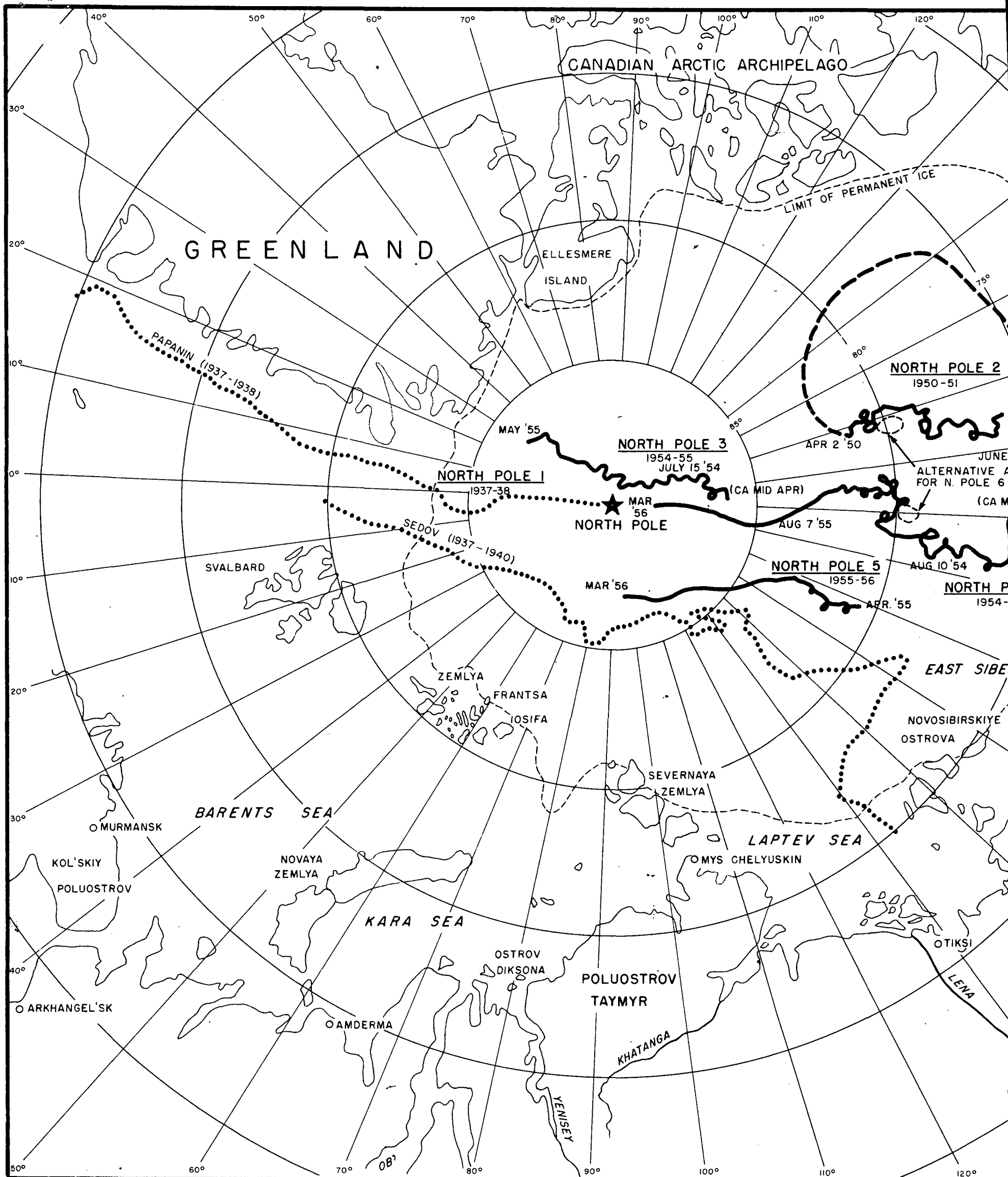
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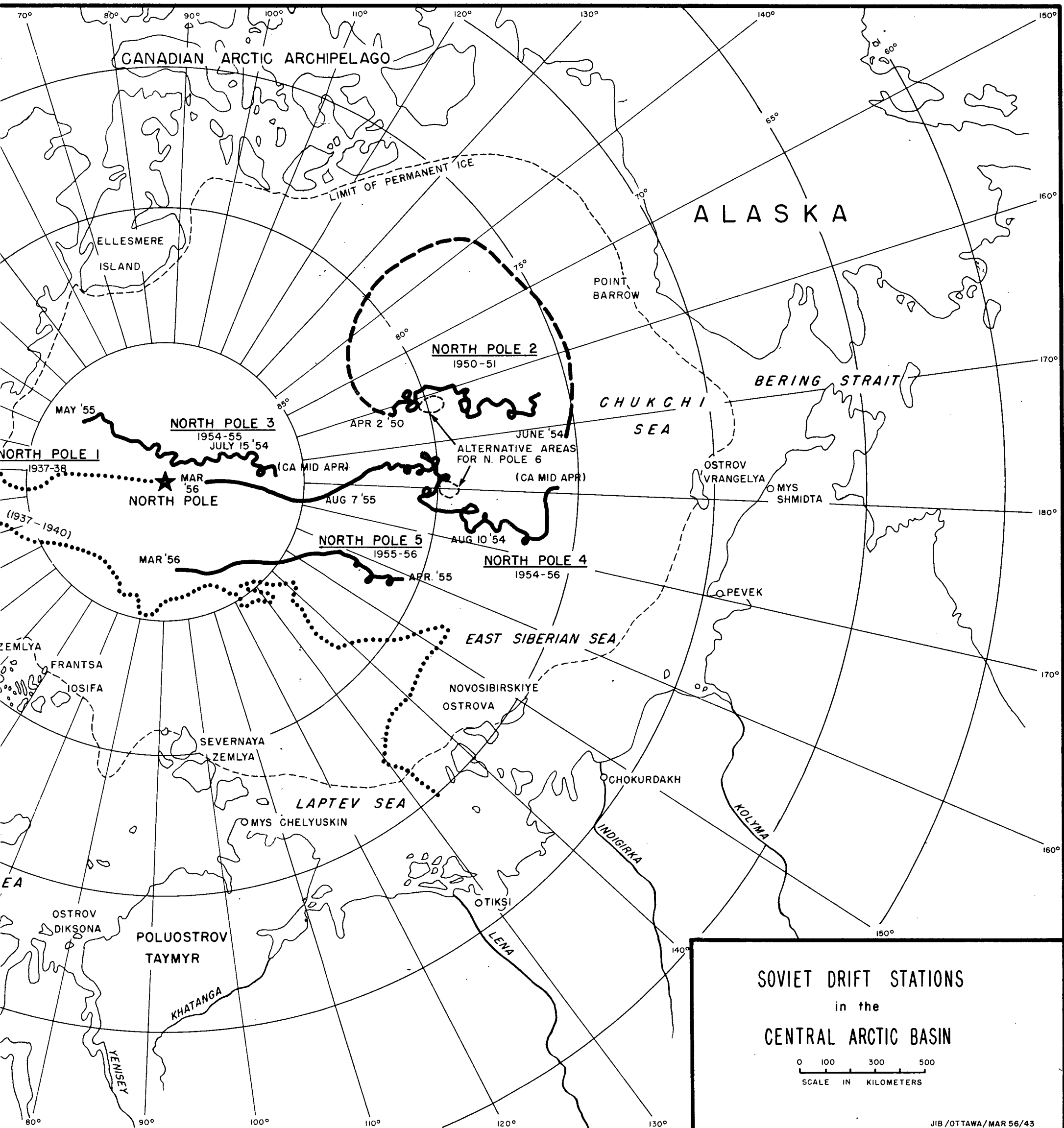
JIC 176(56)

5 Apr 56

Possibility of Soviet Drifting Research Stations
Entering Canadian Waters

1. The Soviet Union has mounted five drifting Research Stations to date. The first of these drifted in 1937-38 from the North Pole to approximately 76°N 14°W, on the east coast of Greenland. The second (SP-2) was established in the spring of 1950 at 81°45'N, 162°W. The personnel were evacuated from this in 1951, but the ice floe described a clockwise circular course, which brought it into Canadian waters within a few hundred miles of Pr. Patrick and Banks Islands and the Alaskan coast.
2. Drift Station 3 (SP-3) drifted in 1954-55 more or less along the 170°E meridian across the pole to the waters off northeast Greenland. During the drift it passed on the Canadian side of the pole.
3. Drift Station 4, which is at present approximately 170°W and 87°N appears to follow a line of drift similar to its predecessors, but the movement is somewhat slower.
4. Drift Station 5 is now approximately 095°E and not likely to approach the Canadian sector.
5. While we are unable to forecast the future drift of any of the ice-islands with certainty it would appear probable that drifting station 4 will continue northward towards Greenland. If this occurs, it is likely to pass close to the North Pole, probably on the Canadian side of the pole.
6. The Russians have announced that they intend to establish a new drift station (SP-6) this spring. Earlier announcements stated that this expedition would start its drift at 80°N 180°. Later statements, however, refer to an intention of mounting the station where SP-2 was abandoned, i.e., north of 80°N and approximately 160°W. If the station is launched at 180° it is most likely to drift in a northerly direction, and will probably not swing very far east into the Canadian sector, although it is just possible that it may do so. However if the station is mounted at 160°W it is probable that it will move eastward toward the Canadian Archipelago and follow a drift similar to SP-2. Here again a more northerly course is not excluded. The new drift station is to be mounted within the next few weeks and its position will probably become known then.





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NO. CSC 1735-2 (JIC)

Department of National Defence

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JOINT INTELLIGENCE COMMITTEE

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✓ G.G. Crean, Esq.,
Dept. of External Affairs.

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JIC Semi-Annual Review of Trends in Communist Bloc Policy Including Communist China

1. Attached is a copy of JIC 183/1(56) dated 25 Apr 56 on the above subject, which was prepared by the JIS in accordance with the decision reached at the 479th meeting (Item III).

2. May your comments on this draft be passed to the JIS by not later than 1200 hours, 30 Apr, please. The comments will be consolidated by the JIS for consideration along with the draft at the meeting to be held 2 May 56.

J.C. McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

Enc.

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c.c. CJS
CB NRC
JIS

FILE COPY

April 25/56

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JIC 183/1(56)
25 April 1956THE JIC SEMI-ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOC POLICY INCLUDING COMMUNIST CHINA

(1 October 1955 - 29 February 1956)

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JIC 183/1(56)

THE JIC SEMI-ANNUAL REVIEW OF TRENDS
IN COMMUNIST BLOC POLICY INCLUDING COMMUNIST CHINA
(1 Oct, 1955 - 29 February 1956)

I. INTERNAL DEVELOPMENTS IN THE SOVIET BLOC

Internal Politics

1. Within the U.S.S.R. the major political developments described in the previous review have continued into the present period under the Khrushchev-Bulganin regime. To the three most important developments - the maintenance of "collective leadership", the drive towards greater economic efficiency, and the creation of a relatively freer feeling among the people must be added the destruction of the Stalin myth. All these developments can be traced back to the period just following the death of Stalin, but in recent months and especially with the convocation of the 20th Party Congress they have been most pronounced. Certainly a primary aim of Khrushchev and most of the other speakers at the Congress seems to have been to impress on the delegates and the people of the U.S.S.R. that Stalinist one-man dictatorship, has gone for good.
2. "Collective leadership" seems not to be firmly established. While both Molotov and Malenkov have come under fire for "ideological errors" they continue to hold down seats in the Party Praesidium and in the Council of Ministers. Khrushchev appears to be the dominant figure but there is no indication that he is likely to assume the old mantle of Stalinist absolutism. The team which he captains has operated more confidently and with greater flexibility than its predecessor, and with the passage of time the possibility of a return to a Stalin type dictatorship becomes more difficult. In spite of the stress on "collectivity", however, Khrushchev is succeeding in placing his candidates in some key posts in the Government and Party, and he probably controls the Party apparatus, the key to the rise to power of Stalin. In December, the First Secretary of the Party in the Uzbekistan, was replaced by the premier, who has since become a candidate member of the Praesidium of the Central Committee. In January, the premier of the R.S.F.S.R., A.M. Puzanov, associated with Malenkov, was replaced by Mr. Yasnov, the mayor of Moscow, who has worked closely with Bulganin and Khrushchev. And most important S.N. Kruglov was replaced as Minister of the Interior (head of M.V.D.) by N.P. Dudurov, the deputy mayor of Moscow whose career has been party rather than police.
3. The annihilation of the Stalin myth, the vehemence with which his once-loyal followers now attack him and his terrorist tactics, and the present denunciation of "the cult of individualism" lend further support to the thesis that for some time at least a collective group will guide Soviet policy. In a secret session of the Congress Khrushchev denounced Stalin as one who dominated the Soviet people through terror, and who murdered and purged his enemies in order to remain in power. It seems evident that the present regime hopes to consolidate its own popularity by laying the blame for previous crimes and oppression on Stalin and Beria. Although this course appears to have provoked some consternation and hostility within the U.S.S.R., it is apparently being pursued with vigour through local party and trade union cadres. The condemnation of Stalin, however, is not a denunciation of communist methods or ideology and there is clearly no intention of giving up any of the gains won by Stalin.

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4. The composition of the Praesidium of the Party remains the same, although the number of candidate members has increased from two to six. The new appointments are Marshal Zhukov, Minister of Defence, D.T. Shepilov, editor of Pravda, L.I. Brezhnev and N.A. Mukhitdinov, First Secretaries respectively of Kazakhstan and Uzbekistan and Mme. E.A. Furtseva, First Secretary of the Moscow City Party Committee. P.K. Ponomarenko, a former candidate member and now Ambassador to Poland, has been dropped. There are over fifty new members of the 125-men Central Committee, and 72 new candidate members; the staff of the Party Secretariat has been raised from six to eight. Non-Russian representation in the Party Committees seems to have been augmented and the present regime seems prepared to grant increased local autonomy under firm party control.
5. During the period under review the Party has strengthened its position over the other major sources of power. At the local levels the authority of the party cadres has been increased. The influence of the secret police has been sharply reduced since the demise of Beria. A new emphasis has been placed on the legal rights of individuals, and it was announced in December that as a result of trials held in Georgia a number of leading MVD and MGB officials had been sentenced to death or to prison terms for serving the cause of Beria and carrying out acts of terror.
6. As a ruling team the regime has exuded confidence, even enthusiasm, in promoting its internal and external policies. It has admitted that there exist certain technical deficiencies in the Soviet economy compared to the capitalist states, but in the new sixth Five-Year-Plan it continues to lay emphasis on heavy industry in order to enable the Soviet Union to surpass the West.
7. The Soviet government has made a number of concessions to public opinion and to consumers which reflect its confidence and its more flexible methods. It continues to permit relatively greater freedom of scientific and cultural thought and has officially recognized a number of western cultural expressions including American jazz, French impressionistic art and functional architecture. It has published or broadcast, unedited, a number of statements of Eisenhower and Eden, and has lowered many of its restrictions on the entry and travel of Western visitors, delegations and journalists.
8. The suppression of the more arbitrary MVD practices has been accompanied by the liquidation of many forced labour camps and the rehabilitation of a large number of political prisoners. Living conditions continue to improve; new regulations reduce in theory the hours of work to six hours on Saturdays and days before holidays and promise further concessions to employees, especially women workers. While heavy industry is still the key to Soviet progress the regime promises to increase consumer goods, to improve the pension system and to step up the provision of housing facilities, though it is difficult to see how this can be accomplished if the heavy industry programme is to continue to take priority.
9. The present leaders are still committed to the monolithic structure of the Soviet state, and show no sign that they would tolerate criticism of their fundamental aims and methods. As a result of their realistic and less oppressive rule, the Soviet regime is probably in a stronger position vis-a-vis its own citizens than at any time since the war. So long as it can maintain its "collective" unity it may not require the despotic techniques of Stalin to assure itself of continued domination over the people of the USSR. In the economic field, however, it cannot be emphasized too often that the besetting problems are a tight labour supply (with the concomitant necessity of increasing labour productivity) and inadequate agricultural production. Until these problems are brought nearer to solution than they are at present, the economy will not be on a really firm foundation, nor can political repercussions of the economic problems be ruled out.

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The Economy

10. The shape and pattern of Soviet economic policies in the period 1956-60 have been more clearly defined in the last few months due to the announcement of the sixth Five Year Plan, the speeches at the Twentieth Party Congress, and the 1956 Budget. Essentially, the sixth Five Year Plan is designed to continue the development of the Soviet economy on the pattern of the previous plan, with an even greater accent on increasing industrial output and special emphasis on the rapid growth of the "means of production".
11. The sixth Five Year Plan asserts that it is the long-term goal of Soviet industry to "overtake and surpass the most developed capitalist countries in per capita production". The importance of heavy industry as the only "correct base" for continuing the development of the Soviet economy has been re-affirmed. Of the planned capital investment during the period 1956-60, (equal in total to the combined capital investment of the fourth and fifth Five Year Plans), some 60 per cent is allocated to the expansion of facilities in heavy industry. The industrial base is to be expanded physically and the degree of regional self-sufficiency improved (industrial development East of the Urals is to be well above the rate for the country as a whole). Every effort is to be made to increase industrial productivity and efficiency through better management and organization, modernization of equipment, greater specialization, and more extensive use of automatic processes. Heavy investment in agriculture is to continue in an all-out effort to increase grain production and raise stock numbers.
12. Gross overall industrial output by 1960 is to increase by 65 per cent over 1955, as compared with an increase of 85 per cent during 1951-55, as compared with a claimed 91 per cent and 76 per cent growth respectively in the previous five years. Although the planned rate of industrial growth during 1956-60 is lower than that achieved during 1951-55, the planned growth in absolute or physical terms is substantially higher. By 1960, Soviet industrial output may represent at least 40 per cent of projected industrial output in North America as compared with a present ratio of some 33 per cent. The margin of North American industrial superiority still remains substantial, but the sixth Five Year Plan indicates the tremendous effort that the USSR is making in order to narrow the gap.
13. By the end of the Sixth Five Year Plan, it may be expected that the economic stature of the USSR in terms of total output of goods and services will be at least one-third higher than in 1955. In terms of industrial war potential, however, the USSR may have a strength of the order of 50 per cent higher than in 1955. In its allocation of resources as between investment, defence and consumption, the tendency will be for the investment proportion to rise, while the current proportions flowing to defence and consumption may fall slightly. As expected, the Soviet 1956 budget is in conformity with the new Five Year Plan, and for 1956 indicates no significant changes over 1955 in economic and defence policy. The accent remains on expanding the base of heavy industry, maintaining a high level of defence expenditures, and of increasing agricultural output. Capital investment for 1956 is some 15 per cent over 1955 in comparable prices. The stated decline in defence expenditures is more apparent than real, and does not represent any decline in the production of military end products. Industrial output in 1956 is planned to increase 10.5 per cent over 1955. The allocation to scientific research and development shows a sharp increase. In summary, the budget reflects the continued preoccupation of the regime with ensuring a high level of industrial growth, effecting a higher level of agricultural output, increasing productivity, and with maintaining a strong and modern military establishment.
14. The European Satellites, Plan results for 1955 indicate that successes were achieved in heavy and basic industries, with moderate over-fulfilment being claimed in all cases. There has been a renewed emphasis

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on heavy industry in conformity with Soviet policy, and it now appears that all new Five-Year Plans are integrated with that of the Soviet Union and reflect some degree of industrial specialization among the Satellites.

Transportation

15. The major developments revealed during the past six months include the electrification of the main rail lines connecting Moscow with the Donbas and Irkutsk, increase of the carrying capacity of the Maritime dry cargo fleet by almost one third and the doubling of the Maritime tanker fleet by 1960. Attention is to be given to various weaknesses in the railway system and to increasing the use of other carriers, such as petroleum pipe lines. In China, the opening of the new railway through the Mongolian People's Republic doubled the existing capacity of Sino-Soviet links. Work continued on the railway to Amoy (which may serve the Fukien airfields by the end of 1956) and on the Yangtze bridge at Wuchang which by 1958 will permit through traffic from north to south.

16. The shipments of petrol, oil, and lubricants to the Far East, continued to increase, and, for the first time since June 1954, Soviet vessels returned to the Europe-North China run. Increased use was made of the Northern Sea Route for through shipments, by both merchant and naval vessels.

17. Civil air transport continued to expand into outlying regions. The Soviet Civil Air Fleet gradually increased its scheduled services into Northern areas, while air transport has also continued to service the drift stations in the Arctic basin. Efforts were made to open air services with countries outside the Bloc; new and revised agreements were concluded between the USSR on the one hand and India, Finland and Yugoslavia on the other, and negotiations were opened with Sweden. There was mounting evidence suggesting that the Russians were preparing to employ a jet transport on some of these links, as well as on internal routes.

Aircraft Production

18. During the period under review the most important development has been the sighting of what were probably BISONs at Long Range Air Force bases, indicating that they are now being delivered to operational units. No further BEARS have been seen since the 1955 July Air Show, but cumulative production of heavy bombers at the end of February is estimated to be 85 aircraft. Series production of the BADGER medium bomber continues, with cumulative output at the end of February about 425 aircraft. The BEAGLE is still the only light jet bomber known to be in production in the USSR. Although there is no evidence available as yet, it is probable that a new and improved light jet bomber aircraft has been developed. The production change-over from the FRESCO to the Farmer interceptor is continuing, but is not yet complete. The FLASHLIGHT all-weather fighter is believed to be in production at only one factory at this time.

19. There are indications that the Russians are looking to jet aircraft for a large part of their future transport requirements. The CAMEL twin-jet transport, designated the TU-104, is in limited production. Tupolev is also reported to be now working on a four-engine jet transport. A twin-engine turbo-prop transport is also reported to be under development.

20. Poland and Czechoslovakia continue to be the only Satellites producing combat aircraft. They are still producing the obsolescent FAGOT jet fighter and its trainer version, the MIDGET. There have been reports that Czechoslovakia is going to produce the FRESCO. If this is so, it will be the first time that a Satellite has been allowed to produce an aircraft that had not previously been compromised to the West. There is evidence

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that East Germany and Czechoslovakia are preparing to produce the twin-engine CRATE, and it is believed that they should be able to produce enough aircraft to maintain the fleet of similar aircraft now flying in the civil airlines of the Bloc. This would leave the Soviet Union free to concentrate on the production of jet and turbo-prop transports.

Naval Shipbuilding

21. Naval shipbuilding has continued at a high rate, but relatively more merchant shipbuilding has been undertaken, mostly tankers. Shipyard facilities continue to expand. The large vessel which has been under construction in Leningrad since mid-1952 appears to be like a Sverdlov class cruiser, but of greater tonnage. It is unlikely that any more Sverdlovs will be built in Leningrad, but a few more will be completed elsewhere. Two new classes of fleet destroyers have joined the Navy, a few of the Tallin class and a substantial number of the Kotlin class. The programme for Kola class ocean escorts has been completed, and the Riga class escort programme is continuing. A large number of 'W' class long range submarines are still being produced, and a much smaller number of the larger 'Z' class long range submarines. The 'Q' class medium range submarine production programme appears to have started. No short range submarines are being built at present.

Atomic Energy and Nuclear Weapons

22. The period under review has been seen a continuing and increasing emphasis on the application of atomic energy to peaceful purposes. A 100,000 kilowatt atomic power station is scheduled for completion in 1956. The sixth Five-Year Plan envisages that by 1960 an electrical capacity of between 2,000,000 and 2,500,000 kilowatts will be derived from atomic energy. Ten different types of experimental power reactors are to be built, as well as three large industrial atomic power stations. In the international field, the Soviet Union has extended its bilateral agreements on atomic cooperation and aid to include Yugoslavia and Egypt. An increasing number of shipments of radioisotopes and nuclear equipment to satellite countries and China has been noted. The long awaited confirmation that a large yield thermonuclear weapon has been developed in the Soviet Union was obtained in November 1955. At that time there were two explosions at the Semipalatinsk testing area, of which the second was considerably larger than the first and had an energy release in excess of the equivalent of one million tons of TNT (one megaton). Both explosions showed the presence of a thermonuclear component and appeared to have been airburst. This latter point confirms that the devices used in these tests were deliverable by aircraft and therefore had the characteristics of useful weapons. In February 1956 the detection of some relatively short-lived artificial radioactivity in the atmosphere, which was of a type normally associated with nuclear explosions, suggested further tests in the Soviet Union. These explosions appeared to be still in progress at the close of the reporting period. In the absence of any firm information as to the origin of these explosions it is not possible to assess their purpose. On the basis of inadequate evidence they appear to have occurred in the northeastern Siberian area.

Guided Missiles

23. The Soviet Union has a continuing high priority guided missile programme and it is believed that research and development work is being conducted on all the major missile types with the greatest emphasis probably being placed on surface-to-air and surface-to-surface weapons. There is reason to believe that the Soviet Union at the present time possesses a surface-to-surface missile having a range of up to 700 miles and it is estimated that the Circular Error of Probability of this missile is likely to be in the order of three to four miles. There have been a number of reports of experiments conducted by the Soviet Union in launching guided missiles from submarines. It remains possible that the grid-like construction

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sites in the vicinity of Moscow are being used for surface-to-air missiles although no further confirmatory evidence of this has appeared. There is recent evidence that the Soviets are now testing an air-to-ship missile guidance system, probably from naval aircraft. This system called KOMET, has been under development since 1947. The associated missile is beam rider believed to have a range between 50 to 80 nautical miles.

Electronics

24. In the science of electronics and related physics, the Soviets have revealed two models of digital computers in use one of which is of a size and complexity comparable with modern Western standards. Transistors are still in very short supply, but apparently some are available for research and development work at least. Electronic instruments to be carried in the Soviet artificial satellite are now being developed with a solar battery as a likely source of power. New and lighter anti-aircraft radar suitable for medium range has been noticed in use in East Germany. Soviet army use of mobile decimeter communications links continued to expand. Electronic countermeasures is receiving increased attention. The new equipment noted has been passive equipment of this type rather than new types of radar. Some MIG-17's have been using radar or a type that is useful at short ranges of, say, 10 miles and may have a lock-on capability at 2 miles or less.

Soviet Arctic Research

25. There is evidence that a further considerable increase in Soviet research in the Arctic basin is to take place during the spring and summer of 1956. The number of drift stations will be increased to three, and their equipment is to be much improved. An extensive programme is to be undertaken by airborne mobile research teams which are to make observations in over 500 positions in the Arctic basic. Shipborne expeditions are also planned in the Soviet sector and the Greenland sea. A large Soviet expedition is now in the Antarctic, and next year the Soviet Union intends to operate three research stations there, which will probably be staffed by a hundred or more scientists. Radio facilities, which could be maintained indefinitely, have been set up to maintain contact directly with Moscow. An extensive hydrographic programme is planned which will cover much of the southern oceans and the Pacific. Particular emphasis appears to be placed on survey lines which would provide information of value to submarines in wartime. The Soviet Union has announced the construction of an atomic icebreaker. At present only one such ship is apparently being built. Its performance will likely be superior to conventional icebreakers.

The Army

26. The third phase, or modernization phase, of the re-equipment, and reorganization programme showed a distinct increase in tempo at the end of 1955 and can by now be said to have reached its highwater mark. The first phase of this programme took place in 1946-47 with the establishment of three basic tactical formations, the rifle, tank and mechanized divisions. The second phase involved the motorization of the Soviet Army and was completed sometime in 1953. The third phase commenced in 1954 and is well on its way to completion. It has become increasingly clear that priority in the re-equipment programme has been directed to the Army within the Soviet borders and not to garrisons outside the Union. There is some evidence that formations in the periphery military districts have had first priority in the re-equipment programme, followed by Groups of Forces in the Satellite countries while interior military districts are last on the programme. The main features of the third phase have been the introduction of large numbers of the new medium tank with increased holdings in establishments, a considerable increase in the numbers of the heavier

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artillery pieces with the resultant increase in artillery firepower, and the introduction into line divisions of amphibian tanks as part of the reconnaissance element.

27. It is obvious from available evidence that the Soviet Army has reached or is about to reach an unprecedented organizational peak and the Army is probably now considerably more formidable than it was two years ago. Certainly Soviet planners appear to have achieved their objectives of mobility, considerably increased firepower and a greater capability for dispersion. There is every indication that the Soviet High Command in its military thinking is moving away from the two major features which have hitherto characterized Soviet military doctrine. These are the concepts of "mass" and "centralization", and there has been evidence that in a future war, combat groups (brigade groups and higher) may be employed. In addition officer training has apparently been in large part directed towards inculcating in the Soviet officer the ability to think and act independently. The general trend over the past two or three years appears to be directed towards fitting the army both organizationally and tactically to meet the conditions imposed by nuclear warfare and existing evidence indicates that considerable progress may have been made in this direction.

28. The withdrawal of Soviet Forces from Austria was completed by mid-September. An unspecified number of troops from Austria appears to have been despatched as reinforcements to Soviet formations in Hungary. At the same time it is believed that some 7000-8000 Soviet troops were distributed to the Satellites of which about 3000 were reported to have been despatched to Germany. This latter group consisted almost entirely of specialists and extended service men. Nearly all the Independent Border units have now been withdrawn from East Germany and are believed to have been returned to the USSR. There are, however, possibly 3 or 4 such units still in the Berlin area. These have been withdrawn into the background but so far have not been reported as having returned to the Soviet Union.

29. Despite the announced reduction of the Armed Forces by 640,000 there has been no real evidence to date that this has in fact been carried out. The strength of the forces in Germany remains substantially the same as before and if anything may show an increase of 3000 representing the intake from Austria. The number of defectors has shown a distinct decline in recent months. There is no indication that this is due to any special preventative measures and may therefore indicate a rise in morale generally. At the same time, there have been reports that more and more conscripts are signing on for extended service.

The Navy

30. During this period the main trends of Soviet Naval policy appeared to remain unchanged. The main offensive power of the Soviet Navy still lies with its considerable and fast-growing submarine force. Surface ships co-operating with the shore-based Naval Air Force provide a strong defensive force. Further logistic support for the Northern Fleet was provided by the transfer of naval auxiliary vessels from the Baltic to the White Sea area. In the Baltic, the Porkkala naval base was returned to Finland, the evacuation of Soviet naval forces being completed by November, 1955. An interesting amphibious assault exercise took place in the Swinemund area on 22nd October, a feature of this exercise was that Polish as well as Russian forces took part, possibly indicating a trend towards closer co-operation between Soviet and Satellite navies. In all areas fleet exercises were continued with a high degree of activity even during the very severe weather in the Baltic during February. From analysis of exercises it is apparent that the Soviet Navy is kept in a high overall state of readiness for war. It now appears that with the increase in total strength resulting from new construction, some older ships (including one cruiser and six destroyers) are being placed in reserve: previously it was believed that

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inactive units comprised only a small number of submarines. In addition, the transfer of ships and submarines to the Chinese Communist and Satellite navies has continued, though at a somewhat reduced rate. The Soviet Naval Air Force appears to rank high on the priority list for the introduction of new types of fighters and continues to receive large numbers of modern aircraft. It is now largely composed of jet aircraft. The fitting of Soviet vessels with new types of Russian produced electronic equipment, including radar and Electronic Counter Measure gear, is being continued. The current Soviet efforts to relax world tension were reflected in their naval policy by an exchange of visits between the Soviet Navy and the Royal Navy; which is continuing in 1956.

The Air Force

31. During the period under review the Communist Bloc Air Forces continued to improve generally their air capability. Heavy bombers (BISONS) were observed in limited numbers at operational Long Range Air Force bases in the Soviet Union. BADGER (medium jet bomber) re-equipment continued at a steady rate with an increase of approximately 100 aircraft during the period. FLASHLIGHT (All weather fighters) and FARMERS (day fighters) have been sighted in increasing numbers at Soviet Air Force bases. There has been a continuing re-equipment of Soviet Tactical Air Force fighter units with FRESCO aircraft are equipped with a radar aid for interceptions. There is an increasing amount of evidence that Naval Air Force multi-engine aircraft are dropping torpedoes from high altitudes. According to information published by the Soviets they have the capability of laying mines and launching torpedoes from jet aircraft.

32. The number of major airfields, equipped with long permanent runways has increased from 118 to 123, and in addition, there are nine, possibly 23, other airfields under construction or development. Poland continues to remain the most active area of airfield construction, the most significant development there at present being the construction of a very large runway. Only one other runway of comparable size is known to exist in the Sino-Soviet Bloc; it is located at Gross Dolln in East Germany and believed to be capable of handling the heaviest types of aircraft. However, there is no evidence that either airfield has been utilized by heavy bombers. Information, received during the latter part of 1955, revealed that an intensive airfield development was carried out in Southern Ukraine, Crimea, Caucasus, and Kazakhstan area. At least three of the recently observed airfields in that part of the USSR appeared to be capable of accommodating strategic bombers. In late 1955, three air facilities (Tiksi, Mys Schmidta, and Anadyr/Leninka), located in Northeastern Siberia, were definitely identified as major airfields. The reported facilities and installations suggest that these airfields are capable of handling medium and possibly heavy bombers. Together with the previously reported Provideniya/Ureliki, these three additional major airfields bring to four the total number of the potential bomber bases, that are known to exist in the Eastern part of the Soviet Arctic.

European Satellite Forces

33. Although all of the Satellites, with the exception of East Germany, followed the lead of the Soviet Union and announced plans for reducing their armed forces by the end of 1955, to date, no positive evidence is available which indicates that the reductions actually have been carried out. Of all the Satellites, East Germany has been the most active during the last six months. During the latter part of last year, East Germany began taking over the responsibility for policing its borders from the Soviets. On the 18th of January, 1956, the East German Government announced the official establishment of a "National People's Army", to consist of land, air, and

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sea forces, and a "Ministry for National Defence". Subsequently, Deputy Minister Willi Stoph was made a Colonel General and appointed Minister of National Defence.

34. Soviet and Satellite political and military leaders gathered in Prague on 27th and 28th January, 1956, for the first meeting of the Political Consultative Committee established by the Eight-Power Warsaw Pact of 14th May, 1955. In a declaration issued at the conclusion of the meetings, the signatories of the Warsaw Pact:

- (1) proposed to exclude nuclear weapons from the equipment of any armies stationed in Germany;
- (2) called for creation of neutral zones in Europe, in which the strength and deployment of armed forces would be regulated by mutual agreement;
- (3) proposed the removal or reduction of occupation forces in Germany;
- (4) reiterated the Communist contention that German reunification could be brought about only through direct negotiations between the East and West Germans;
- (5) repeated previous Soviet proposals for a European collective security pact. During the conference East Germany was accepted as a full member of the Pact.

35. Little information is available to date concerning actual allocation of specific forces to the Soviet-Satellite Unified Command. It has been reported that Czechoslovakia has placed six of its fourteen line divisions on a stand-by basis for attachment to Marshal Konev's command. Although information is not available regarding similar action by the Soviet Union and the remaining Satellite States, the potential of these countries is high. The Soviet-Satellite Bloc have over 150 line divisions available which may be considered for allocation to the Unified Command, of which approximately 77 are Satellite line divisions.

36. By the time the field training season of the European Satellite Armies had ended, it was obvious that the level of training reached varied somewhat from the attained in previous years. There is no evidence that the Bulgarian and Czechoslovak Armies tried to conduct manoeuvres on as high a level as in previous years. The East German, Polish and Roumanian Armies, on the other hand, showed some improvement in both the level and the standard of training. The Albanian and Hungarian Armies apparently maintained about the same training levels as in past years. It had been expected that increased attention would be given to training under simulated atomic-warfare conditions. The Commandant of the Czechoslovak Cadet Infantry School stated to a group of visiting Western Military Attaches that training in defence against atomic warfare is now standard and that Czechoslovak forces have atomic weapons. According to available information, however, only the East Germans and Poles conducted this type of training during 1955. The air forces of Poland and Czechoslovakia continue to be the most important to the Satellite national air forces. There has been an increase in the Polish jet fighter strength and signs of development of a Czechoslovakian bomber force.

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II SOVIET FOREIGN POLICY

General

37. Soviet foreign policy came into much clearer focus in the five months under review. Thanks to two major events which were the occasion of policy statements, and a number of lesser events which showed Soviet policy in action, we now have a much clearer idea of what the Soviet Union means by peaceful co-existence. We can also see that the new Soviet policy is more than just a short-term tactical shift, that it will probably continue for some time, but that there has been no major change in ideological motivations or foreign policy. While certain aspects of the new policy are to some extent influenced by internal considerations, it has sprung primarily from considerations of broad political strategy in the world conflict.

Geneva Conference of Foreign Ministers

38. The Geneva meeting of Foreign Ministers in October and November, the first major event of the period under review, indicated that the Soviet leaders had no intention of moving toward a settlement of major issues between them and the West. In Europe, the objectives remain the dissolution of NATO, the withdrawal of the United States, and the denial of a unified and re-armed Germany to the Western alliance. Geneva I and Geneva II, but particularly the latter, were concerned primarily with the problems of Germany. Mr. Molotov, whose stubborn personality heightened the impression of intransigence, made the Soviet stand on Germany clear. For the present at least, the Soviet terms for unification are the preservation of the social and economic structure of Eastern Germany within a unified Germany. Realizing that these terms are quite unacceptable to the West, the Soviet Union since Geneva has taken steps to establish the outward signs of East German independence by the transfer of "sovereignty", the establishment of diplomatic relations, and permission for East Germany to join the Warsaw Pact. For the present, the Soviet Union seems content to wait in the hope that the movement for re-unification within Germany will lead to re-unification on Soviet terms.

39. Disarmament was on the agenda of the Foreign Ministers' meeting but no further advance was made from the Soviet proposal of May 10, 1955, and Bulganin's modifications at the Summit meeting. The Soviet Union still refused to accept an adequate system of inspection and control. Since then, the subject has been kept open in the Bulganin-Eisenhower correspondence on a treaty of friendship between the USSR and the USA, which suggests that the USSR may still be interested in a limited disarmament scheme. Khrushchev has suggested that the Soviet Union might be ready to agree to certain partial measures such as the cessation of tests of thermonuclear weapons; not to permit troops in Germany to have atomic weapons (essential for the defence of Western Europe given Soviet manpower superiority); and reduction of military budgets (a dubious proposal in view of the ease of hiding Soviet military expenditures under other budget items).

40. In spite of Mr. Molotov's rejection at the Geneva meeting of the far-reaching Western proposals on East-West contacts which would, indeed, have struck at the very basis of the Soviet system, there is no indication that the Soviet Union intends to return to the extremes of post-war isolationism. The USSR continues to promote a controlled programme of contacts within its chosen limits. The primary purpose is to obtain scientific and technical "know-how" from the West to assist in its economic development; but there are the additional propaganda advantages of blurring and playing down the major issues dividing the West from the USSR, and presenting the Soviet Union in a favourable light as a reasonable and co-operative country. Scientific delegations have been sent to learn Western techniques; Soviet concert artists are being sent abroad more and more;

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the Russian Orthodox church is being allowed to renew its contacts with other churches; the Supreme Soviet is making every effort to lure Western and other parliamentary delegations to the USSR and to return the visits; foreign statesmen are flocking to Moscow, and the Soviet leaders are spending much time on goodwill tours abroad.

The Middle East and South Asia

41. The methods by which the Soviet Union intends to extend its influence are best illustrated in the Middle East and South Asia. Accepting the main features of the status quo in Europe for the time being, Soviet attention has been turned in the last five months to those countries lying to the south of the USSR, from Egypt to India. The most significant new departure is the sale of arms and the offers of economic and technical aid as important instruments of policy. This is indicative of the flexibility and imagination of present Soviet leadership, and the point to emphasize is that economic penetration of the Middle East and South Asia are based, not on economic but on political motives.

42. The methods of reducing Western influence in the Middle East are varied. Soviet arms shipments to Egypt have exacerbated the Arab-Israeli dispute. It seems unlikely that the USSR would welcome a serious outbreak of hostilities in the area, but encouragement of nationalistic, and anti-Western, feelings suits Soviet purposes well by making the maintenance of Western influence less tenable. When it appeared that Middle East unrest might have the reverse effect and actually bring additional Western troops into the area in accordance with the Three-Power Declaration in February, the USSR reacted strongly and immediately to say that it would consider any such move as of direct concern to the Soviet Union. Soviet offers of economic and technical assistance, have likewise reduced Western influence and have put the Arab nations in a position to blackmail the Western powers. The Soviet Union is also attempting to destroy 'the Northern Tier' alliance, which it has effectively jumped by establishing close relations with the key Arab country of Egypt. Iran, Turkey and Pakistan have been told that membership in the "aggressive" Baghdad Pact is incompatible with friendly relations with their northern neighbour. Iran and Pakistan have been offered trade treaties conditional, it is reported, on their withdrawal from the Pact. By all these moves, the Soviet Union is trying to convince the countries of the Middle East that a policy of neutrality will serve their interests better than adherence to the West. It has also made clear to the West that, although it would not want a military showdown in the area, it is not prepared to let the Western nations impose a solution to Middle Eastern problems without taking into account Soviet interests in the area. Meanwhile, the present crisis serves its purposes well with very little risk for the USSR.

43. In South Asia, the purpose of the new Soviet offensive has been to convince India, Burma and Afghanistan of the advantages of a policy of neutrality and the possibilities of close relations with the USSR. The most dramatic expression of the new Soviet interest in South Asia was the December goodwill tour by Khrushchev and Bulganin. Soviet subscription to the Panch Shila, denunciations of colonialism, support for the Indian position on Goa and Kashmir fell on receptive ears. But the very fact of the tour by the leaders of the second most powerful nation in the world flattered the Asian nations, and particularly India, which was made to feel that the Soviet Union recognized it as an important nation. The constant references to the material achievements which the Soviet Union, had made in a scant 38 years, also had their appeal to Asian nations emerging from colonial status and struggling on the road to industrialization. The Soviet Union has been at pains to emphasize that it is offering trade, not aid,

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for it realizes Asian sensitivity to any suggestion of "handouts" from wealthier nations. These measures have gone a disturbingly long way to convince the South Asian nations that the USSR has no aggressive designs upon them and that it can and will assist them in their economic development without the unpleasant financial and political conditions which are associated in the Asian mind with Western aid. There may be some disillusionment if there is a failure to live up to undertakings, but it would be unwise to count on such failure. This is clearly what the Soviet Union means by peaceful and competitive co-existence. Military conquest is not involved and even subversion is not of prime importance for the time, but the object is, nonetheless, by economic penetration and by propaganda and diplomatic means, to win South Asia from the West and to ensure its neutrality.

Twentieth Congress of the Communist
Party of the Soviet Union

44. The 20th Congress of the Communist Party of the Soviet Union has provided a blueprint of Soviet foreign policy for at least the immediate future. In a mood of exuberant self-confidence, the Stalinist hard line was vigorously rejected, to be replaced by the dominant theme of peaceful co-existence between states of differing social systems. Peaceful co-existence between states does not mean that there can be any peaceful co-existence between ideologies. War is rejected as an instrument of policy, but the struggle with capitalism will be pursued by other and more fruitful means. Nor does peaceful co-existence mean that the USSR intends to reduce its military capabilities. These capabilities will not be jeopardized by the demands of heavy industry, of consumer goods or of economic assistance to other countries, though they may be modified in form if a limited disarmament agreement is reached. Meanwhile, Marshal Zhukov emphasized that the Soviet Union has a diversity of atomic and nuclear weapons.

45. The states of the world are placed in a Soviet order of merit, which gives an indication of the kind of pressure which will be brought to bear on them in furthering Soviet influence. It is significant that several of the countries along the periphery of the Sino-Soviet bloc which the Soviet Union is trying to woo are precisely those countries in whose territory are the United States Strategic Air Command bomber bases. In taking the offensive against these countries, the Soviet Union is doing so not only because many of them are under-developed and therefore offer good possibilities for an extension of Soviet influence, but because they wish to deny the use of their territory to the bomber and possible missile bases of the United States. As for the Western democracies, the Soviet Union will try to enter into bilateral negotiations with them in an attempt to weaken their unity in opposition to Soviet communism.

46. Two important revisions of doctrine were made at the 20th Congress, one on the inevitability of war and the other on the methods of transition to socialism. It has been a Marxist-Leninist promise that, while imperialism exists, wars between the capitalist and socialist powers are inevitable. The Soviet leaders have now revised the doctrine to state, that, while the economic basis for the outbreak of war persists, "there is no fatal inevitability of war". Their reasons for revising the doctrine are the deterrent effect of thermonuclear warfare capabilities and the economic strength of the socialist bloc in contrast with the situation pertaining at the time of Lenin when the Soviet Union was surrounded by a hostile and much more powerful capitalist world. The Soviet leaders are making virtue of necessity in preaching peaceful co-existence and the non-inevitability of war, but this may have a markedly favourable propaganda effect in certain sectors of the Western, and even more so of the Asian world where the inevitable war doctrine has been a serious deterrent to co-operation with the Communists and with the Soviet Union.

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47. A second major revision of doctrine at the Congress had to do with the possibility of different but valid forms of the socialist state and different methods of arriving at socialism. Previously the doctrine was that all socialist states must be modelled after the Soviet state and that the transition can only come about by revolution. The first tenet was denied in fact by the pilgrimage to Belgrade in May, 1955, and by the position of Communist China within the Sino-Soviet world. The Congress revised doctrine to fit the facts and by so doing put the stamp of orthodoxy on Yugoslav and Chinese Communism. The second tenet made difficult the efforts to form popular fronts, as in Italy and France. It has therefore been revised to say that civil war is not obligatory in all circumstances and that the transition to socialism may come about by parliamentary means, though "acute class revolutionary struggle" will be necessary where capitalism is still strong. It is quite clearly stated that the Communist Party would lead the transition to socialism by parliamentary means and that, once the transformation was achieved, there would be no turning back and no room for differing parties. The model is Czechoslovakia.

48. The Soviet leaders seem to regard the future course of the world struggle with confidence. The leaders have not abandoned their ultimate aims and are confident that the future is theirs. That they have radically changed their methods of achieving this goal is partly a reaction to Western unity and defence preparations in the face of the Communist threat, but primarily a realization of the ineffectiveness of Stalinism. It may not prove the strength of the regime but it could scarcely have been accomplished by a group of men who felt weak or uncertain. Mr. Khrushchev made clear to Mr. Pearson his conviction that in a more peaceful international climate the free peoples will not accept the sacrifices that prolonged defence preparations and competitive economic co-existence involve. The Communists could stand up better to the sacrifices of the long pull and Communist society would, therefore, prove superior to capitalist society. It must be admitted that the new Soviet policy is having considerable success and that, as the basic Soviet aims remain the same, the challenge from the USSR, while changed in character, remains strong and in some respects more dangerous than the markedly aggressive policy of Stalin.

The European Satellites

49. Soviet domination of the political and economic life of the satellites continues. In spite of the Soviet Union's movement toward accepting the validity of different forms of socialism in different countries, there is little evidence that this precept has been extended to the satellites, nor that the satellite leaders entertain any Titoist aspirations. They are too dependent on the Soviet Union for the maintenance of their position, and without the popular support which would permit of any independence of action.

50. The 20th Party Congress gave notice that the economies of the Satellites would be even more firmly integrated into the economy of the Soviet bloc, with a more rational industrial specialization by individual countries. The satellites are being used in the Soviet economic offensive in the Middle East and South Asia and in the effort to extend trade with Western countries.

51. Somewhat hesitantly, the Satellites are following the Soviet lead in establishing "normal" relations with the outside world. Albania, Bulgaria, Hungary and Roumania were admitted to the United Nations at the last session of the General Assembly. East-West contacts, though on a much more limited scale than that pursued by the USSR, are being

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encouraged, but so far are limited to sports, cultural affairs and trade. The satellites are making their peace with Yugoslavia, a process which involves painful internal re-adjustments in view of the number of purges for "Titoist activities" which took place in all of them following the Soviet-Yugoslav break in 1948.

52. Internally, the relaxation of the more oppressive restrictions has been less noticeable than in the USSR. Some political prisoners have been released and a few elderly people have been allowed to join relatives in the West partly through Red Cross intervention. Nevertheless, trials of "Western saboteurs" and of people engaged in "anti-state activities" continue. There have been no major government changes in the last five months. Some unwarranted optimism about a measure of relief from Soviet bondage apparently existed among the people of the Satellites prior to the Geneva meeting of Heads of State. Soviet refusal to discuss the Satellites there and events since that conference have dashed these hopes.

Yugoslavia and the USSR

53. In recent months Yugoslavia and the Soviet Union have taken a number of important steps to normalize their relations. With the signing of a protocol on trade in January, it is estimated that trade with the Soviet bloc should not exceed 25 per cent of Yugoslavia's total foreign trade over the next three years, compared with a figure of over 50 per cent in the pre-1948 period. Yugoslavia appears fully aware of the undesirability of allowing itself to again become economically subservient to the Soviet bloc. In addition to the trade agreement, the Soviet Union has undertaken to extend investment credits to Yugoslavia totalling more than \$200 million. Agreements on technical assistance and co-operation in the field of nuclear energy were also signed. Yugoslavia will receive from the Soviet Union the assistance necessary to enable it to construct a reactor which is scheduled for completion towards the end of 1957. Finally, in the cultural field, exchanges of artists and delegations of many kinds between the two countries have been growing in number and have been receiving active encouragement on both sides. Czechoslovakia has also extended 2 credits to Yugoslavia one for \$50 million for the purchase of capital equipment and one for \$25 million to be used mainly for the purchase of consumer goods.

54. On the ideological front, the themes developed by the Soviet leaders in their speeches to the 20th Congress of the Communist Party in Moscow have been welcomed in Yugoslavia as evidence of the abandonment of the aggressive tactics of the Stalinist era. This new Soviet approach will do much to foster good relations between the two countries and may well mean a relaxation of Tito's earlier reluctance to discuss the development of inter-party co-operation. A significant indication of the closing of the ideological gap between Yugoslavia and the USSR was provided by Tito's letter of "comradely greetings" to the 20th Congress, which, from the Soviet viewpoint, probably more than compensated for the absence of the participating Yugoslav delegate. There is still no indication that Tito contemplates a return to the Soviet camp, but a definite trend towards a closer alignment of Yugoslavia with the East and a corresponding weakening of its Western connections undeniably exists.

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FOREIGN ECONOMIC RELATIONS

55. During the period under review, the Soviet campaign of using economic weapons to capture the goodwill of the "uncommitted" or neutral nations emerged as a major aspect of Soviet foreign policy. In carrying out this policy the Soviet Union substantially increased the extent of their participation in international trade fairs, bartered arms for agricultural surpluses, boosted normal trade, extended easy credit for eye-catching projects, offered considerable technical assistance and reorganized their own administrative structure to provide for greater control and coordination. Although the political achievements of the campaign are out of proportion to the assistance actually extended, (about \$300 million) there is every indication that it can and will be intensified with very little cost to the development of the domestic economies of the Bloc.

56. Indicative of the importance which the Soviet leaders attach to their foreign economic campaign has been the reorganization of the governmental structure concerned with this subject. The Chief Directorate for Economic Relations (GUES), which was established under the Ministry of Foreign Trade earlier in 1955, has become, at least since November, a separate organization. It is now believed to be directly responsible to the Council of Ministers, and is thought to be responsible for the over-all coordination of the Soviet programme. GUES appears to have two separate sections dealing with economic relations within and without the Bloc. It is known to have two Directorates: one for material assistance, and one for scientific and technical assistance. The coordination of Satellite trade plans with that of the USSR has been disclosed by East German officials. While the chief trade commitments of the Satellites will be with the Soviet Union and other Bloc countries, they are nevertheless, conducting an export drive with the main emphasis on manufactured goods and industrial equipment, designed at least in part to meet the cost of increasing imports of raw materials and agricultural products.

57. The event which caused the greatest concern in the past year was the conclusion of the Czech-Egyptian agreement providing for the barter of Bloc tanks, jet aircraft, and light naval vessels, estimated to be worth between \$140 and \$250 million, for Egyptian cotton over the next three years. Arms have also been sold to Syria, and there have been reports that Lebanon and Yemen are also negotiating for Bloc arms supplies. Soviet offers of assistance for the construction of the Aswan High Dam have been rejected by Egypt in favour of the Western offer through the International Bank. At the same time, however, Egypt has accepted Soviet assistance for the establishment of a nuclear physics laboratory.

58. On the whole, the Satellites have taken the lead in offering assistance to the Middle East, supplying loans for the construction of complete factories, bridges, shipyards, etc. Poland has secured the contract for the initial development of the Hejaz railway, and it has been reported that a Czech offer to build an oil refinery in Syria, has been accepted. Bloc trade is also increasing with the countries of the Middle East, primarily with Egypt, Syria and Lebanon, who have no oil revenues and have to depend on the export of agricultural surpluses. The composition of Bloc exports is also changing with more industrial and construction equipment being exported.

59. The only known sale of arms by the Bloc to countries in Asia is the reported \$5 million worth being supplied by Czechoslovakia to Afghanistan. It is possible that, of the \$100 million credit extended to Afghanistan by the USSR, \$15 million may be for arms. The Soviet offer of the IL-28's to India (as against the Canberra's) is still being considered by the Indian Government. A large credit was extended by the Soviet Union amounting to \$100 million to Afghanistan. The loan will be used for the development of airfields and roads, irrigation projects and agricultural improvements and is to be repaid over a 30 year period in

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kind by Afghan exports. In Burma the Soviet Union is building a technological institute promised as a gift by Bulganin and Khrushchev during their visit during December. A similar institute is being furnished to India by the USSR through UNESCO. Bloc trade with South and South-East Asia has also increased. The USSR has agreed to supply India with 1 million tons of steel a year for the next three years and to increase imports from India accordingly. By the end of 1955 more than 25 per cent of Burma's exports of rice were being bought by the USSR. Afghanistan's trade with the USSR has also risen considerably since the closing of the Afghan/Pakistan border.

60. During the period the Soviet Union has made general offers of aid to the countries of Latin America. Offers of increased trade, and economic and technical assistance have also been extended to Liberia, Libya, Ethiopia and the Sudan. The Soviet Union, in its campaign against the Baghdad Pact, has made attractive economic overtures to Turkey and Pakistan.

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III. INTERNAL DEVELOPMENTS IN COMMUNIST CHINA

Internal Politics

61. Outwardly, at least, the affairs of the Chinese Communist Party have been placid since the Kao Kang purge. The intensive campaign of mid-1955 against unspecified counter-revolutionary elements appears to have died down, but there is still, however, a considerable volume of internal propaganda directed against the intellectuals as a class. Domestic attention and interest cooperatives as an intermediate stage in the socialization process.

The Chinese Economy

62. Last July the programme of the regime called for the "semi-socialization" of agriculture (organization of producer cooperatives) to be complete by 1960 and "full socialization" (Collectivization on the Soviet model) by 1967. Since October, however, official announcements have steadily advanced these deadlines until it now appears that the goal of semi-socialization is to be completed by the autumn of 1956 and "full socialization" by 1959 or 1960. If these announcements are true, the pace of socialization in China has been phenomenal. It would mean that about 70 million peasant households out of an estimated total of 110 million will have been incorporated into agricultural producers cooperatives. Based on the failure of the attempted drive toward collectivization in 1955 and on the real shortage of trained overseer personnel to carry out such a programme, it seems probable that a great number of the new cooperatives and collectives exist only on paper. Agricultural production is also to be expanded far in excess of former targets. Gross food production in 1956 is now set at almost 10 per cent higher than the bumper crop in 1955 and some 6 million tons more than the original target set for 1957. Even more startling than the 1956 goals has been the target set in the new twelve year Plan. By the end of the 12-year period annual agricultural production is to amount to some 450 million tons or an increase between 150 and 200 per cent. In view of the almost complete absence of a Chinese farm machinery industry, the small proportion of capital investment being allocated to agriculture, the great shortage of chemical fertilizers and to many difficulties involved in opening new lands, the target set in the Twelve Year Plan is completely unrealistic. The lag between social reform and technical reform (i.e. the mechanization of agriculture) in China is so great that no real increase in agricultural production can possibly take place until the technical reform programme become effective. At present the technical reform programme is largely in the blueprint stage. It is estimated that the most likely increase during this period will be 20 to 30 per cent. An increase of at least 20 per cent will be necessary in order to keep pace with population growth, and if increased surpluses are to be available for export, to pay for imports of industrial equipment, then the increase will have to be greater than 20 per cent.

63. As in agriculture, the regime has announced a sweeping speed-up of the industrial programme. The target for overall industrial production for 1956 calls for an 18.6 per cent increase over 1955, and heavy industry is to achieve 99 per cent of the 1957 target. The goals for the energy base have been advanced considerably. The achievements of 1955 do not augur well for the success of these plans. Industrial output showed an increase of 5.4 per cent over 1954 against the originally planned goal of 7.7 per cent. Details regarding the progress of the 1600 major construction projects, or more particularly about the 1956 Soviet-assisted projects, are not available. Nevertheless, the evidence is sufficient to show that a

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good proportion of the Plan is being fulfilled and that this achievement will give China a substantial part of the industrial base on which she can build in succeeding plans. The principal obstacle to the success of Chinese plans continues to be a shortage of raw materials and a shortage of skilled labour particularly at the managerial level.

64. One of the most interesting aspects of this remarkable acceleration in both agriculture and industry is the fact that it has been the result of the personal and sustained intervention of Mao Tse-tung. On 30 July the Congress adopted the time-table reported previously, and on 31 July Mao outlined the new programme to a group of local Party Secretaries. This accelerated programme was not made public until October and it is evident that Mao had considerable opposition to overcome within the ranks of the Party. It is believed that it was also due to Mao's personal intervention that the goals for industry and commerce were advanced. The real reasons for this sudden and dramatic acceleration are not yet fully apparent. Undoubtedly political as well as economic motives are involved and it seems likely that internal considerations predominate. The rapid collectivization of agriculture, if successful, would give the Party tighter control of the peasantry. The need for this tight control is evident in that the regime plans to increase the capital resources at its disposal, in the form of agricultural products, for developmental purposes primarily by a process of squeezing the peasant rather than by attempting to increase the investment that would be necessary to improve yields and open new lands. The disastrous results of the Soviet experience in a similar programme do not seem to be deterring Chinese leaders, although it is interesting to note that it appears to be the theoreticians who are supporting the new course.

65. One element in Chinese plans may be a desire to present to Asia a dramatic demonstration of Chinese economic prowess. Chinese leaders must undoubtedly be conscious of the scrutiny which their progress is given by the peoples of South-East Asia. Even partial success in achieving the new agricultural and economic goals will undoubtedly place a considerable demand on Soviet assistance and the Chinese Plan has presumably been discussed in some detail with the USSR. A demonstrated Chinese ability to export quantities of manufactured or semi-manufactured goods to South-East Asia would give a substantial boost to the Bloc campaign of economic penetration in the area.

Chinese Communist Army

66. Within the Chinese Communist ground forces several trends are noticeable, all in keeping with the general trend over the past several years:

- (a) To provide a better balanced army, though it remains a predominantly infantry force. Improvements have been effected in armour, artillery, paratroop, and amphibious components. Chinese and North Korean training in defensive atomic warfare was observed in North Korea in February 1956.
- (b) To provide a better balance between field formations and local defence forces. This is being carried out presumably with the object of freeing the field formations to be capable of rapid deployment to any frontier and, if necessary, beyond certain frontiers such as into Korea and South-East Asia. The trend is characterized by paring from the strengths of the field armies troops formerly earmarked for security and by building up the para-military forces of the Peoples' Militia and of the para-military police (Peoples' Armed Police).

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- (c) To provide a thoroughly national army as distinct from one drawn largely from certain social strata or from particular regions. The object is to combine maximum military efficiency with maximum support from the people as a whole. In November 1955 the Chinese Central Government adopted the Compulsory Military Service Law replacing the Interim conscription Law of September 1954 and the former "volunteer" system of forces recruiting. The system can be expected to result in a systematic turnover providing a relatively small regular force and large numbers of trained men passing to the reserves while still fit for future service.

Chinese Communist Navy

67. The Chinese Communist Navy have begun increasing their naval exercises both in size and number, exercising almost daily in the Tsingtao area to improve weapon and ship handling efficiency. The small Russian trained naval air force is equipped with Soviet aircraft which include modern FAGOT and BEAGLE jet aircraft. Indications are that the cruiser which was thought to be in Port Arthur for re-arming is now in Dairen. It is still not known when this ship will be operational. The Chinese Communist amphibious potential has been increased by the construction of landing craft in Chinese shipyards.

Chinese Communist Air Force

68. The aircraft strength of the Air Force has not increased to any great extent during the period under review, although it is now probable that at least 3 regiments have been re-equipped with FRESCOS. The air situation in East China, in terms of numbers of aircraft and deployment, has remained comparatively stable, and there is no evidence that the coastal airfields opposite Formosa have been occupied. The period has seen a marked increase in air activity in the Formosa Straits area and several contacts have been made between CCAF fighters and Nationalist intruders in day light and at night. All aspects of training in the Air Force have continued at a high level and a marked improvement in the Ground Control Intercept capability has been evident.

Airfield Construction

69. Available information indicates that the airfield construction work in China was mainly concentrated in the Formosa Straits area. The recently reported development of the Huiyang airfield now brings the total number of new airfields under construction in the area opposite Formosa to seven; three of these are believed completed and suitable for jet fighter operations. In addition there are five old air facilities which have been undergoing some improvement or rehabilitation. A certain amount of airfield development has been underway in the Kwantung Province and Manchuria, where the accent appears to have been on the extension of runways to jet light bomber standards. In North Korean reports received during December 1955 indicate that reconstruction was completed at seven major airfields. An additional airfield, currently under construction will bring to eight the total number of airfields presently available for jet fighter use in North Korea.

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IV. CHINESE COMMUNIST FOREIGN POLICY AND EFFORTS TO EXPLOIT TROUBLED AREAS IN ASIA

General

70. It is now fairly clear that about the time of the Bandung Conference of April 1955, the Chinese Communists deliberately adopted a somewhat "softer" line in foreign policy, and this trend continued throughout the period under review. While there is no reason to suppose that the Chinese objectives of reducing Western (especially U.S.) influence and extending its own in Asia, has been modified, the new line emphasizes political and diplomatic rather than military action. There have been strong indications that the Chinese Communist Government is even prepared to rely on peaceful methods, to extend its authority to Formosa, although this could, of course, reflect nothing more than a realization that they lack the military power to acquire Formosa by force. The new line doubtless reflects also the new policy of "competitive co-existence" with capitalist countries. Even more than the Soviet Union, Communist China needs ~~as~~ ^{an} international atmosphere which leaves her free to concentrate on internal development.

71. In its relations with the Western countries which adhere to a policy of non-recognition, the Peking regime has shown itself anxious to foster semi-official contacts, especially in trade and cultural matters, without insisting that those countries take the formal step of recognition. An impressive number of Western delegations and prominent individuals visited China during the period under review, including semi-official commercial delegations from Belgium and France. Sino-Italian trade discussions were also initiated. Denied recognition by individual Western governments, the Peking regime has made a considerable effort to appeal over the heads of those governments to commercial interests. By creating the illusion that the Chinese domestic market would be a virtual Eldorado, the Chinese probably hope to secure the relaxation or abolition of the strategic trade embargo and gradually to break down the general Western policy of non-recognition.

Formosa and the Coastal Islands

72. The acquisition of Formosa and the coastal islands of Quemoy and Matsu remains a principal objective of Chinese foreign policy. In the Sino-American talks at Geneva, the Chinese representative indicated that while his Government would be willing to renounce force internationally, it could not do so with respect to Formosa, which is held to be an internal Chinese matter. In the course of a statement of Chinese foreign policy on January 30, Chou En-Lai made a strong appeal to the Chinese on Formosa to return peacefully to the mainland. He indicated that a resumption of co-operation between the Communists and the Kuomintang would not be out of the question. This appeal, coupled with the fact that force was not used or even ostentatiously threatened during the period under review, probably indicates that the Peking regime is content to rely for the time being on the possibility of the peaceful "liberation" of Formosa. So far as the Offshore Islands are concerned, uncertainty as to what the United States reaction would be is the principal deterrent to a Chinese Communist attack. Nationalist forces on the Offshore Islands have been strengthened and approximately one third of the army is now concentrated on the islands.

Macao

73. In October the Chinese Communist Government reacted strongly to an announcement by the Portuguese authorities on Macao that the celebrations would be held to mark the four hundredth anniversary of the founding of the colony. The Portuguese authorities decided to cancel the celebrations and the Chinese Government made no further trouble. The incident did, however,

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demonstrate the sensitivity of the Peking regime toward the present status in Macao. At no time did the Chinese Government refer to Hong Kong in the context of its statement on Macao.

Thailand

74. Since some of the restrictions political expression were lifted in Thailand in December a number of left-wing parties have emerged. Discontent is not at present organized but some leaders with Communist affiliations are now trying to turn their greater freedom to account. Communist influence among Chinese in Thailand, which has been reported recently, has probably existed for some time, but is only now coming into the open. It is alleged that Chinese and Viet Minh agents are active in Northeast Thailand, where there are several dissident groups, including the free Thai movement of Nai Pridi Panomyong, a separatist group led by Tianj Sirikhand, and a Pan-Lao movement. There is also a pocket of Annamese who are under Viet Minh influence. In Souther Thailand the activities of Malayan Communist present a continuing security problem. The control of the Government in Bangkok is not seriously threatened outside these border areas. Nai Tep Chotinchut, leader of the Economists' Party, and other Thais who visited Peking in January and February were arrested on their return. They were quickly released, but it seems clear that the government is prepared to retract its "liberalization" policies if it feels itself threatened.

Malaya

75. The talks between Chin Peng, Secretary-General of the Malayan Communist Party, and the Chief Ministers of Singapore and Malaya, which took place on December 28 and 29, produced no concrete result. The Chief Ministers stated that the Communist insurgents might return to China or resume a peaceful life in Malaya if they would renounce Communism and submit to a brief internment for questioning. Chin Peng refused to accept this condition and demanded recognition for his party so that it might "propagate its ideology". He then returned to the jungle after announcing that the Communists would lay down their arms when Malaya achieved full self-government. When the Chief Ministers returned from London, where he had been promised full self-government by August 31, 1957, if possible, he broadcast an invitation to Chin Peng, to act on this statement. There has so far been no reply. In the meantime the amnesty declared in September 1954 came to an end, and the campaign against the insurgents has been resumed.

Laos

76. The Communist Pathet Lao continue to hold the larger portion of the two northern provinces of Laos in defiance of the Geneva Cease-Fire Agreement and the International Supervisory Commission's recommendations. The operations of the Pathet Lao, who have under arms in the neighbourhood of 5,000 troops, appear to be more directly linked to the Viet Minh than the Communist Chinese, although the Peking press has been showing lately more interest in Laotian affairs. [A settlement in Laos at this stage appears to hinge mainly upon a settlement in Vietnam favourable to the Viet Minh.] There are indications, however, that Communist China and northern Vietnam might be prepared to sacrifice the Pathet Lao in exchange for a strict policy of neutralism on the part of the Royal Government, including giving up United States military and economic aid. There would seem to be little chance of this happening because, with French aid and influence on the decline, the Royal Government is now almost entirely reliant on United States financial aid. There is a very good probability therefore, that Laos may be actually but not officially partitioned into Communist and non-Communist sectors for an indefinite period. An alternative to this is that the Royal Government may lose patience, as they have frequently shown signs of doing, and attempt to re-take the Pathet Lao zones by force. This could easily have the unfortunate result of bringing the Viet Minh openly into conflict which in turn could lead to SEATO and Chinese Communist intervention with all the attendant dangers.

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Cambodia

77. The visit of Prince Sihanouk to Peking in February brought into prominence the probable future relationship of Cambodia with the Communist world. Following the visit Sihanouk stated it was not Cambodia's intention to exchange diplomatic relations with Communist China as this would prejudice Cambodia's position as an adherent of the neutralist bloc. For similar reasons Cambodia is considering, exchanging cultural and economic missions with Communist China and North Vietnam. The Cambodian government's avowed intention of pursuing a strictly neutral policy may be one of the reasons for its increasingly poor relations with the neighbouring states of South Vietnam and Thailand. This may also be a factor in Cambodia's noticeably cooler relations with the United States. Cambodia's bickering with its neighbours provides a fertile field for Communist subversive and propaganda activities. Cambodian ties with India on the other hand appear to be growing stronger with each step taken toward the Indian neutralist camp. An exchange of diplomatic mission with Moscow can probably be expected within the next few months.

Vietnam

78. The Chinese Communist Government showed no tendency during the period under review to disturb the armistice settlement in Vietnam. On the contrary, on two occasions it took diplomatic action in support of the Viet Minh complaint that the South Vietnamese Government was not abiding by the terms of the Geneva Settlement. While maintaining a formally "correct" attitude to the armistice settlement, the Chinese have continued to aid the North Vietnamese through technical and economic assistance and possibly also in the training of their armed forces. They may also have provided the Viet Minh with some war material, although there is little conclusive evidence of this. ~~X~~ They have also maintained a steady flow of propaganda aimed at the South Vietnamese Government and United States policy in Vietnam.

79. The Viet Minh have also maintained ^{on ostensibly} a correct attitude to the armistice agreement, and have repeatedly made propaganda capital out of the refusal of the South Vietnamese to comply with the political provisions of the Geneva Settlement. The nature of their propaganda has betrayed their growing concern about the increasing stability of the Southern regime, particularly as manifested by the referendum in October in connection with the removal of Bao Dai as Chief of State and the elections in March for a constituent assembly in South Vietnam.

80. Through the period under review the Viet Minh has stepped up its efforts to cultivate the dissident sects in South Vietnam, particularly by providing them with "advisers". Their success in this regard has been offset by South Vietnamese operations against the sects, which have considerably reduced the number and strength of the groups in active opposition to the Diem Government and hence susceptible to Viet Minh pressure. There has been little evidence either way to trained political and military cadres has either increased or decreased.

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DEPARTMENT OF EXTERNAL AFFAIRS

MEMORANDUM

TO: DEFENCE LIAISON (1) DIVISION *[Signature]*

Security SECRET

Date April 18, 1956.

FROM: DEFENCE LIAISON (2) DIVISION *f:25*

File No. *50028 B-4*
~~250740~~

REFERENCE: Attached draft Circular Document,...

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SUBJECT: Soviet Bloc Commercial, Scientific, Technical and Cultural
Contacts with Economically Backward Countries.

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19 APR 1956

I am attaching a draft circular document on the subject mentioned above which we have already cleared with European and Economic Divisions. In view of the current interest in NATO countries in the Soviet economic and cultural offensive, I would appreciate your examining this draft and letting us have any comments you care to make.

2. The Directorate of Scientific Intelligence first suggested to us that we ask our posts for such information. We have cleared this draft with them informally.

[Signature]
Defence Liaison (2) Division.

*cleared by DL-1 with
some minor corrections
which we cleared
with E.A. and
inserted in
draft*

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IN REPLY PLEASE QUOTE
NO. CSC 7-17 (JIC)

Department of National Defence

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JOINT INTELLIGENCE COMMITTEE

17 Apr 56

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C. Ref. 5198-40 "S"

MEMORANDUM FOR THE JIC:

Communist Party of the Soviet Union (CPSU) -
20th Congress - February 1956

1. Attached for information is a copy of an RCMP paper
on the above subject.

18 APR 1956

*M. Williams
to ensure circulation -
I believe another copy
is on its way, would
sent by Mr. Justice
to Mr. Pearson*

Enc.

JCM/2-5459/ff

Enc. JIS

J. E. McGibbon
(J.E. McGibbon)
Squadron Leader, RCAF,
Secretary.

Carve

*I have an extra copy if needed
-EB*

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ROYAL CANADIAN MOUNTED POLICE

SPECIAL BRANCH

April 17/56

SECRET

50028-13-40

X. Ref 5792-40 S

COMMUNIST PARTY OF THE SOVIET UNION (CPSU) -
20th CONGRESS - FEBRUARY 1956

Some Implications of the Krushchev-Mikoyan Speeches
with Special Reference to Canadian Problems

1. The present consensus of informed opinion, both official and public, on the speeches by KRUSHCHEV and MIKOYAN at the recent Congress holds that they reflect major shifts in both official Communist doctrine and Soviet foreign policy, but without altering, much less repudiating, the ultimate aim of a world Communist order. Accordingly, this memorandum presents:

- (1) a brief summary of what these changes appear to be; and
- (2) an appreciation of what these changes may entail for Soviet-directed activities in Canada.

(1) Changes in Doctrine and Foreign Policy

2. The KRUSHCHEV government has become so confident of its control over its own people and Soviet-bloc countries and the receding risk of general war that it can now afford to qualify and, in some cases, to reject STALIN's interpretations of certain Marxist principles and particularly STALIN's application of them to foreign affairs.

3. These doctrines include:

- (1) the inevitability of general war between the Soviet and Western blocs;
- (2) the impossibility of establishing Communism in non-Communist states except by armed revolution and civil war.

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4. The new appraisal of the path to Communism asserts:

(1) Foreign wars are no longer inevitable because there has been a radical change in the balance of military and political power between the two camps in favour of Communism, this change being sufficient to deter deliberate capitalist aggression.

(2) There are many paths to world Communism. The path to be followed in non-Communist countries will be determined, not necessarily by internal violence, but by the success of the proletarians in organizing overwhelming popular support against ruling classes, even using in some cases parliamentary methods, to win victory for Communism.

5. This pronouncement is expected by the Soviet government to promote a double transformation in opinion. By attributing previous harshness, cruelties and errors to STALIN, the KRUSHCHEV government seeks to give Soviet Communism a new appearance of moderation and concern with the well-being of the Soviet peoples and hence to convey the suggestion that all Communist regimes exhibit an equal concern towards their own peoples.

6. By qualifying but without rejecting the thesis concerning necessary violence and armed revolution in non-Communist countries, the Soviet government wishes to express its unconcern with the affairs of national Communist parties abroad and so provide them with much greater tactical freedom of manoeuvre in their efforts to gain control in such countries. Formal denunciation of the radical revolutionary doctrine is therefore expected to enable Communist national

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parties to assume the more respectable guise of traditional left-wing parties seeking, without apparent domination from Moscow and by gradualist means, such as effective parliamentary representation, to gain control of governments in non-Communist states.

7. KRUSHCHEV translated this purge of doctrine into a statement of "... tasks for the Party in the sphere of foreign affairs ..." and listed countries in three groups with an indication of their status in the eyes of his government.

8. First come the "fraternal relation" states or what might be called the members and probationary members of the lodge. This group includes the European satellites, the People's Republic of China, North Korea and Vietnam. Within this group but separately mentioned is Yugoslavia.

9. Next are listed the neutralist countries, those "... that refuse to be involved in military blocs ..." such as India, Burma, Afghanistan, Egypt and Syria. Finland and Austria are given separate mention within this group. The failure to include any other neutrals such as Sweden, Switzerland or any Latin American countries, in contrast to the concentration on Middle East and Asian countries, suggests that the latter group comprises important target areas for Soviet penetration during the foreseeable future.

10. Finally come the committed anti-Communist countries including the United States, Britain, France, Western Germany, Japan, Italy, Turkey and Iran. Canada is not mentioned. Towards these countries the policy is the familiar one of improving relations, strengthening confidence, extending trade and expanding contacts and cooperation in the sphere of culture and science. KRUSHCHEV made plain that "cooperation" in this policy means primarily advantage to the Soviet Union, for he said:

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"Therefore we must study ... the best that the capitalist countries' science and technology have to offer in order to use the achievements of world technological progress in the interests of socialism."

11. Repeated emphasis was also placed on the dissolution of NATO by building up collective security agreements with the USSR and disarmament, as providing indispensable conditions to maintain peaceful but competitive coexistence. Both the KRUSHCHEV and MIKOYAN speeches convey the impression of a single dominant conviction: the Soviet Union is now strong enough to force NATO countries to abandon the concept of general war and to force them to accept a continuation of the struggle for world power in terms of peaceful but stiff competition with Soviet-bloc countries.

(2) Implications for Canada

12. The attitude to be encountered by the Canadian government during the period of competitive coexistence, as recently described by the Secretary of State for External Affairs, suggests that the new design for aggression has been well thought out and will be pursued with both energy and adroitness.

"We can ... be quite sure that the Russians are sufficiently astute to gain the greatest possible political advantage from their various operations abroad, while insisting that what they offer and what they are prepared to do comes in a spirit of pure and unconditional benevolence. In short, we in the West are facing a long and difficult period of competitive co-existence in this [economic aid] as in other fields. The competition will be formidable in extent, and astute in its planning on the other side and is not likely to be conducted under Marquis of Queensbury rules. And the Communists think that they are going to win it."
(Address to Canadian Red Cross Society, 12 Mar 56).

It remains to describe how this new orientation in Soviet policy might be used by the Canadian Communist movement and the official and secret Soviet agencies in Canada.

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A. The Communist Movement

13. Canadian Communist leaders have not yet made known how they will adapt their views, both those secretly held and those publicly expressed, to these policy changes. In one important respect no change in Canada is needed. For some years the Labor-Progressive Party has openly followed the program of a People's Democracy for Canada which calls for a peaceful parliamentary transition to Communism. The necessity of violence to preserve the new Communist state thus created has been left unmentioned in public propaganda. However, the excommunication of STALIN as a Communist saint and denunciation of many of his views as heresies may yet cause considerable embarrassment to Canadian leaders who for years have added their voices to the chorus of Communist adulation both for the man and his work.

14. While therefore Canadian leaders have not yet made known their stand, they might follow the lines adopted by national leaders of the Communist Party, USA, at a recent secret meeting. These leaders interpret KRUSHCHEV's re-formulation of the doctrine of inevitable conflict to mean that violence may not be necessary in certain countries like Italy and France, where Communism is gaining in strength and where popular front tactics hold forth a considerable promise of success that would be endangered by public advocacy of violence. However in strongly capitalist countries like the USA, while public advocacy of violence might be disastrous, the propaganda stress on a peaceful transition to Communism will be made with the inner realization that violence will be necessary.

15. On the issue of anti-Stalinism, the United States leadership is frankly embarrassed. If they publicly parrot the Moscow attacks, they invite the charge of being dominated by the CPSU. For the time being they have had little to say. The Canadian party may well follow suit, at least until the return of Tim BUCK from Moscow where he attended the CPSU Congress.

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16. As to tactical advantages in the new line for the movement in Canada, the first and most obvious arises from KRUSHCHEV's appeal for Communist parties to seek broader support for their programs especially among left-wing groups and other socialist parties. It is therefore to be expected that the LPP will in turn seek to attract adherents from socialist groups. It is known that in the past there has been dissension on this point. Some Party strategists have opposed even temporary coalitions with other left-wing parties as indicating weakness that might lead to the error of reformism. Now reformism is a respectable tactic.

17. In considering the actual tactics to be adopted for this purpose, the LPP might follow another recent lead of the CPUSA. The CPUSA has recently established a separate commission to study "socialist-oriented" groups with a view to organizing a united front with them. This step might be particularly attractive to the LPP in trying to present itself as a genuine socialist party, ready and willing to cooperate with all left-wing groups and without requiring them to adhere to a specifically Communist line. Party circles are already planning their program for the next federal election. A united-front type of coalition with other left-wing groups might appear to hold forth the brightest chances of winning back federal parliamentary representation for the Communists which was lost in 1946 with the unmasking of Fred ROSE as a Soviet spy.

18. The attack on Stalinism will provide the LPP with a fresh opportunity to try to reclaim ex-members and supporters of the movement who left because of disagreement with one aspect or another of STALIN's regime, such as the purges in the late 30's, the conclusion of the Hitler-Stalin Pact in 1939 and the disclosures of links between the Soviet government and Canadian citizens involved in the espionage rings exposed in 1946-47. To anti-Stalinist Marxists, STALIN betrayed the cause of pure

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Communism, but today both the personal and the doctrinal obstacles have been removed from their rejoining the movement. Recent Party directives on recruiting have so frequently emphasized the importance of trying to reclaim ex-members that the anti-Stalinist theme will undoubtedly be used to win back former members who still regard themselves as good Marxists.

19. Public revocation of the doctrine of inevitable violence also rids the LPP of an official but covert commitment to a doctrine that is not only illegal but morally repugnant to most Canadians. Consequently, the LPP can now advance with a greater show of sincerity the more idealistic themes in its propaganda. The more pacific the Soviet government appears and the more respectable the propaganda lines of the LPP, the greater will be the softening in public opinion towards the threat presented by Communism. Doubts will be created about the justification of a high level of military expenditures in the face of the more benign posture assumed by the Soviet regime. Corresponding emphasis will be placed on the need for expenditure on social welfare. The need for security precautions will be represented as superfluous in the face of the allegedly pacific intentions of the Soviet government. Canada's need to become more independent economically of the United States is now a popular theme with the Canadian public. The Communists, already giving great prominence to this subject in their press, will be able to identify this part of their program with a widespread and growing national conviction.

20. In brief, the new line will be pushed with renewed vigor through all available outlets leading to those circles deemed by Communist leaders to be most susceptible to idealistic appeals, such as workers, students, intellectuals, foreign-language groups and particularly immigrants, and to organizations active in the fields of public information, social welfare, education, religion, civil liberties and culture. In other words,

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building public support for Communist causes, policies and aims may well take precedence over building membership for the LPP and other plainly labelled Communist organizations.

B. The Soviet Embassy, Ottawa.

21. The Soviet Government will now be faced with the problem of reorienting its embassy staff and responsibilities to carry out the tenor of the new policy and particularly to seek every opportunity to foster goodwill towards the Soviet Union. Even greater efforts than those noted in recent months will be made to promote exchanges of persons, goods and information between Canada and Soviet-bloc countries as parts of the program of seeking broader social contacts in the Canadian community. All this however will have to be done so as to maintain existing espionage nets and to take or create opportunities to expand them. Good relations with the Labor-Progressive Party will have to be continued compatibly with the fiction that the Soviet government does not and will not interfere in the internal affairs of Canada.

22. The work of the Russian Intelligence Service (RIS) will be made easier, and correspondingly more dangerous, by two developments. First, the MIKOYAN speech brought to an end officially and publicly the policy of social isolationism which had been so rigidly enforced during the cold war period. However it is known that in 1952 the Soviet State Security organ (MVD) issued a directive requiring a broadening of social relations for intelligence purposes. It was observed in Ottawa and other capitals in Western countries that "talent-spotting"⁽¹⁾ activities greatly increased about this time. MIKOYAN has now called for a

(1)

"Talent-spotting" is the espionage term for the RIS technique of collecting and sifting information about individuals in all walks of life, for the purpose of choosing those who might be persuaded or coerced to act as espionage agents.

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still greater measure of freedom and discretion in extending social contacts. He said in part:

"Certain ossified forms of our diplomacy, of our foreign trade and economic organs in their relation with foreign countries and the citizens of these countries have been discarded. The isolation of Soviet public and state organizations from the outer world has been liquidated. Contacts between Soviet and foreign statesmen, Party leaders and public organizations have been extended."

23. Thus the RIS operating in Canada will have great latitude in conducting their talent-spotting operations, both through LPP and embassy social channels.

24. To terminate social isolation was a step within the control of the Soviet government but a second circumstance not within its control that hindered the work of the RIS, security screening, must also be circumvented. Security screening, by denying access to classified information and areas to security risk persons, has required and will continue to require the RIS to seek agents among those who have already passed through security screening or who would pass through it, and who are at the same time considered susceptible to an RIS approach. The new propaganda of the pacific posture, together with greater freedom in social relations and travel, will undoubtedly be used by the RIS to select for special cultivation persons who appear to be responsive to any one of the softer propaganda themes now available.

25. While these RIS talent-spotting activities admittedly pose serious problems of internal security for the Canadian government, RIS operations as a whole are also believed to have a further importance because of the special role played by the RIS in the formulation and conduct of Soviet foreign policy. David DALLIN, the author of several well-known studies on Soviet foreign policy, prefaced his new work entitled "Soviet Espionage" with these words:

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"... Indeed, its importance [that is, of Soviet espionage] is so great that no adequate understanding of the Soviet course in foreign affairs is possible as long as this phase of Soviet activity remains obscure. ... Some of the most startling turns in Soviet foreign policy and war strategy were in part at least the result of developments in the intelligence field -- for example, the Soviet-Japanese pact of 1941, the Stalingrad victory, the attitude towards the atom bombing of Hiroshima, and the present-day controversies within the United Nations over atomic weapons."

26. If this point of view is correct, and it can be supported both from DALLIN's book as well as from official studies of Soviet espionage, it follows that the fullest attainable insight into RIS operations becomes a prerequisite for a correct appreciation of Soviet intentions in the new period of competitive coexistence announced at the 20th Congress.

27. It also follows from the assumption that new and important tasks will be imposed upon the Embassy at large, as well as upon the RIS, that the Embassy would resist any suggestions to reduce its staff, despite recent representations by the Canadian government that it is now of disproportionate size. On the other hand, the Embassy might see some public advantage and no great secret disadvantage in making a token reduction in its diplomatic staff, thus lending credence to the fiction of non-interference. If this were done, the RIS in turn might then consider shifting the direction of its efforts from "legal" to (1) "illegal" nets since the latter, once operational, work independently of the Embassy. As the Report of the Australian Commission on Espionage makes clear, the RIS is expected by its masters to organize itself within a target country so that an illegal apparatus is available to work in any emergency, including a reduction in legal espionage staffs in embassies.

(1)

A "legal" net is one directed by an RIS officer and his staff operating under the cover of their official status in a Soviet Embassy or other official group, legally present in the target country. An "illegal" net is one directed by an RIS officer operating without the cover of official status in the target country.

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28. However, on balance, it seems more probable that the Embassy will not readily give up any positions of advantage hitherto gained in either its overt or covert work. In fact, the recent Soviet request to open an official trade office in Vancouver suggests that an increase, not decrease, in the size of representation will be sought. In any event, no staff reduction will be readily made so that existing legal nets can be maintained while at the same time greater efforts can be made to establish illegal nets.

CONCLUSIONS

29. To the extent that these Soviet-directed operations in Canada follow the main lines suggested above, the Canadian government will probably witness, not only some increase in Party strength, but also a more determined, skilful and varied propaganda effort to attract mass support for Communist causes from the non-Communist majority in Canada and to foster attitudes favourable to the Soviet Union as the one truly pacific and truly humane great power. As these influences spread, the expanding areas of social contact thus created will be silently and thoroughly searched by the RIS to find the few prepared to become secret agents among the many exhibiting favourable responses to propaganda or suitable personal weaknesses.

ROYAL CANADIAN MOUNTED POLICE
SPECIAL BRANCH HEADQUARTERS
OTTAWA - 23 Mar 56
REVISED 9 APR 56.

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Department of National Defence

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G.G. Crean, Esq.,
Dept. of External Affairs.

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DAI
DNI
DSI
RCMP
JIB

M. Black

fl

Soviet and Satellite Order of Battle

18 APR 1956

I take it that we have no comment

1. Further to memoranda of even file dated 25 Jan and 20 Feb 56, attached is a copy of DMI's amendments to Soviet and Satellite Order of Battle for the quarter ending 31 Mar 56.
2. If no objections to these amendments are received by the Secretary by 24 Apr they will be forwarded to the Standing Group and the Major NATO Commands.

to J. C. McGibbon
DLA

J.C. McGibbon
Squadron Leader, RCAF,
Secretary.

Enc.

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*Kuznetsov has been
fired. This is not
reflected in Main. of Def.
set up - but is mentioned
under personalities. I think
we're more up to date
the note indicates.*

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AMENDMENTS

TO

SOVIET ARMY ORDER OF BATTLE

Submitted 1 Oct 55

Prepared by: Directorate of Military Intelligence.

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cc 1146-1 (51)
April 17/56
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SECTION 1

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AMENDMENTS TO SOVIET ARMY ORDER OF BATTLE - 1 OCTOBER 1955

AMENDMENT LIST NO. 2

DATED 1 APRIL 1956



PAGE NO.	SER NO.	FORMATION/UNIT	LOCATION	DLI	COMMANDER	DLI	PERSONALITY	POSITION	DLI	REMARKS
		Table of Contents - Part IV - Soviet Military Personalities - Amend to read Pages 42 - 51.								
1.		Delete Page 1, ADD new Page 1.								
2.	1	White Sea MD Hq								Delete Remarks.
4.	4	1st Guards Rifle Division								Amend to read Maj Gen VA BELONOGOV
7.	7	105th Abn Gds Rifle Division	Delete GORKI MD.							
	7	106th Abn Gds Rifle Division								Add Subordination Unconfirmed.
8.	9	ADD: 28th Gds Rifle Division	OMSSA.							
10.	13	Fourth Army	ADD: BAKU							
11.	15	South Ural MD Hq								Delete remarks. ADD: Col. Gen YaG KREIZER

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SECTION I

AMENDMENTS TO SOVIET ARMY ~~SECRET~~ OF BATTLE - 1 OCTOBER 1955

AMENDMENT LIST NO. 2

DATED 1 APRIL 1956

PAGE NO.	SER NO.	FORMATION/UNIT	LOCATION	DLI	COMMANDER	DLI	PERSONALITY	POSITION	DLI	REMARKS
13.	19	East Siberia Military District								Delete Remarks. ADD: This MD may have been abolished. The MD, however, will continue to be listed pending determination of whether it has been absorbed by the TRANSBAIKAL or the WEST SIBERIA MD or divided between the two.
16.	21	U/I Airborne Rifle Corps	Delete location ADD: SVOBODNY KUYBYSHEVKA							
	21	U/I Airborne Rifle Division	Delete location ADD: KUYBYSHEVKA VOSTOCHNAYA							
	21	U/I Airborne Rifle Division	Delete location ADD: SVOBODNY							
	21	Thirty-Ninth Army								Change MARITIME MD to read FAR EAST MD.

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SECTION I

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AMENDMENTS TO SOVIET ARMY ORDER OF BATTLE - 1 OCTOBER 1955

AMENDMENT LIST NO.2

DATED 1 APRIL 1956

PAGE NO.	SER NO.	FORMATION/UNIT	LOCATION	DLI	COMMANDER	DLI	PERSONALITY	POSITION	DLI	REMARKS
18	GSFG	32nd AAA Division								Delete Remarks.
	GSFG	34th Gun Artillery Division								Delete Remarks. ADD: Maj Gen NIKITIN.
	GSFG	1st Mech Division								Delete Remarks.
	GSFG	9th Guards Tank Division								Delete Remarks. ADD: Col. KUZNETSOV.
20.	GSFG	19th Guards Mech Division								Delete Remarks.
	GSFG	Eighth Guards Army								Delete Remarks.
	GSFG	XXVIII Guards Rifle Corps								Delete Remarks.
	GSFG	21st Gds Mech Div								Delete Remarks.
	GSFG	57th Gds Rifle Div								Delete Remarks.

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SECTION I

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AMENDMENTS TO DOCUMENT - 1 OCTOBER 1955

AMENDMENT LIST # 2

DATED 1 APRIL 1956

PAGE NO.	SER NO.	FORMATION/UNIT	LOCATION	DLI	COMMANDER	DLI	PERSONALITY	POSITION	DLI	REMARKS
22.	SOVIET TFS in HUNGARY	2nd Guards Mech Division								ADD: Subordination Unknown.
		17th Guards Mech Division								ADD: Subordination Unknown.
25.	8.	Eighth Guards			Delete Commander					
27.	8	XXVIII Guards			Delete Commander					
29.	1	1st Guards			Amend to read: Maj Gen VA BELONOGOV					
	ADD 14a	28th Guards	ODESSA, ODESSA MD							
30.	28	57th Guards			Delete Commander					
31.	51	105th Abn Guards								Delete Remarks. ADD Subordination unconfirmed.

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SECTION I

AMENDMENT LIST NO. 2

AMENDMENTS TO SOVIET ARMY ORDER OF BATTLE - 1 OCTOBER 1955

DATED 1 APRIL 1956

PAGE NO.	SER NO.	FORMATION/UNIT	LOCATION	DLI	COMMANDER	DLI	PERSONALITY	POSITION	DLI	REMARKS
32.	52	106th Abn Guards								Delete Remarks. ADD Subordination unconfirmed.
34.	1	1st			Delete Commander					
	3	2nd Guards								ADD: Subordination Unknown.
35.	17	17th Guards								ADD: Subordination Unknown.
	20	19th Guards			Delete Commander					
	22	21st Guards			Delete Commander					
36.	8	9th Guards			Delete Commander. ADD: Col. KUZNETSOV					
38.	9	34th Gun			Delete Commander. ADD: Maj Gen NIKITIN					

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SECTION I

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AMENDMENT LIST NO. 2

DATED 1 APRIL 1956

AMENDMENTS TO SOVIET ARMY ORDER OF BATTLE - 1 OCTOBER 1955

PAGE NO.	SER NO.	FORMATION/UNIT	LOCATION	DLI	COMMANDER	DLI	PERSONALITY	POSITION	DLI	REMARKS
39.	9	32nd			Delete Commander					
40	Table - 1	SOUTHWESTERN AREA - Amend as follows: Identified Rifle Divisions - 8. Additional Estimated Divs - 5								
		TOTAL IN USSR - Amend as follows: Identified Rifle Divisions - 102.								
42 to 50		Delete Pages 42 to 50 inclusive. ADD new Pages 42 to 51 inclusive.								

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SOVIET GROUND FORCES - ORDER OF BATTLETOP SECRET COSMICPART I(a)MINISTRY OF DEFENCE

Minister of Defence	ZHUKOV GK	Marshal of the Soviet Union
1st Deputy Defence Minister	SOKOLOVSKIY VD	Marshal of the Soviet Union
1st Deputy Defence Minister	KONEV IS	Marshal of the Soviet Union
1st Deputy Defence Minister	VASILEVSKIY AM	Marshal of the Soviet Union
1st Deputy Defence Minister	KUZNETSOV NG	Admiral of the Fleet
Deputy Defence Minister	BAGRAMYAN IKh	Marshal of the Soviet Union
Deputy Defence Minister	NEDELIN MI	Marshal of Artillery
Deputy Defence Minister	BIRYUZOV SS	Marshal of the Soviet Union
Deputy Defence Minister	BELOKOSKOV VE	Col Gen
Deputy Defence Minister (?)	CHELITOV AS	Col Gen
Deputy Defence Minister	CHIGAREV PF	Chief Marshal of Aviation
Chief of the General Staff of the Soviet Army and Navy	SOKOLOVSKIY VD	Marshal of the Soviet Union
1st Deputy Chief of Staff	MALININ MS	Gen Army
Deputy Chief of Staff	MALALDIN GK	Gen Army
Deputy Chief of Staff	ANTONOV AI	Gen Army
Deputy Chief of Staff (?)	SHALIN MA	Col Gen

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MILITARY PERSONALITIES

PART IV

SER NO.	PERSONALITY	POSITION	DLI	REMARKS
1.	ANDREEV AI Lt Gen	Comd, Third Shock Army	12/53	May have been replaced Apr/May 54.
2.	ANTONOV AI Gen Army	Deputy CGS and probably CGS of Eastern Defence Organization.	7/55	
3.	BABADZHANYAN A Kz Gds Maj Gen	Comd, Second Gds Mech Army	7/54	Was elected to the Supreme Soviet of the ARMENIAN SSR, 10 Mar 55.
4.	BAGRAMYAN IKh Marshal of the Soviet Union	Deputy Minister of Defence, Inspector General of the Soviet Army.	7/55	
5.	BATOV Pavel Ivanovich GenArmy	Comd, CARPATHIAN Military District	5/55	Promoted to Gen Army 12 Mar 55 and succeeded Marshal FONEV as Comd CARPATHIAN Military District in May 55. Elected to the Supreme Soviet USSR from CHERNYAKHOVSKIY Electoral District. Was Comd 7 Mech Army in 1948 and since then, although often mentioned in the Press, has not been identified in a command.
6.	BELIK PA Maj Gen (Tk Tps)	Comd U/I Gds Mech Div, MOSCOW Military District	11/55	Reported in the Soviet Press as having ridden at the head of the TAMANSKAYA Division in the 1st May parade in MOSCOW. This is possibly 2 Guards "TAMAN" Mech Division.
7.	BELOKOSKOV VE Col Gen	Deputy Minister of Defence.	7/55	Probably replaced VINOGRADOV VI Col Gen as Comd of the Rear Services.

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SER NO.	PERSONALITY	POSITION	DLI	REMARKS
8.	BELONOGOV VA Maj Gen	Comd, 1st Guards Rifle Division	4/51	Was Comd 57 Guards Rifle Division Sep 50.
9.	BELOV PA Col Gen	Chairman of Central Committee of DOSAAF of USSR	7/55	Was previously Divisional Comd (1937), Corps Comd (1943), Army Comd (1943-45), and Comd of NORTH CAUCASUS Military District (1945-48). Elected to the Supreme Soviet from CHKALOV in the SOUTH URAL Military District. He was again Candidate for election for the same district in Feb 54.
10.	BIRYUZOV SS Marshal of the Soviet Union	Deputy Minister of Defence.	7/55	Possibly either the Deputy Commander of the Soviet Army or of the Eastern Defence Organization.
11.	BOYKOV I Lt Gen	Comd, Soviet Forces Formerly in AUSTRIA.	9/55	Was Acting GOC Soviet Occupation Forces in AUSTRIA, 15 May 55 and GOC 12 Sep 55. Present position unknown due to withdrawal from AUSTRIA.
12.	BRAZHNIKOV AK Col	Comd, 10th Guards Tank Division	2/55	
13.	BURAKOVSKIY IN Maj Gen	Comd, 357 Rifle Division	6/53	
14.	CHUGUNKOV II Maj Gen	Comd, 7th Gds Tank Div	6/50	
15.	CHAIKOV VI Marshal of the Soviet Union	Comd, KIEV Military District	12/55	Was Comd, GSFG until relieved by GRECHKO AA in Jun 1953. Has since been Comd, KIEV Military District. Promoted to Marshal of the Soviet Union, 11 Mar 55.

SOVIET ARMYDOWNGRADED TO SECRET
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SER NO.	PERSONALITY	POSITION	DLI	REMARKS
16.	FEDYUNINSKIY, Ivan Ivanovich Gen Army	Comd, TRANSCAUCASUS Military District	11/55	Comd since Nov 1945.
17.	GORBATOV AV Gen Army	Comd, BALTIC Military District	11/55	Commanded paratroops at Airday Displays in 1952-53-54. Referred to as Col Gen of Aviation. His appointment to succeed Marshal BAGRAMYAN as Comd BALTIC Military District was reported in Mar 55. First noted as Gen Army, Nov 55.
18.	GORYACHEV SG Maj Gen	Comd, Eighth Guards Army	12/51	
19.	GOVORUNENKO FD Lt Gen	Comd, First Guards Mech Army	11/51	
20.	GRECHKO AA Marshal of the Soviet Union	Comd, Group of Soviet Forces, Germany	12/55	Replaced CHUIKOV in Jun 53. Promoted to the rank of Marshal of the Soviet Union, 11 Mar 55.
21.	IGNATOV NV Lt Gen	Comd, 4th Breakthrough Artillery Corps	11/49	
22.	ISAYEV Col	Comd, 9th Tank Division	5/51	
23.	IVANOV Col	Comd, 6th Guards Tank Division	4/51	
24.	KAZAKOV MI Col Gen	Comd, URAL Military District	2/54	Candidate for election to the Supreme Soviet USSR from SVERDLOVSK.

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SER NO.	PERSONALITY	POSITION	DLI	REMARKS
25.	KOBARIDZE Maj Gen	Comd, 7th Guards Mech Division	5/53	Probably replaced in 1953.
26.	KOFANOV (KOVANOV) VI Maj Gen	Comd, 6th Artillery Division	5/51	
27.	KOLPAKCHI VYa Col Gen	Comd, NORTHERN Military District	11/55	Mentioned first as "Commander of the forces of the Military District in "LENINSKOE ZNAMYA" on 10 Nov 54. Reported as Commander of "NORTHERN Military District" on 29 Jan 55, 6 and 23 Feb 55 and 10 May 55. Elected to Supreme Soviet for KARELO-FINNISH SSR from the KRASNOARMEISKIY Electoral District of PETROZAVODSK.
28.	KOMAROV VN Lt Gen	Comd, Fourth Guards Mech Army	10/54	
29.	KONEV IS Marshal of the Soviet Union	1st Deputy Minister of Defence	7/55	Commander of the unified forces of the Eastern Defence Organization and Commander in Chief of the Soviet Army.
30.	KONOVOD Col	Comd, 63rd AAA Division	10/53	
31.	KOZIKOV Maj Gen	Comd, 18th Mech Division	?	
32.	KREIZER YaG Col Gen	Comd, SOUTH URAL Military District	12/55	In 1947 was Commander of troops at EREVAN, ARMENIAN SSR and since 1952 has been reported as a Member of the Central Committee of the Communist Party of the UKRAINIAN SSR.

SOVIET ARMY

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TOP SECRET COSMIC

PART IV

MILITARY PERSONALITIES

SER NO.	PERSONALITY	POSITION	DLI	REMARKS
33.	KULIK KP Lt Gen	Comd, Twenty-fifth Army	?	
34.	KUZNETSOV NG Admiral of the Fleet	1st Deputy Minister of Defence	4/56	Commander in Chief of the Soviet Navy. He was dropped from the Central Committee of the Communist Party of the Soviet Union at the recent XX Congress and recent Press reports indicate his removal as Commander of the Soviet Navy.
35.	KUZNETSOV VI Col Gen	Comd, VOLGA Military District	2/55	Formerly Commander of DOSAAF.
36.	KUZNETSOV Col	Comd, 9th Guards Tank Division	11/52	
37.	LUCHINSKIY AA Gen Army	Comd, TURKESTAN Military District	12/55	Was Commander LENINGRAD Military District from 1949? to Dec 1953 and Commander of TURKESTAN Military District since Feb 54. Promoted to Gen Army on Dec 55.
38.	LYUDNIKOV II Col Gen	Comd, TAURIC Military District	7/55	First reported as Commander TAURIC Military District on 20 Jan 55. Succeeded POPOV Gen Army.
39.	MALININ MS Gen Army	1st Deputy Chief of Staff	7/55	
40.	MALANDIN GK Gen Army	Deputy Chief of Staff	7/55	

TOP SECRET COSMIC

SOVIET ARMY

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TOP SECRET COSMIC
MILITARY PERSONALITIES

PART IV

SER NO.	PERSONALITY	POSITION	DLI	REMARKS
41.	MARYAKHIN SS Maj Gen	Comd, 25th Tank Div	?/54	
42.	MALINOVSKIY RYa Marshal of the Soviet Union	Comd, FAR EAST Military District	3/55	Commander of the Forces of the Far East and Commander of the FAR EAST military District.
43.	MOSKALENKO KS Marshal of the Soviet Union	Comd, MOSCOW Military District	5/55	Commander MOSCOW Military District since Oct 53, when he succeeded ARTEMYEV PA Col Gen. Promoted to Marshal on 11 Mar 55.
44.	NEDELIN MI Marshal of Arty	Deputy Defence Minister	7/55	
45.	NIKITIN Maj Gen	Comd, 34th Gun Arty Division	9/55	Reported variously as NIKITIN and NIKETGIN.
46.	OBUKHOV VT Lt Gen	Comd, Third Guards Mech Army	10/53	
47.	OKHMAN NF Maj Gen	Comd, 13th Guards Mech Division	5/54	
48.	PAKHOMOV Col	Comd, 11th Gds Tank Div	5/51	
49.	PLIYEV IA Col Gen	Comd, Fourth Army	2/54?	He has been elected from the STEPANAKERTSKIY Electoral District to the Supreme Soviet USSR in 1954. Former Comd of 9th Mech Army in ROMANIA and reported as Comd of Troops in BAKU in 1949.

TOP SECRET COSMIC

SOVIET ARMY

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TOP SECRET COSMIC

MILITARY PERSONALITIES

PART IV

SER NO.	PERSONALITY	POSITION	DLI	REMARKS
50.	POTEMKIN Col	Comd, 12th Guards Tank Division	12/53	
51.	PUKHOV NF Col Gen	Comd, WEST SIBERIAN Military District	2/54	Former Commander of ODESSA Military District. Assumed present command in Feb 54(?).
52.	RADZIEVSKIY AI Col Gen	Comd, ODESSA Military District	1/55	Was Commander of Second Guards Mech Army 1948-50(?). Succeeded GALITSKIY Col Gen in present post late 1954 or early 55.
53.	RESHETNIKOV Col	Comd, 23rd AAA Div	2/54	
54.	ROSHCHITSKIY Col	Comd, 2nd Guards AAA Division	2/54	
55.	ROZHDESTVENSKIY Col	Comd, 62nd AAA Div	6/53	
56.	SERGEYEV Col	Comd, 14th Guards Mech Division	?	
57.	SERYUGIN MP Maj Gen	Comd, XXIX Guards Rifle Corps	12/51	
58.	SHALIN MA Col Gen	Deputy Chief of Staff?	7/55	Possibly a Deputy Chief of Staff. Head of the Chief Intelligence Directorate of the Soviet Army.

TOP SECRET COSMIC

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MILITARY PERSONALITIES

SER NO.	PERSONALITY	POSITION	DLI	REMARKS
59.	SHEVCHENKO Col	Comd, 12th Guards Mech Division	2/50	
60.	SHUIGIN BV Lt Gen	Comd, LXXIX Rifle Corps	5/52	
61.	SHU: ILOV MS Col Gen	Comd, VORONEZH Military District	6/55	
62.	SILINSKIY MZ Maj Gen	Comd, 207th Rifle Div?	2/52	
63.	SOBOLEV DF Maj Gen	Comd, 8th MG Arty Div	?	
64.	SOKOLOVSKIY VD Marshal of the Soviet Union	1st Deputy Defence Minister. Chief of General Staff.	7/55	In the Soviet Press of 24 Feb 55 he was referred to as "Chief of Staff of the Soviet Army and Navy".
65.	SOLOMONOV Maj Gen	Comd, 94th Guards Rifle Division	?	
66.	SOLOVLEV Col	Comd, 9th Mech Div	?	
67.	TIEMAN Col	Comd, 8th Guards Mech Division	7/51	
68.	TIMOSHENKO SK Marshal of the Soviet Union	Comd, BELORUSSIAN Military District	6/55	Has been Commander of the BELORUSSIAN Military District since May 1949.

TOP SECRET COSMIC

SOVIET ARMY

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REDUIT A SECRET

TOP SECRET COSMIC

PART IV

MILITARY PERSONALITIES

SER NO.	PERSONALITY	POSITION	DLI	REMARKS
69.	TOLSTIKOV PF Maj Gen	Comd, 95th Guards Rifle Division	3/54	
70.	TROTSENKO YeG Lt Gen	Comd, TRANSBAIKAL Military District	2/54	
71.	TULENEV Col	Comd, 31st AAA Div	12/54	
72.	UDOVICHENKO Maj Gen	Comd, 6th Guards Mech Division	9/54	
73.	UTVENKO AI Lt Gen	Comd, LXV Rifle Corps	?	
74.	VARKAIN RF Maj Gen	Comd, CXXX LATVIAN Rifle Corps (?)	?	The Soviet Press in a biography of VARKAIN on 10 Mar 54 states that he now serves with a "Lettish Formation" (possibly CXXX LATVIAN Rifle Corps).
75.	VASILEVSKIY AN Marshal of the Soviet Union	1st Deputy Defence Minister	7/55	Appointed 1st Deputy Minister on Mar 53. Was formerly Minister for War.
76.	VASILEVSKIY LD Maj Gen	Comd, 39th Guards Rifle Division	12/51	
77.	VEDENIN Maj Gen	Comd, MOSCOW KREMLIN	11/53	

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SOVIET ARMY

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TOP SECRET COSMIC

PART IV

MILITARY PERSONALITIES

Ser NO.	PERSONALITY	POSITION	DLI	REMARKS
78.	YAKUBOVSKI II Maj Gen	Comd, 4th Guards Tank Division	?	
79.	YEREMENKO AI Marshal of the Soviet Union	Comd, NORTH CAUCASUS Military District	10/55	Promoted to rank of Marshal of Soviet Union 11 Mar 55.
80.	ZAKHAROV MV Gen Army	Comd, LENINGRAD Military District	11/55	Commander of LENINGRAD Military District since Nov 53.
81.	ZAYTSEV Col	A/Comd, 13th Guards Mech Division	11/54	
82.	ZHELTOV AS Col Gen	Deputy Minister of Defence	7/55	Possibly Deputy Minister of Defence. Chief of the Chief Political Directorate.
83.	ZHIGAREV PF Chief Marshal of Aviation	Deputy Minister of Defence	5/54	Promoted to Chief Marshal Mar 55.
84.	ZHUKOV GK Marshal of the Soviet Union	Minister of Defence	2/56	Appointed 9 Feb 55.

TOP SECRET COSMIC

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IN REPLY PLEASE QUOTE

No. CC 1146-1 (JIC)

Department of National Defence

CONFIDENTIAL

JOINT INTELLIGENCE COMMITTEE

8.32

J.P. Blush
This document is now in use
17 Apr 56

0028-B-40	
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DMI
DAI

Soviet and Satellite Order of Battle

- Members will recall that SGM-713-55, which was forwarded with memorandum on this file dated 4 Oct 55, requested that the above Order of Battle be prepared for the Standing Group and Major NATO Commands. In para. 6 of the referenced document it was further requested that the Order of Battle be classified TOP SECRET COSMIC.
- Our assessment of Soviet and Satellite Order of Battle was prepared and sent to the Standing Group and Major NATO Commands following approval by the Committee, on 16 Jan 56. The document was classified TOP SECRET COSMIC.
- In Serial 313 dated 14 Mar 56, SACLANT informed us that our Order of Battle had been reviewed with considerable interest; however, in view of the security classification given to this document, none of the information contained therein could be used in SACLANT's Soviet Naval and Naval Air Order of Battle. The latter is classified NATO SECRET and we were requested by SACLANT to downgrade our estimate similarly.
- In view of the Standing Group instruction to classify our estimate TOP SECRET COSMIC, CJS Washington was requested to seek the views of the Standing Group concerning SACLANT's request. The Standing Group Security Committee are now wondering whether they should have made the recommendation contained in para. 6 of SGM-713-55, and are going to discuss the matter within their own committee and with SACLANT.
- It is anticipated that the Standing Group will agree to the downgrading of this document, and DNI has already stated that the Naval Order of Battle may be classified SECRET.
- May I please be informed by 24 Apr whether or not your sections of the Canadian estimate might be downgraded to NATO SECRET. In the event you agree to this downgrading, I shall notify CJS Washington accordingly.

McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

JCM/2-5459/ff

c.c. Mr. G.G. Crean,
Dept. of External Affairs.
DNI
DSI
RCMP
JIB



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No. CSC 7-17 (JIC)

Department of National Defence

JOINT INTELLIGENCE COMMITTEE¹

50028	B-40
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16 Apr 56

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APR 16 1956

MEMORANDUM FOR THE JIC:

Possibility of Soviet Drifting Research Stations Entering Canadian Waters

1. Attached for information is a copy of JIC 176(56) dated 5 Apr 56, which was approved at the 484th meeting of the Committee. Copies of this document have been forwarded to the Chiefs of Staff for information.

J.C. McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

Enc.

JCM/5459/ff

c.c. JIS

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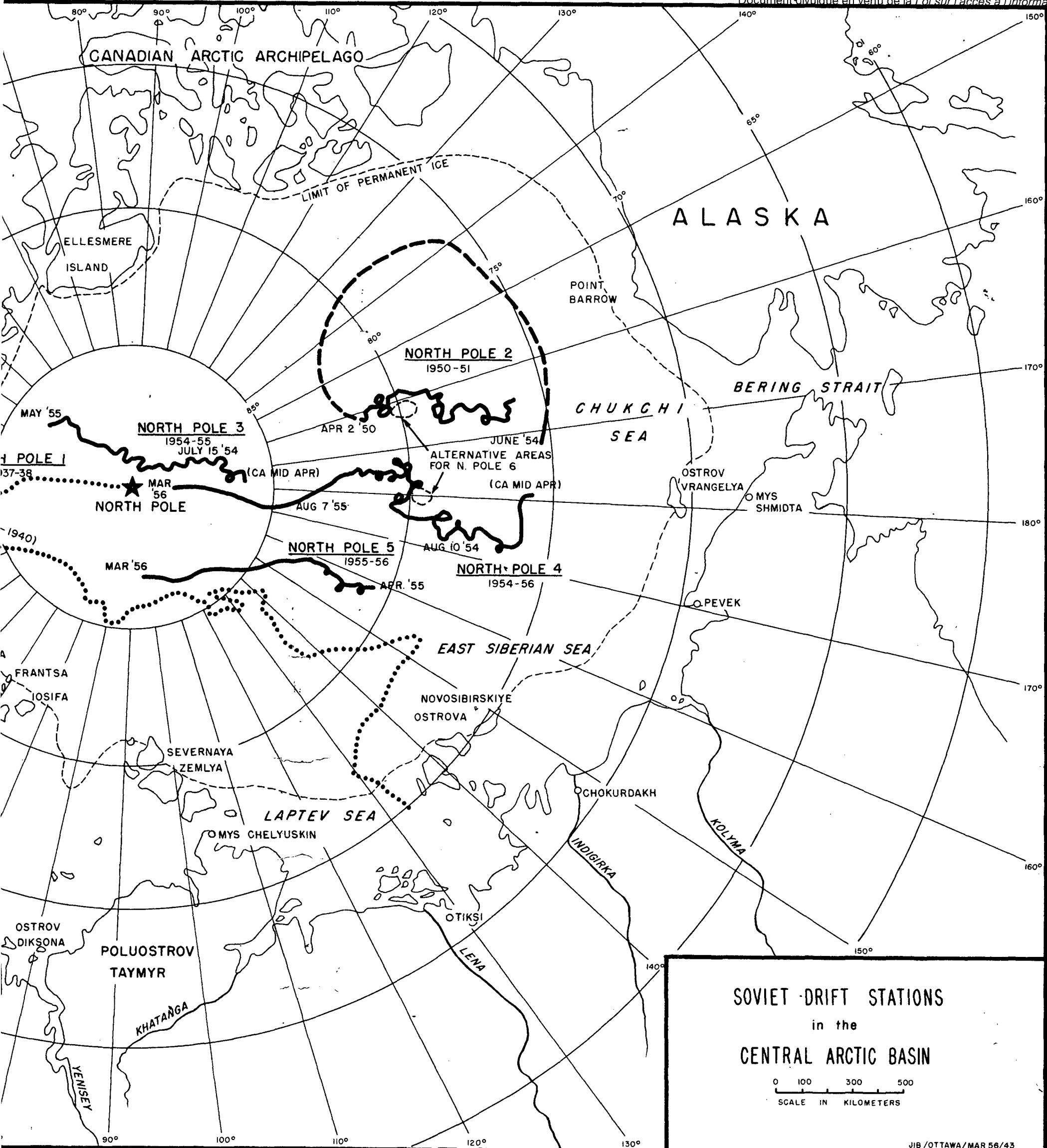
FILE COPY JIC 176(56)
CSC 7-17/11C) 5 Apr 56

Possibility of Soviet Drifting Research Stations
Entering Canadian Waters

1. The Soviet Union has mounted five drifting Research Stations to date. The first of these drifted in 1937-38 from the North Pole to approximately $76^{\circ}\text{N } 14^{\circ}\text{W}$, on the east coast of Greenland. The second (SP-2) was established in the spring of 1950 at $81^{\circ}45'\text{N}, 162^{\circ}\text{W}$. The personnel were evacuated from this in 1951, but the ice floe described a clockwise circular course, which brought it into Canadian waters within a few hundred miles of Pr. Patrick and Banks Islands and the Alaskan coast.
2. Drift Station 3 (SP-3) drifted in 1954-55 more or less along the 170°E meridian across the pole to the waters off northeast Greenland. During the drift it passed on the Canadian side of the pole.
3. Drift Station 4, which is at present approximately 170°W and 87°N appears to follow a line of drift similar to its predecessors, but the movement is somewhat slower.
4. Drift Station 5 is now approximately 095°E and not likely to approach the Canadian sector.
5. While we are unable to forecast the future drift of any of the ice-islands with certainty it would appear probable that drifting station 4 will continue northward towards Greenland. If this occurs, it is likely to pass close to the North Pole, probably on the Canadian side of the pole.
6. The Russians have announced that they intend to establish a new drift station (SP-6) this spring. Earlier announcements stated that this expedition would start its drift at $80^{\circ}\text{N } 180^{\circ}$. Later statements, however, refer to an intention of mounting the station where SP-2 was abandoned, i.e., north of 80°N and approximately 160°W . If the station is launched at 180° it is most likely to drift in a northerly direction, and will probably not swing very far east into the Canadian sector, although it is just possible that it may do so. However if the station is mounted at 160°W it is probable that it will move eastward toward the Canadian Archipelago and follow a drift similar to SP-2. Here again a more northerly course is not excluded. The new drift station is to be mounted within the next few weeks and its position will probably become known then.

000614





SOVIET DRIFT STATIONS in the CENTRAL ARCTIC BASIN

0 100 300 500
SCALE IN KILOMETERS



DEPARTMENT OF NATIONAL DEFENCE
CANADA

DEFENCE RESEARCH BOARD

SECRET
IN REPLY PLEASE QUOTE
DRBS 255-50/99 (DSI)
Ref. SI/4314S

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Ottawa, Ontario.
9 April, 1956.

File 446

Mr. G.G. Crean,
Department of External Affairs,
East Block,
OTTAWA, Ontario.

50028-B-40	
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Dear Mr. Crean:

We understand that a meeting of the Interdepartmental Committee on visits to and from the Soviet bloc is to be held next week and that the question of visits will be discussed at this week's JIC meeting. We feel that it would be desirable for the Interdepartmental Committee to consider and initiate appropriate action on the following two points:

1. The Cabinet, having approved a general policy on visits, and having established an Interdepartmental Committee to deal with them, appears to have overlooked the necessity of providing funds to enable certain classes of Canadians to visit the Soviet Union. All Soviet visitors to this country are obviously regarded as being "official" in the eyes of the Soviet Union, and their expenses are met by their government, except where these are paid by Canada. Canadians who are invited to the Soviet may have their expenses borne by the Soviet government after they enter the Soviet Union, but they are required to reach Leningrad at their own cost. In the case of business men, this may not be an obstacle, but scientific and technical personnel frequently cannot or will not bear this cost.

If it is intended to encourage visits by Canadian experts, funds will have to be provided to enable them to go. In the case of government employees no special provision will be required since their expenses can be procured in the same manner as all other travel. However the Department of External Affairs, or some other government department, must be provided with funds to assist other potential travellers who would require financial help and who should, in the opinion of the Interdepartmental Committee, be encouraged to go. (The return fare by air from Montreal to Leningrad is \$780.00 for tourist class and \$960.00 for first).

A traveller who is not a government employee is under no obligation to follow any recommended itinerary in the Soviet Union or render a report on his return. Since all Soviet travellers are obliged to follow definite instructions, Canada would not receive full value from reciprocal visits, unless she could place a similar obligation on her nationals. A person whose trip has been financed from official sources may reasonably be expected to accept direction and report on his return. In the case of employees of private firms it would, therefore, also be desirable for the government to pay their expenses, in particular since the true cost to the taxpayers would be only a little more than half the actual cost, because of the tax-savings that would be incurred by a private company paying their employee's expenses.

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S E C R E T

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2. In order to attain the maximum benefit from visits by Westerners to the Soviet Union, itineraries of delegates from USA, UK and Canada must be coordinated. Efforts must be made to ensure that when three delegations of experts in the same field, one from each country, are to visit the Soviet Union, they are not all shown the same installations. In order to obtain the maximum intelligence from these visits, itineraries must be planned so as to obtain maximum coverage and minimum duplication.

It is suggested that a routine be worked out between the Department of External Affairs, Foreign Office and State Department by which itineraries may be coordinated on a tripartite basis. Intelligence objectives which should be visited can then be determined and appropriate itineraries recommended either by direct consultation of the technical intelligence agencies concerned or by cooperation of External Affairs, Foreign Office, and State Department after consultation with their national intelligence agencies.



(J.C. Arnell)

for Chairman, Defence Research Board

European/U.B. Seaborn/hr.

DEPARTMENT OF EXTERNAL AFFAIRS
MEMORANDUM

File 1/16

Mr. G. L. (2)
TO:

Security .. **Secret**

Date .. **April 9, 1956**

FROM: .. **European/R.A.D. Ford**

File No. <i>Amil 11</i>		
50028-B-24		
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REFERENCE: .. **Your Memorandum of March 2, 1956.**

SUBJECT: .. **Semi-Annual Review of Intelligence.**

I am enclosing the two contributions from this Division for the J.I.C. semi-annual review of intelligence--one on Soviet internal policy, one on Soviet foreign policy. The section in the latter on the Middle East and South Asia has been seen by Economic Division and Commonwealth and Middle East Division.

I am sorry that our contribution is overdue, but the demands of current events have made it impossible to give this job top priority.

R.A.D.F.
R.A.D.F.

Enc. 2

FILE COPY

SECRET

April 10, 1956.

(For J.I. C. Semi-Annual Review of Intelligence)

INTERNAL DEVELOPMENTS IN U.S.S.R.

1. Within the U.S.S.R. the major political developments described in the previous review have continued into the present period under the Khrushchev-Bulganin régime. To the three most important developments - the maintenance of "collective leadership", the drive towards greater economic efficiency and the creation of a relatively freer feeling among the people ^{must be added} - the destruction of the Stalin myth. All these developments can be traced back to the period just following the death of Stalin, but in recent months and especially with the convocation of the 20th Party Congress they have been most pronounced. Certainly a primary aim of Khrushchev and most of the other speakers at the Congress seems to have been to impress on the delegates and the people of the U.S.S.R. that Stalinist one-man dictatorship, with all it implies, is gone for good.
2. "Collective leadership" seems now to be firmly established. While both Molotov and Malenkov have come under fire for "ideological errors" they continue to hold down seats in the Party Praesidium and in the Council of Ministers. Khrushchev appears to be at all times the dominant figure but there is no indication that he has assumed the old mantle of Stalinist absolutism. The team which he captains has operated more confidently and with greater flexibility than its predecessor, and with the passage of time the possibility of a return to a Stalin type dictatorship becomes more difficult. In spite of the stress on "collectivity", however, Khrushchev is succeeding in placing his candidates in some key posts in the Government

and Party, and he probably controls the Party Apparatus, the key to the rise to power of Stalin. In December, the First Secretary of the Party in the Uzbekistan Republic, A.I. Nizavov, was replaced by its premier, Mr. A. Mukhitdinov, who has since become a candidate member of the Praesidium of the Central Committee. In January, the premier of the R.S.F.S.R., A.M. Puzanov, associated with Malenkov, was replaced by Mr. Yasnov, the mayor of Moscow, who has worked closely with Bulganin and Khrushchev. And most important, S.N. Kruglov was replaced as Minister of the Interior (head of M.V.D.) by N.P. Dudurov, the deputy mayor of Moscow whose career has been party rather than police.

3. The annihilation of the Stalin myth, the vehemence with which his once-loyal followers now attack him and his terrorist tactics, and the present denunciation of "the cult of individualism" lend further support to the thesis that for some time at least a collective group will guide the Soviet destiny. Stalin no longer remains the "true disciple" of Lenin. His major historical and economic works have come under severe criticism, especially from Mikoyan, and in a secret session of the Congress Khrushchev denounced him as one who dominated the Soviet people through terror, who murdered and purged his enemies in order to remain in power. It seems evident that the present régime hopes to consolidate its own popularity by laying the complete blame for previous crimes and oppression to Stalin and Beria. Although this course appears to have provoked some consternation and hostility within the U.S.S.R., it is apparently being pursued with vigour through local party and trade union cadres. The condemnation of Stalin, however, is essentially a personal attack, and not a denunciation of communist methods or ideology; Marx and Lenin maintain their "scientific" pre-eminence, and there is clearly no intention of giving up any of the gains won by Stalin.

4. The composition of the Praesidium of the Party remains the same, although the number of candidate members has increased from two to six. The new appointments are Marshal Zhukov, Minister of Defence, D.T. Shepilov, editor of Pravda, L.I. Brezhnev and N.A. Mukhitdinov, First Secretaries respectively of Kazakhstan and Uzbekistan and Mme. E.A. Purtseva, First Secretary of the Moscow Town Planning Committee. P.K. Ponomarenko, a former candidate member and now Ambassador to Poland, has been dropped. There are over fifty new members of the 125-man Central Committee, and 72 new candidate members; the staff of the Party Secretariat has been raised from six to eight. It is not clear how far these additions and replacements reflect the influence of Khrushchev but it seems evident that he has in the past year increased his control over the party machinery. His appointment as chairman of the Bureau of the Central Committee of the Party in the RSFSR also reinforces his hold over the local functions of that Republic. Non-Russian representation in the Party committees seems to have been augmented and the present régime seems prepared to grant increased local autonomy under firm party control.

5. Under Khrushchev the Party has strengthened its position over the other major sources of power, the government administration, the secret police and the army. At the local levels the authority of the party cadres has been increased. The influence of the secret police has been sharply reduced since the demise of Beria. A new emphasis has been placed on the legal rights of individuals, and it was announced in December that as a result of trials held in Georgia a number of leading MVD and MGB officials had been sentenced to death or to prison terms for serving the cause of Beria and carrying out acts of terror, false accusations, etc. Party cadres have replaced most of the secret police agents in the ranks of the army, and while the role of the military leaders is

not yet clear it appears at present as if they are willing to assume a subsidiary though more prominent position.

6. As a ruling team the régime has exuded confidence, even enthusiasm, in promoting its internal and external policies. It has admitted that there exist certain technical deficiencies in the Soviet economy compared to the capitalist states, but in the new sixth five-year plan it continues to lay emphasis on heavy industry in order to enable the Soviet Union to surpass the West industrially. Many Soviet economists now recognize the dynamic aspects of Western capitalist economies, and Kaganovich himself has pointed out that economically the USSR still lags behind the chief western countries. This more pragmatic and realistic approach has caused the Soviet leaders to lay further stress on raising productivity through added labour incentives, managerial efficiencies and western type cost-accounting methods. Although the government plans to increase wages and reduce the work week, these actions are to be dependent on, and to lag behind, productivity gains; in fact, therefore, real costs are expected to decline.

7. Agriculture remains a key problem. It is possible that, once the increase in acreage in the new lands programme has been completed (in 1956), the planned increase in agricultural investment will lead to a more intensive form of cultivation, though it will still not be intensive by North American or Western European standards. State farms, it is stated, will replace many of the collectives and there have been persistent rumours that Khrushchev may attempt to implement his "agro-gorod" schemes. V. V. Matskevich, who was in charge of the recent Soviet agricultural visit to Canada, has since been appointed Minister of Agriculture. The regime is also increasing automation devices and the use of atomic energy. To

facilitate administrative efficiency the Ministry of Machine and Instrument Building has been split into separate Ministries, the Ministry of Instrument Building and Means of Automation under M. A. Lesechko, and the Ministry of Machine Building under N. N. Smelyakov. The former Minister, P. I. Parshin, who was severely criticized in July by Bulganin, has been dismissed.

8. Although defence expenditures allegedly have been slightly cut in the 1956 Budget they may actually have increased as a result of greater rationalization discharges and lower real costs.

9. The Soviet government has made a number of concessions to public opinion and to consumers which reflect its confidence and its more flexible methods. It continues to permit relatively greater freedom of scientific and cultural thought, and has officially recognized a number of western cultural expressions including American jazz, French impressionistic art and functional architecture. In literature it has endorsed a larger number of books by reputable American, British and European authors and has recently published the complete works of the previously discredited Dostoyevsky. It has published or broadcast, unedited, a number of the statements of Eisenhower and Eden, and has lowered many of its restrictions on the entry and travel of Western visitors, delegations and journalists.

10. The suppression of the more arbitrary MVD practices has been accompanied by the liquidation of many forced labour camps and the rehabilitation of a large number of political prisoners. Living conditions continue to improve; new regulations reduce in theory the hours of work to six hours on Saturdays and days before holidays and promise further concessions to employees, especially

women workers. While heavy industry is still the key to Soviet progress the regime promises to increase consumer goods, to improve the pension system and to step up the provision of housing facilities, though it is difficult to see how this can be accomplished if the heavy industry programme is to continue to take priority.

11. The present leaders are still committed to the monolithic structure of the Soviet state, and show no sign that they would tolerate criticism of their fundamental aims and methods. As a result of their realistic and less oppressive rule, the Soviet regime is probably in a stronger position vis-a-vis its own citizens than at any time since the war. So long as it can maintain its "collective" unity it may not require the despotic techniques of Stalin to assure itself of continued domination over the people of the U.S.S.R. In the economic field, however, it cannot be emphasized too often that the besetting problems are a tight labour supply (with the concomitant necessity of increasing labour productivity) and inadequate agricultural production. Until these problems are brought nearer to solution than they are at present, the economy will not be on a really firm foundation, nor can political repercussions of the economic problems be ruled out.

FILE COPY

SECRET

April 9, 1956.

(For J.I.C. Semi-Annual Review of Intelligence)

SOVIET FOREIGN POLICY

1. Soviet foreign policy came into much clearer focus in the five months under review. Thanks to two major events which were the occasion of policy statements, and a number of lesser events which showed Soviet policy in action, we now have a much clearer idea of what the Soviet Union means by peaceful co-existence. We can also see that the new Soviet policy is more than just a short-term tactical shift, that it will probably continue for some time, but that there has been no major change in ideological motivations or foreign policy. While certain aspects of the new policy are to some extent influenced by internal considerations, it has sprung primarily from considerations of broad political strategy in the world conflict.

Geneva Conference of Foreign Ministers

2. The Soviet leaders came away from the Summit meeting in July pretty well re-assured that the West does not intend to employ its power to force Soviet concessions. They had probably already accepted the fact that thermo-nuclear warfare would be a war of mutual annihilation and that, as long as the West thought the same, global war could be ruled out for the time being and certainly could not be regarded as an instrument of policy. There was some unwarranted popular expectation in the West that the friendly atmosphere in which the Heads of State met in July indicated a fundamental change in Soviet foreign policy and that there was a real possibility of reaching a settlement of outstanding issues and a modus vivendi with the U.S.S.R., based on terms which contained no threat

to the non-communist world. In fact, the Summit meeting gave no indication of a change in the essentials of Soviet policy, merely a change in the method of pursuing it.

3. The Geneva meeting of Foreign Ministers in October and November, the first major event of the period under review, indicated that the Soviet leaders had no intention of moving toward a settlement of major issues between them and the West. In Europe, the objectives remain the dissolution of N.A.T.O., the withdrawal of the United States, and the denial of a unified and re-armed Germany to the Western alliance. Geneva I and Geneva II, but particularly the latter, were concerned primarily with the problems of Germany. Mr. Molotov, whose stubborn personality heightened the impression of intransigence, made the Soviet stand on Germany clear. For the present at least, the Soviet terms for unification are the preservation of the social and economic structure of Eastern Germany within a unified Germany. Realizing that these terms are quite unacceptable to the West, the Soviet Union since Geneva seems to have accepted the continuing division of Germany and has taken steps to strengthen East Germany, to establish the outward signs of its independence (transfer of "sovereignty", establishment of diplomatic relations and permission to establish its own army) and to bring it more firmly into the pattern of the other satellites. Even if the Soviet Union were at some stage willing to abandon the Pankow régime - and all present indications are to the contrary - it would do so only on the basis of German neutrality and arms limitations. Although not spoken in the context of the German problem, Khrushchev's suggestion at the 20th Party Congress on the removal of nuclear weapons from troops in Germany is consistent with this approach. For the present, the Soviet Union seems to favour putting the German issue - and therefore a European

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settlement - on ice so far as Four Power negotiations are concerned and waiting in the hope that the movement for re-unification within Germany will lead to re-unification on Soviet terms.

4. Disarmament was on the agenda of the Foreign Ministers' meeting but no further advance was made from the Soviet proposal of May 10, 1955, and Bulganin's modifications at the Summit meeting. The stumbling block remained, and remains, Soviet refusal to accept an adequate system of inspection and control. Since then, the subject has been kept open in the Bulganin-Eisenhower correspondence on a treaty of friendship between the USSR and the USA, which suggests that the USSR may still be interested in a limited disarmament scheme. Khrushchev has suggested that the Soviet Union might be ready to agree to certain partial measures such as the cessation of tests of thermonuclear weapons; not to permit troops in Germany to have atomic weapons (this would complicate N.A.T.O. plans for the use of tactical atomic weapons in Europe, essential for the defence of Western Europe given Soviet manpower superiority); and reduction of military budgets (a dubious proposal in view of the ease of hiding Soviet military expenditures under other budget items, but of some possible appeal to the French who have also spoken of budgetary controls). In spite of the justifiable suspicion with which Soviet disarmament proposals are regarded, defence must be a severe strain on both the material and human resources of the USSR. They are anxious to devote additional resources to heavy industry of a non-military nature and to economic penetration of other countries, and we know that the shortage of labour and labour productivity are among the most pressing internal problems. In these

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circumstances, the continuing slight indications of interest in disarmament may lead to a limited scheme, providing it does not lead to too elaborate an inspection scheme, aerial or otherwise, of which they are still deeply suspicious.

t. In spite of Mr. Molotov's rejection at the Geneva meeting of the far-reaching Western proposals on East-West contacts which would, indeed, have struck at the very basis of the Soviet system, there is no indication that the Soviet Union intends to return to the extremes of post-war isolationism. The USSR continues to promote a controlled programme of contacts within its chosen limits. The primary purpose is to obtain scientific and technical "know-how" from the West to assist in its economic development; but there are the additional propaganda advantages of blurring and playing down the major issues dividing the West from the USSR, presenting the Soviet Union in a favourable light as a reasonable and co-operative country, and, by so doing, weakening Western and Asian opposition to communism and Soviet expansionism. Examples are myriad. Scientific delegations have been sent to learn Western techniques; Soviet concert artists are being sent abroad more and more; the Russian Orthodox church is being allowed to renew its contacts with other churches; the Supreme Soviet is making every effort to lure Western and other parliamentary delegations to the USSR and to return the visits; foreign statesmen are flocking to Moscow, and the Soviet leaders are spending so much time on goodwill tours abroad.

The Middle East and South Asia

6. The methods by which the Soviet Union intends to extend its influence by peaceful - and competitive - co-existence in the thermonuclear age is best illustrated in the Middle East and South Asia. Accepting the main features of the status quo in Europe for the time being, Soviet attention has been turned in the last five months to those countries lying to the south of the USSR, from

Egypt to India. Here the technique is to diminish Western influence by enlisting nationalist sentiment as in the provision of arms to Egypt; by reducing dependence on Western aid and markets through extensive offers of Soviet economic and technical aid, and purchase of surplus products; by participation in trade fairs and promotional visits; and by such elaborate propaganda moves as the Khrushchev-Bulganin goodwill tour of India, Burma and Afghanistan. The most significant new departure is the sale of arms and the offers of economic and technical aid as important instruments of policy to be used outside the Soviet bloc. It is indicative of the flexibility and imagination of the present Soviet leadership. Elsewhere in this review are to be found details of the Soviet economic offensive. The point to emphasize here is that the attempts at economic penetration of the Middle East and South Asia are based, like other activities in the area, not on economic but on political motives.

7. The methods of reducing Western influence in the Middle East are varied. The West wants to avoid unrest in the Middle East because of its vested interest in the integrity of the state of Israel, because of its oil supplies, and because of the strategic importance of the area in relation to the Soviet Union. Soviet arms shipments to Egypt have exacerbated the Arab-Israeli dispute. It seems unlikely that the USSR would welcome a serious outbreak of hostilities in the area, but the encouragement of nationalistic, and anti-Western, feelings suits Soviet purposes well by making the maintenance of Western influence less tenable. When it appeared that Middle East unrest might have the reverse effect and actually bring additional Western troops into the area in accordance with the Three-Power Declaration in February, the USSR reacted strongly and immediately to say that it would consider any such move as of direct concern to

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the Soviet Union. Soviet offers of economic and technical assistance, such as refinery equipment for Iraq, have likewise reduced Western influence and have put the Arab nations in a position to blackmail the Western powers most effectively. Offers of trade treaties and the purchase of surplus products such as Egyptian cotton serve the same purpose. Both are accompanied by derogatory propaganda about the policies of the British and American colonizers, and by attempts to play up Anglo-American conflicts in the area. The Soviet Union is also attempting to destroy the Northern Tier alliance, which it has effectively jumped by establishing close relations with the key Arab country of Egypt. Iran, Turkey and Pakistan have been told that membership in the "aggressive" Baghdad Pact is incompatible with friendly relations with their northern neighbour. Iran and Pakistan have been offered trade treaties conditional, it is reported, on their withdrawal from the Pact. By all these moves, the Soviet Union is trying to convince the countries of the Middle East that a policy of neutrality will serve their interests better than adherence to the West. It has also made clear to the West that, although it would not want a military showdown in the area, it is not prepared to let the Western nations impose a solution to Middle East problems without taking into account Soviet interests in the area. Meanwhile, the present crisis serves its purposes well with very little risk for the USSR.

8. In South Asia, the purpose of the new Soviet offensive has been to convince India, Burma and Afghanistan of the advantages of a policy of neutrality and the possibilities of close relations with the USSR. The most dramatic expression of the new Soviet interest in South Asia was the December goodwill tour by Khrushchev and Bulganin. Soviet subscription to the Panch Shila, denunciations of colonialism, support for the Indian position on Goa and Kashmir fell on receptive ears. But the very fact of the tour by the leaders

of the second most powerful nation in the world flattered the Asian nations, and particularly India, which was made to feel that the Soviet Union recognized it as an important nation. The constant references to the material achievements which the Soviet Union, thanks to the wisdom of the Communist régime, had made in a scant 38 years, also had their appeal to Asian nations emerging from colonial status and struggling on the road to industrialization. Coupled with this propaganda have been extensive offers of economic and technical assistance: the steel plant for India (already started), a large loan to Afghanistan to assist in its development, purchase of Burmese surplus rice, the establishment of a technical institute in Rangoon under the aegis of UNESCO. The Soviet Union has been at pains to emphasize that it is offering trade, not aid, for it realizes Asian sensitivity to any suggestion of "handouts" from wealthier nations. These measures have gone a disturbingly long way to convince the South Asian nations that the USSR is a peace-loving state with no aggressive designs upon them and that it can and will assist them in their economic development without the unpleasant financial and political conditions which are associated in the Asian mind with Western aid. There may be some disillusionment if there is a failure to live up to undertakings, but it would be unwise to count on such failure. This is clearly what the Soviet Union means by peaceful and competitive co-existence. Military conquest is not involved and even subversion is not of prime importance for the time, but the object is, nonetheless, by economic penetration and by propaganda and diplomatic means, to win South Asia from the West and to ensure first its neutrality and eventually its adherence to the Soviet Union.

Twentieth Congress of the Communist Party
of the Soviet Union

9. At the second Geneva conference the Soviet Union stated its stand on the major issues dividing the USSR from the West. In the Middle East and South Asia it has shown by example the diversity of methods which it is prepared to use in furtherance of Soviet influence and eventually of its goal of "socialization" of the rest of the world. The 20th Congress of the Communist Party of the Soviet Union, held from February 14-29, the second major event of the period under review, has provided a detailed blueprint of Soviet foreign policy for at least the immediate future.

10. In a mood of exuberant self-confidence, the Stalinist hard line was vigorously rejected, to be replaced by the dominant theme of peaceful co-existence between states of differing social systems. Peaceful co-existence between states does not mean that there can be any peaceful co-existence between ideologies. War is rejected as an instrument of policy, but the struggle against capitalism will be pursued by other and more fruitful means. Nor does peaceful co-existence mean that the USSR intends to reduce its military capabilities. These capabilities will not be jeopardized by the demands of heavy industry, of consumer goods or of economic assistance to other countries, though they may be modified in form if a limited disarmament agreement is reached. Meanwhile, Marshal Zhukov emphasized that the Soviet Union has a diversity of atomic and nuclear weapons.

11. The states of the world are placed in a Soviet order of merit, which gives an indication of the kind of pressure which will be brought to bear on them in furthering Soviet influence. Next to the USSR come Communist China and the people's democracies of Europe and Asia. The economies

of the European satellites will be more closely integrated with that of the Soviet Union and no greater independence of the Soviet rulers will be allowed their régimes. Immediately after them comes Yugoslavia which the USSR is attempting to bring back into the socialist fold, first on the economic plane, then on the political and ideological. In the second category come the countries which have "liberated" themselves from the colonial system (the fact that they have won independence is touted as a triumph of Marxist-Leninist theories on imperialism) but have not permitted themselves to be drawn into military blocs -- India, Burma, Afghanistan, Egypt, Syria and "other states upholding positions of peace". These countries are the primary targets for the extension of Soviet influence, by providing arms as in Egypt, by offers of trade and economic assistance, and by political overtures such as the Khrushchev-Bulganin goodwill tour. With, but after, these come Finland, Austria and "other neutral countries" which are Western by inclination but which the Soviet Union will try to keep out of any alliance with the West. In the third category come the countries with which relations are to be improved -- the United States, the United Kingdom, France, Western Germany, Japan, Italy, Turkey, Iran, Pakistan and "other countries". Of these, Iran, Turkey and Pakistan are now regarded as not irrevocably lost to the Soviet sphere of influence. The desire for better relations with the United States was re-emphasized, as it was by Bulganin's overtures to President Eisenhower proposing a treaty of friendship between the USSR and the USA. It is significant that several of the countries along the periphery of the Sino-Soviet bloc which the Soviet Union is trying to woo by diplomacy, propaganda and economic measures are precisely those countries in whose territory are the United States strategic Air Command medium range

bomber bases. In taking the offensive against these countries, the Soviet Union is doing so not only because many of them are under-developed and therefore offer good possibilities for an extension of Soviet influence. It is doing so, and perhaps primarily, to deny the use of their territory to the bomber and possible missile bases of the United States. As for the Western democracies, the Soviet Union will try to enter into bilateral negotiations with them in an attempt to weaken their unity in opposition to Soviet communism.

12. Two important revisions of doctrine were made at the 20th Congress, one on the inevitability of war and the other on the methods of transition to socialism. It has been a Marxist-Leninist premise that, while imperialism exists, wars between the capitalist and socialist powers are inevitable. The Soviet leaders have now revised the doctrine to state that, while the economic basis for the outbreak of war persists, "there is no fatal inevitability of war". Their reasons for revising the doctrine are the alleged deterrent effect of thermonuclear warfare capabilities and the economic strength of the socialist bloc which puts it on a rough parity with the capitalist world, in contrast with the situation pertaining at the time of Lenin when the Soviet Union was surrounded by a hostile and much more powerful capitalist world. The Soviet leaders are making virtue of necessity in preaching peaceful co-existence and the non-inevitability of war, but this may have a markedly favourable propaganda effect in certain sectors of the Western, and even more so of the Asian, world where the inevitable war doctrine has been a serious deterrent to co-operation with the Communists and with the Soviet Union. Khrushchev puts his thesis this way: "There are only two ways, either peaceful co-existence or the most devastating war in history. There is no third alternative".

13. A second major revision of doctrine at the Congress had to do with the possibility of different but valid forms of the socialist state and different methods of arriving at socialism. Previously the doctrine was that all socialist states must be modelled after the Soviet state and that the transition can only come about by revolution. The first tenet was denied in fact by the pilgrimage to Belgrade in May, 1955, and by the acceptance of Communist China as part of the socialist camp. The Congress revised doctrine to fit the facts and by so doing put the stamp of orthodoxy on Yugoslav and Chinese Communism. The second tenet made difficult the efforts to form popular fronts, as in Italy and France, and also the role of Communist parties in certain Asian countries. It has therefore been revised to say that civil war is not obligatory in all circumstances and that the transition to socialism may come about by parliamentary means, though "acute class revolutionary struggle" will be necessary where capitalism is still strong. The new possibility of parliamentary methods is a clear call to popular fronts in some Western countries and is doubtless directed also at the former colonial countries where there is less understanding than in the West of how parliamentary forms can be twisted to communist ends. It is quite clearly stated that the Communist Party would lead the transition to socialism by parliamentary means and that, once the transformation was achieved, there would be no turning back and no room for differing parties. The model is Czechoslovakia. Reformism is just as firmly rejected as ever, even though the Social Democrats may be used by the Communists as a tactical device.

14. The Soviet leaders regard the future course of the world struggle with confidence. The leaders have not abandoned their ultimate aims for the socialization of the world and are confident that the future is theirs. That they have radically changed their methods of achieving this

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goal is a reaction to Western unity and defence preparations in the face of the Communist threat, but it is primarily a realization of the ineffectiveness of Stalinism in the present era which caused the change. It may not prove the strength of the régime but it could scarcely have been accomplished by a group of men who felt weak or uncertain. Mr. Khrushchev made clear to Mr. Pearson his conviction that in a more peaceful international climate the free peoples will not accept the sacrifices that prolonged defence preparations and competitive economic co-existence involve. The Communists could stand up better to the sacrifices of the long pull and Communist society would, therefore, prove superior to capitalist society. It must be admitted that the new Soviet policy is having considerable success and that, as the basic Soviet aims remain the same, the challenge from the USSR, while changed in character, remains strong and in some respects more dangerous than the markedly aggressive policy of Stalin.

The European Satellites

15. Soviet domination of the political and economic life of the satellites continues. They have reflected, with a time-lag, the changing policies within the USSR, though there has been some hesitation and caution in introducing greater flexibility into some aspects of policy. In spite of the Soviet Union's movement toward accepting the validity of different forms of socialism in different countries, there is little evidence that this precept has been extended to the satellites, nor that the satellite leaders entertain any Titoist aspirations. They are too dependent on the Soviet Union for the maintenance of their position, and without the popular support which would permit of any independence of action.

16. Further steps have been taken to bolster the prestige of the East German régime and to give East Germany the semblance of an "independent" state. At the Geneva

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Foreign Ministers' meeting, Mr. Molotov gave re-assurance that there was no intention of abandoning the "social and economic gains" of East Germany for the sake of German re-unification. Later in the year, an East Germany army was formed. In January East Germany became a full member of E.E.T.O., and G.D.R. Defence Minister Stoph appointed one of the advisory deputies to Marshal Konev. East Germany is being firmly fitted into the satellite pattern as the prospect of German re-unification fades.

17. The 20th Party Congress gave notice that the economies of the satellites would be even more firmly integrated into the economy of the Soviet bloc, with a more rational industrial specialization by individual countries. The emphasis on heavy industry continues. The satellites are being used in the Soviet economic offensive in the Middle East and South Asia and in the effort to extend trade with Western countries. Czechoslovakia has sold arms to Egypt, Poland has secured the contract to build a railway in Syria, and a number of satellites have entered into trade agreements with India, Burma, Ceylon, Indonesia, Pakistan, Lebanon, Saudi Arabia and the Sudan.

18. Polish, Czech and Hungarian grain purchases from Canada are a further indication of severe shortages and the general failure of agricultural production in the satellites. After some hesitation, there has now begun a renewed drive at further collectivization in agriculture in an effort to improve production, in spite of the poor results achieved in established collectives. In an effort to overcome industrial inefficiency and low productivity, more attention is being paid to economic incentives, including a slight increase in the supply of consumer goods.

19. Somewhat hesitantly, the satellites are following the Soviet lead in establishing "normal" relations with the outside world. Albania, Bulgaria, Hungary and Roumania were admitted to the United Nations as a result of the

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Canadian sponsorship of the "package deal" on new members. East-West contacts, though on a much more limited scale than that pursued by the USSR, are being encouraged, limited to sports, cultural affairs and trade. The satellites are making their peace with Yugoslavia, a process which involves painful internal re-adjustments in view of the number of purges for "Titoist activities" which took place in all of them following the Soviet-Yugoslav break in 1948.

20. Internally, the relaxation of the more oppressive restrictions has been less noticeable than in the USSR. Some political prisoners have been released and a few elderly people have been allowed to join relatives in the West, partly through Red Cross intervention. Nevertheless, trials of "Western saboteurs" and of people engaged in "anti-state activities" continue. There have been no major government changes in the last five months.

21. Some unwarranted optimism about a measure of relief from Soviet bondage apparently existed among the people of the satellites prior to the Geneva meeting of Heads of State. Soviet refusal to discuss the satellites there and events since that conference have dashed hopes. The people seem to have realized that any diminution of Soviet control can come only on Soviet initiative and that the Soviet Union intends taking no such initiative at the present time.

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ConfidentialYugoslavia and the U.S.S.R.

22.

Over the last six months Yugoslavia and the Soviet Union have taken a number of important steps to give concrete expression to the blueprint for the normalization of their relations contained in the Belgrade Declaration of June 1955. With the signing of a protocol on trade in January, which provides for an annual exchange of \$35 million each way between the two countries over the next three years, the restoration of Soviet-Yugoslav trade (in terms of dollar value) to its 1948 proportions was accomplished. It should be remembered, however, that the growth of Yugoslavia's trade with the West has been substantial during the period of the blockade imposed against it by the Soviet Union and the satellites. Yugoslavia appears fully aware of the undesirability of allowing itself to become again economically subservient to the Soviet bloc. As a result of the agreements signed thus far, it is estimated that its trade with the Soviet bloc should not exceed 25% of Yugoslavia's total foreign trade over the next three years; this compares with a figure of over 50% in the pre-1948 period.

23.

In addition to the trade agreement, the Soviet Union has undertaken to extend investment credits to Yugoslavia totalling more than \$200 million, bearing an interest rate of 2% and repayable in ten years. These credits include \$54 million for the purchase of raw materials in the Soviet Union, \$30 million in gold or hard currency to meet balance of payments needs, and \$120 million for the construction and extension of capital projects in Yugoslavia. Agreements on technical co-operation and co-

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operation in the field of nuclear energy were also signed at the turn of the year. Yugoslavia will receive from the Soviet Union the assistance necessary to enable it to construct a nuclear reactor which is scheduled for completion towards the end of 1957. Finally, in the cultural field, exchanges of artists and delegations of many kinds between the two countries have been growing in number and have been receiving active encouragement on both sides.

24.

On the ideological front, the themes developed by the Soviet leaders in their speeches to the 20th Congress of the Communist Party in Moscow have been welcomed in Yugoslavia as a convincing proof of the abandonment of the aggressive tactics of the Stalinist era and of the peaceful intentions of the Soviet Union. The new approach which these speeches adumbrate will do much to foster good relations between the two countries and may well mean a relaxation of Tito's earlier reluctance to discuss the development of inter-party co-operation. A significant indication of the closing of the ideological gap between Yugoslavia and the U.S.S.R. was provided by Tito's letter of "comradely greetings" to the 20th Congress, which, from the Soviet viewpoint, probably more than compensated for the absence of a participating Yugoslav delegate.

25.

There is still no indication that Tito contemplates a return to the Soviet camp, but a definite trend towards a closer alignment of Yugoslavia with the East and a corresponding weakening of its Western connections undeniably exists. The Western powers must expect that their policies will be viewed with a more critical eye by the Yugoslavs now that the latter's earlier isolation, and the urgent need for Western support which it engendered, has been largely removed by the restoration of friendly relations with the U.S.S.R.



CANADA

IN REPLY PLEASE QUOTE

No. CSC 9-27 (JIC)

Department of National Defence

SECRET

JOINT INTELLIGENCE COMMITTEE

f. 26

6 Apr 56

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Exchanges of Visits and Information Between Canada and the Soviet Bloc

19 APR 1956

1. Attached are copies of the following correspondence on the above subject:

- (a) Letter to Mr. Crean dated 3 Apr 56.
- (b) Aide-Memoire dated 3 Apr 56.
- (c) Memorandum to the Cabinet dated 3 Feb 56.

2. This subject will be considered at the meeting to be held 11 Apr 56.

J.C. McGibbon
(J.C. McGibbon)
Squadron Leader, RCAF,
Secretary.

Encs.

JCM/5459/ff

c.c. Mr. G.G. Crean, *Leas and Lane (6)*
Dept. of External Affairs.

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FILE COPY

S E C R E T

April 6/56

50028-13240

April 3, 1956.

Dear Mr. Crean:

The Cabinet noted and approved on February 23, 1956 a memorandum submitted by the Secretary of State for External Affairs which outlined certain principles according to which exchanges of visits with Soviet bloc countries should be conducted. I am attaching a copy of the memorandum for your information. The Cabinet agreed:

- "(a) that the policy outlined be approved, but that no announcement about it be made;
- (b) that an Interdepartmental Panel on the Exchange of Visits with the Soviet Bloc, with the terms of reference proposed, be established to assist in implementing this policy;
- (c) that the panel be responsible to the Cabinet through the Secretary of State for External Affairs and be constituted as he had recommended, with the addition of the Deputy Minister of Citizenship and Immigration;
- (d) that the Soviet Ambassador be informed that he should always take up directly with the Department of External Affairs, in the first instance any proposals concerning official exchanges, and that he should keep the department informed of his activities concerning unofficial exchanges; and
- (e) that the requirements of the Special Branch of the RCM police be reviewed in the light of changing attitudes toward Russia and increased contacts between Russians and Canadians."

Steps are being taken to inform the Soviet Government of the principles according to which the Canadian Government is willing to carry out exchanges of visits. The Soviet Foreign Ministry and the Soviet Ambassador here will shortly be presented with copies of the attached aide-memoire. It will be further made clear to them that in ordinary circumstances the Canadian Government does not intend to issue visas to visitors invited to Canada by Communist-dominated organizations.

I should like to suggest that the first meeting of the Inter-Departmental Panel take place at 4 p.m., Monday, April 16, in the Main Conference Room, Room 157, East Block. As you will notice, the terms under which the Panel has been set up provide that Deputy Ministers and Heads of Agencies may be represented by a senior official, who could, in effect, become the "visits officer" for his particular department or agency and who would be available for consultation whenever necessary. I would hope, however, that it might be possible for you to attend at least the first meeting in person, accompanied if you wish by whoever will act as your deputy.

I shall be submitting an agenda to you in advance of the meeting. Tentatively I would suggest that it include the following topics:

- (a) Our procedures for the approval and handling of visits in both directions;
- (b) The definition of what constitutes an "official visit" for the purposes of the Panel;

Mr. G.G. Crean, Chairman,
Joint Intelligence Committee,
Ottawa.

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- (c) The financial problems involved in exchanges of visits;
- (d) The visits programme for 1956. (Among the most pressing for consideration are Soviet proposals on exchanges of visits in the fields of forestry, energetics and fisheries; and satellite trade representatives and delegations). Possible Canadian visits to the USSR.

If you have any comments on this agenda, or suggestions for additional topics for discussion at our first meeting, I should be grateful if you could inform me of them. Would you also be kind enough to advise Mr. Seaborn of this Department (Tel: 6-7991) whether the suggested date and time are convenient to you.

Yours sincerely,

(Sgd.) J.W. Holmes

for Under-Secretary of State for
External Affairs.

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C O P Y

April 3, 1956.

AIDE-MEMOIRE

The Canadian Government has received in recent months a number of proposals from the Soviet Government for exchanges of visits between Canada and the USSR. It has also noted with interest the various proposals made by the Soviet Ambassador in Ottawa to private groups and individuals in Canada for such exchanges. The Canadian Government welcomes exchanges of visits between the USSR and Canada which contribute to greater mutual understanding between the two governments and peoples. It is prepared to assist in the development of such exchanges and would like to suggest certain conditions and criteria which, in the Canadian view, will contribute to better relations between our two countries. The purpose of this aide-memoire is to outline these conditions and criteria, which may be further elaborated in the light of experience.

The Canadian Government considers that exchanges of visits should be based on the principle of reciprocity, and that there should not be a marked imbalance of visits in either direction. It will be for each Government to suggest to the other what visits it would like to take place. This principle of reciprocity need not be confined rigidly to an exchange of visits in a particular field; each Government should be prepared in certain circumstances to consider, for example, a visit in one field as matched by a return visit in quite a different one. This flexible approach should enable both countries to derive the maximum benefit from the exchange of visits.

So far as official Soviet visits to Canada are concerned, the Canadian Government would find it difficult to receive more than a limited number of groups from the USSR in the course of a year. In 1956, for example, it would be preferable if major visits could be confined to those of a Soviet timber delegation and a Soviet fisheries delegation. The Canadian Government would not, of course, consider sending more than a roughly equivalent number of Canadian delegations to the USSR under official Canadian Government sponsorship. In this connection, the Canadian Ambassador in Moscow will shortly make some suggestions to the Soviet Government for visits in the current year. Proposals for other more limited exchanges in both directions, particularly where some preliminary arrangements have already been made, can be considered separately.

In general, it is the opinion of the Canadian Government that it will be easier to make suitable arrangements if visiting delegations are small in size. The size of the delegations should be agreed in accordance with the preference of the host government. In accordance with normal Canadian practice, the Canadian Government would prefer to pay the expenses of any of its officials visiting the USSR.

In order to ensure the most effective handling of the exchange of visits between Canada and the USSR, the Soviet Ambassador in Ottawa is requested to take up directly with the Department of External Affairs in the first instance any proposals concerning official exchanges.

Apart from Soviet visits to Canada at the invitation of the Canadian Government, there remain visits to Canada proposed by Soviet representatives to private groups in Canada. In such cases, the Soviet Ambassador is requested to inform the Department of External Affairs concurrently of proposals for such visits.

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SECRET

MEMORANDUM TO THE CABINET

Exchange of Visits and Information
Between Canada and the Soviet Union

This memorandum draws attention to, and makes certain recommendations concerning the various problems posed by the increasing number of scientific, technical and cultural exchanges, both of visits and of information, between Canada and the Soviet Union.

Soviet Policy and Practice on Exchanges

2. Messrs. Bulganin and Khrushchev revealed at the meeting of Heads of State last July that the Soviet Union had decided to widen its range of contacts with Western countries considerably beyond the narrow diplomatic channel which had been sufficient for its purposes during the cold war period. This development was at first misunderstood by some people in the West, and false hopes were raised that the iron curtain was to be dismantled. What we have learned in the last few months, as recently as February 14 when Khrushchev spoke in Moscow, has enabled us to see Soviet policy and practice in better perspective.

3. This clearer understanding of Soviet tactics has a bearing, of course, on policy regarding exchanges. A list of exchanges initiated between Canada and the Soviet Union since July 1, 1955, is attached. Our experience of these exchanges (and we understand that the experience of other Western countries has been the same) has established the three important points covered in the following paragraphs.

4. First, exchanges of visits proposed by the Soviets are in fields in which Canada may well be technically ahead of the Soviet Union (i.e. agriculture, lumber and energetics) and in which therefore the Soviet Union might have more to learn from Canada than Canada would have from the U.S.S.R. Proposals have also been made for exchanges of artists and athletes, and it should be noted that in this case the Soviet Union may be expected to outclass Canada and so gain a propaganda advantage.

5. Second, Soviet citizens visiting Canada come only in organized delegations carefully supervised by the Soviet Embassy, and information exchanged by correspondence and subsequent reports on any visits are controlled by censorship at the Soviet end.

6. Third, the Soviet Embassy has been proposing exchanges through many different channels. Our Embassy in Moscow is required to deal with the Foreign Ministry on every subject. Here in Canada, however, the Soviet Embassy has been proposing exchanges of visits or of information to several Government agencies and private organizations, and persons across the country. This practice has certainly been adopted in order to achieve better results from the Soviet point of view. Arrangements for specific exchanges are often accepted by Canadian officials or others who are unaware of the picture as a whole. It must be recognized, of course, that any effort

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we might make to oblige Mr. Chuvahin to work through any one agency on these matters would be handicapped by the fact that it would not always be easy to impose effective sanctions if he did not choose to cooperate.

7. It is quite evident that the balance of advantage in exchanges so far has been heavily in favour of the Soviet Union, which has taken and kept the initiative, and coordinated its effort better all along.

Value of Exchanges for Canada

8. The Canadian reaction, both official and unofficial, has been to welcome any genuine improvement of the atmosphere which might be created by increased exchanges, or indeed by any other method. In particular, exchanges are seen to offer the following possible advantages to Canada.

- (a) Increased contacts may help to remove the Soviet misconception that Canada is a member of an aggressive Western alliance which intends to attack the Soviet Union in due course. They may thus contribute to a slow improvement in East-West relations if continued long enough. They also help to put new ideas into the heads of people who in general have been kept in complete ignorance of the outside world for several decades. If continued long enough this may have a cumulative effect in the Soviet Union out of all proportion to the number of individuals affected;
- (b) In those scientific and technical fields in which the Soviet Union is ahead of us, Canadian research and industry obviously stand to gain by suitable exchanges;
- (c) We also stand to gain from an intelligence point of view in almost every field, because Soviet knowledge of Canada so greatly exceeds our knowledge of the Soviet Union;
- (d) As far as visits to Canada are concerned, while we may not be able to convert from Communism the sort of people selected to come here, we can at least show them our country, have them meet our people, and explain to them our policies in ways that must improve their understanding of Canada and what freedom means. This may have some effect on others when they return.

9. Many of the disadvantages of exchanges from the Canadian point of view stem from the fact that we have so far left the initiative in Soviet hands. This situation could largely be corrected by a careful and well-coordinated planning on our part. One danger which can never be removed, however, and which should therefore never be forgotten arises from the unchanging Soviet predilection for subversion and espionage. An international atmosphere of detente, and the closer personal contacts which it involves, will encourage the growth of a new generation of fellow-travellers and "respectable" Communists. They, by their influence and under-cover activity, may reduce Canadian support for NATO to a dangerous degree, and induce our people to believe, without genuine evidence to the contrary, that the Soviet Union has changed its basic aims and methods.

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10. As regards the danger of espionage, Soviet visitors may be used to select persons and intelligence targets for subsequent exploitation by the Russian Intelligence Service. These risks, however, can be kept within bounds if the Canadian public is made aware of them, and if our internal security service is given sufficient resources to carry out its task.

11. Although the Soviet Union has so far benefited more from exchanges than has Canada, it seems possible to make, if we so desire, these exchanges quite as profitable for us as for them, and perhaps even more so. But, if so, we must make our own arrangements and not allow things to develop without control by us. Such arrangements as we now have are described below, and certain suggestions made for improving them. The only alternative to working out suitable procedures would be to turn down every Soviet suggestion for wider contacts. This, however, would mean the erection of a Canadian iron curtain, and the full resumption of cold war tactics on our side which, I assume, is unacceptable.

Canadian Policy and Arrangements Concerning Exchanges

12. Thus far in this memorandum the term "exchanges" has covered the exchange both of visits and of information. Canadian policy regarding the exchanges of unclassified information with the Soviet Union and the Soviet satellite countries has been satisfactorily settled for some time now. Briefly, this policy lays down that unclassified information may be given only when some useful return can be anticipated, that the decision in each case is a departmental or agency responsibility, and that reports should be submitted twice a year to the Secretary of the Security Panel summarizing the information sent. If private organizations in Canada request advice on this subject, they are also requested to seek reciprocity as much as possible.

13. The exchange of visits poses far more difficult problems, on which our policy is still evolving. Our experience to date has established the continuing importance of the following points:

- (a) The exchange of visits between Canada and the Soviet Union can be useful and should up to a certain point be approved;
- (b) As in the case of the exchange of information, the exchange of visits should be reciprocal;
- (c) It is not sufficient for us merely to reciprocate visits proposed by the Soviet Government. We must take the initiative ourselves in fields of special interest to us, in order, among other things, to forestall undesirable initiative from them.
- (d) Canadian effort in connection with the exchange of visits, whether governmental or non-governmental, should be co-ordinated by the Department of External Affairs with due regard to all the political aspects involved;
- (e) Each visit proposed from either side should be referred by the Department of External Affairs, as early as possible in the planning stage, to

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the Security Panel and the Joint Intelligence Committee for examination of its security and intelligence aspects;

- (f) The minimum security requirements in connection with Soviet visits to Canada are the following: visas should be denied if the invitations have been issued by Canadian Communists or Communist-front organizations; the frequency and nature of visits should be related to the available resources of our security service; Soviet delegations should be restricted in size; Canadian conducting officers should be attached to the delegations in certain cases; and security briefing should be given to the institutions being visited;
- (g) The minimum security and intelligence requirements when Canadians visit the Soviet Union are that a security briefing be given beforehand and an intelligence debriefing be arranged afterwards in certain cases.

14. A Visits Panel to coordinate Canadian interests in this field has been operating for four months within the Department of External Affairs. It is now apparent, however, that both its constitution and its terms of reference are too narrow to enable it to handle the problems with which it has to deal.

Recommendations

15. In view of the foregoing, the Secretary of State for External Affairs submits the following recommendations to Cabinet:

- (a) That the policies outlined in paragraphs 12 and 13 above be confirmed as Canadian policy in the matter of the exchange of information and of visits respectively between Canada and the countries of the Soviet bloc.
- (b) That this policy should be announced to Parliament, or to the Committee on External Affairs, in suitable terms, which should cover the points mentioned in sub-paragraphs (a), (b), (c) and (d) of paragraph 13, and also the fact that visas will be denied to visitors who are sponsored by Canadian Communists or Communist-front organizations;
- (c) That an Interdepartmental Panel on the Exchange of Visits with the Soviet Bloc be set up to implement this policy;
- (d) That the Panel be responsible to Cabinet through the Secretary of State for External Affairs;
- (e) That the Chairman of the Panel be the Under-Secretary of State for External Affairs; that its permanent members include the Secretary of the Cabinet as Chairman of the Security Panel, and the Commissioner of the R.C.M. Police; that the Chairman of the Joint Intelligence Committee attend its meetings; that Deputy Ministers and

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Heads of Agencies attend when visits of interest to them are discussed; that the foregoing officials may be represented by senior members of their staffs; and that the Secretary be provided by the Department of External Affairs;

(f) That its terms of reference be as follows:

- (i) Establish liaison with appropriate Government departments and agencies, including the Government Hospitality Committee, in order to ensure that the Department of External Affairs is kept informed as far in advance as possible of forthcoming official visits in either direction between Canada and the Soviet bloc countries and, as appropriate, to advise on and assist with arrangements;
 - (ii) Deal with such unofficial organizations and persons as advise the Government of forthcoming unofficial visits in either direction and, as appropriate, to advise on and assist with arrangements;
 - (iii) Ensure that the Security Panel and the Joint Intelligence Committee are informed of such visits and consult with these bodies as necessary on the security and intelligence aspects;
 - (iv) Consult with the Chairman of the Government Hospitality Committee in order to ensure that the political, security, intelligence and information aspects of official visits to Canada from the U.S.S.R. and its European allies are borne in mind;
 - (v) Initiate proposals for official or unofficial visits to and from Soviet bloc countries if and when such visits would serve Canadian interests;
 - (vi) Keep under continuous review the subject of exchange of visits with Soviet bloc countries, including the problem of financing certain visits in whole or in part if Canadian interests would be served thereby, and prepare appropriate recommendations from time to time; and
 - (vii) In consultation with the Security Panel, consider the exchange of unclassified information with the Soviet bloc insofar as this is related to the exchange of visits.
- (g) That the Soviet Ambassador be told that he should always take up directly with the Department of External Affairs in the first instance any proposals he may wish to make concerning official exchanges of information and visits, and that he should keep that Department informed of his activities concerning unofficial exchanges.

(Sgd.) L. B. Pearson
Secretary of State
for External Affairs.

Department of External Affairs,
February 3, 1956.

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January 27, 1956.

ANNEX

List of Visits Completed or Proposed
between Canada and the Soviet Bloc
since July 1, 1955

PART I - Visitors from Soviet Bloc to Canada.

Visits Completed

1. Delegation of Soviet farm experts visited Canada in August at the request of the Soviet Embassy.
2. Four Soviet agricultural officials in October, invited by Massey-Harris-Ferguson Ltd.
3. Mr. J. Pelikan, President of International Union of Students (the organization is Communist-dominated - Mr. Pelikan is a Czech) visited meeting of National Federation of Canadian University Students in Edmonton in October.
4. A group of Russian Orthodox churchmen in December, invited by the United Church of Canada.
5. Two officials of the Czechoslovak Ministry of Foreign Trade held discussions with Canadian officials in December.
6. Mme. Czerny-Stefanska, Polish pianist, is now giving concerts in Canada.

Visits Proposed

1. Mrs. I. Domanska, President of the Polish Red Cross Society, invited by Canadian Red Cross Society.
2. Four Soviet musicians to be sponsored by private booking agencies in Canada.
3. The Soviet ballerina, Galina Ulanova, to be sponsored by a private booking agency.
4. A representative of the Soviet Academy of Sciences to attend a symposium sponsored by the National Research Council at the invitation of the Council.
- ✓ 5. Four Soviet medical scientists to visit Connaught Laboratories in Toronto, at the request of Soviet representatives.
6. Moscow Dynamos soccer team, to be invited and sponsored by the Football Association of Canada.
7. A Soviet physiologist, Dr. Smirnov, to do research at the Montreal Neurological Institute, invited by Dr. Penfield.

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Visits Proposed, cont'd

8. Mr. David Oistrakh and Emil Gilels, Soviet musicians, to perform at the Stratford Music Festival at the invitation of the organizers of the Festival.
9. The Soviet Minister of Fisheries, Mr. Ishkov, and some senior officials of his department (an official invitation).
10. A group of Soviet engineers to study Canadian methods in the field of energetics, under official auspices. (a Soviet initiative).
11. A group of Soviet lumber and forestry experts, under official auspices (a Soviet initiative).
12. A group of Soviet pulp and paper experts to visit Canada, as part of an exchange proposed by Mr. R.M. Fowler of the Canadian Pulp and Paper Association, (by the Soviet Ambassador).
13. A Soviet Parliamentary delegation to come to Canada as part of a possible exchange of Parliamentary delegations with that country (a Soviet initiative).
14. A Soviet trade delegation to discuss commercial matters with Canadian officials (continuation of trade talks).

PART II - Visits by Canadians to Soviet Bloc countries
(these visits were almost entirely the result of an initiative taken by these countries)

Visits Completed

1. Visit of the Minister of Fisheries to the Soviet Union in July.
2. Group from Canadian Women's Press visited the Soviet Union in July.
3. Mr. E.T. Alberts, Vice-President of the Toronto Flying Club, attended the Moscow Air Display in July.
4. Mr. Ben Weider, physical culture expert and journalist, visited the Soviet Union in August, at the invitation of the All Union Committee on Sports.
5. Dr. W.G. Penfield, Montreal neurologist, lectured at the Soviet Academy of Sciences in September.
6. Visit of the Secretary of State for External Affairs to the Soviet Union in October.
7. Mr. J.S. Duncan, of Massey-Harris-Ferguson Ltd. visited the Soviet Union in October (Agricultural Show).

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Visits completed, cont'd

8. Mr. W. Reucassel, President of International Waxes Ltd., visited the Soviet Union to discuss petroleum problems in October.
9. The conductor of the Calgary Symphony, Mr. J.W. Hopkins, visited Czechoslovakia in October (he was invited to return to give six concerts in 1956).
10. Mr. George Lonn, a Canadian newspaper artist, visited Moscow in November.
11. Two buyers of the T. Eaton Co. visited Budapest in November.
12. A Canadian member of the Galbon Lobo Trading Company of Havana visited the Soviet Beet Sugar Industry, in November, with three colleagues.

Visits Proposed

1. A group of Canadian musicians to tour the Soviet Union; the trip would be arranged by a Canadian concert agency (a Canadian initiative).
2. A group of Canadian lumber and forestry experts to visit the Soviet Union (in return for Soviet visit to Canada mentioned in Part I).
3. A group of Canadian engineers to study Soviet methods in the field of energetics (in return for Soviet visit to Canada mentioned in Part I).
4. A Canadian Parliamentary delegation to visit the Soviet Union (as part of a possible exchange mentioned in Part I).
5. Mr. Glenn Gould, Canadian pianist, to give recitals in Soviet Union.
6. Visit by a ship of the Royal Canadian Navy to Leningrad as part of a Baltic cruise. (This is under consideration in Canadian official circles only).
7. Visit of the Stratford Theatrical Group to Moscow.
8. A team of the Canadian Federation of Chess is considering participation in a tournament in Moscow.
9. Mr. A. Lamport, of the Toronto Transportation Commission, will visit Moscow to inspect the subway there.
10. Two Doukhobors from British Columbia may visit the U.S.S.R. to look for the son of Peter Verigin, formerly their leader (if the Soviet authorities agree).
11. A group from the Mennonite Colonization Board in Canada may visit the Soviet Union to contact Mennonites there (if the Soviet authorities agree).
12. Mr. Arpad Han, a Montreal importer, plans to visit Hungary.

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13. A textile importing firm in Montreal plans to send a representative to Czechoslovakia.
14. The Canadian Chamber of Commerce may send a delegation to the U.S.S.R.
15. Prof. E.G.D. Murray, a Canadian microbiologist, has been invited by the Soviet Ambassador to attend a Congress of Microbiology and Epidemiology in Leningrad.
16. Dr. E. Long, Secretary of the General Council of the United Church, and Dr. W.G. Gallagher, Secretary of the Canadian Council of Churches, and Canon Judd of the Church of England will attend a meeting of the Executive Committee of the World Council of Churches in Hungary.
17. Dr. Long and Dr. Gallagher (see above) have been invited to visit the Soviet Union after their visit to Hungary, in return for visit of Soviet Churchmen to Canada (see Part I).
18. Mr. Austin Cross, Ottawa journalist, may visit Roumania.