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PART II

WORKING GROUP ON TRENDS OF SOVIET POLICY

REVISED DRAFT REPORT ON TRENDS AND IMPLICATIONS OF
SOVIET POLICY

Note by the Secretary

Attached is the revised draft text of Part II of the Report on Trends and Implications of Soviet Foreign Policy which was provisionally agreed by the Working Group on 25th November, 1954.

2. This paper is part of, and should be attached to, Part I of the Report which was circulated separately under reference AC/34-WP(54)6(Revised).

3. As agreed, the next meeting of the Working Group will be held on Monday, 6th December, 1954, at 9.30 a.m. (Room VII, Palais de Chaillot).

(Signed) LUCILLE M. PEART

Palais de Chaillot,
Paris, XVIIe.

REVISED DRAFT REPORT ON TRENDS
AND IMPLICATIONS OF SOVIET POLICY

PART II

12. The Soviet Notes. The primary Soviet objective during this period has been to prevent the incorporation of West Germany into the Western defensive system. In their efforts to prevent West German rearmament the Soviet Government have not, however, been able to propose any acceptable basis for agreement on German unification. Neither the Soviet Note of October 23rd nor that of November 13th represents any advance on their previous position. That of October 23rd has nothing new to offer towards a solution of the German and Austrian questions whilst that of November 13th merely repeats Molotov's proposals on European Security. The Soviet Government will doubtless persist in their attempts to prevent or postpone the ratification of the Paris Agreements, playing on Western fears of a rearmed Germany, on the German desire for re-unification, dangling the bait of Soviet acceptance of the West's disarmament proposals, while showing an ostensible willingness to negotiate. The recent Soviet Notes do not suggest that ratification of the Paris Agreements would exclude the possibility of future East-West negotiations, but merely that it would render them more difficult. The Note of November 13th appears to foreshadow a new campaign, designed to impede the implementation of the Paris Agreements after ratification. In the last resort the USSR may be prepared to live with the fact of a re-armed Western Germany incorporated into the Western defensive grouping. However, certain press commentaries which followed the Note of November 13th indicated that, in anticipation of ratification of the Paris Agreements, the Soviet Government may establish a more formal grouping of the Communist Powers in Europe, to supplement or replace the present system of inter-locking bilateral pacts between the Soviet Union and the

various Satellites. Such a system would not reinforce the power or effectiveness of the Soviet bloc but would provide for the formal incorporation of East Germany into the Communist military grouping. Its establishment might also serve to offset, at least to some extent, the effects of the serious reverse which the ratification of the Paris Agreements will represent to the Soviet Union.

13. Germany and Austria. The inability of the Soviet Government to put forward proposals on Germany which would be acceptable to the Western Powers has been due to the fact that any such proposal would result in the weakening of the Soviet grip on Eastern Germany. This, as the farce of the East German elections on 7th October (described by Ulbricht as a model for free ~~all~~-German elections) showed, the Soviet Government have not so far been prepared to contemplate. They have as a result concentrated on building up the position and prestige of the Pankow Government. Towards Austria Soviet policy has likewise remained frozen and it has been made plain that Soviet agreement to withdraw their troops from Austria, and to conclude an Austrian Treaty, will remain conditional upon the prior conclusion of a German settlement.

14. Disarmament. US-Soviet negotiations on President Eisenhower's plan to establish an international agency for peaceful use of atomic energy broke down as a result of Soviet insistence on a preliminary ban on the use of atomic and nuclear weapons, although the USSR has displayed an interest in continuing to talk about the plan and apparently does not want to be left out entirely in the development of such an agency. Soviet equivocation on the control question, plus its insistence on a ban on the use of nuclear weapons, brought about the failure of the attempt of a sub-committee of the UN Disarmament Commission to break the long-standing great-power deadlock on the disarmament problem. There is no indication that the

USSR is ready to participate in either disarmament or international atomic programmes, if these involve effective control. Soviet interest in these topics is probably best characterised by Vyshinsky's belated acceptance on September 30th of the Franco-British proposals as a basis for discussion. While the Soviet leaders may believe that some form of disarmament corresponds to their interest, Vyshinsky's apparently more forthcoming attitude seems to have been designed primarily to impede agreement on plans for including the German Federal Republic in the Western defence system. The Soviet Union will presumably continue to put forward specious disarmament proposals, which, together with the long-standing demand for a ban on the use of atomic and hydrogen weapons, may be expected to play an increasingly important rôle in Soviet political warfare.

15 "Normalisation of Relations". Although there has been no evidence of any change of Soviet policy on the major European problems, the Soviet Union has continued to modify the crudeness which characterised its international behaviour during Stalin's era. In certain instances Soviet behaviour has been markedly more forthcoming and cordial. Conciliatory gestures have been made towards certain countries. Some prisoners of war and political prisoners have been released by the Communist bloc countries. Soviet naval units have exchanged courtesy visits with Sweden and Finland. The Soviet Government have made minor concessions to various countries, a Baltic sea-rescue agreement being concluded with Sweden, Scandinavian fishermen being permitted to benefit from a greater flexibility in the application of the Soviet 12-mile limit in the Baltic, and the Anglo-Soviet Fisheries Agreement being extended for a further year. The Soviet Union and the Satellites have entered, or resumed, participation in a number of international organizations (International Labour Organization, Unesco, etc.). Above all the intensity of the Soviet cultural offensive has been sharply stepped up.

There has been a marked increase in cultural, sporting and other exchanges between the Soviet Union and Europe, and British and Finnish Parliamentary Delegations have been received in the Soviet Union. The Soviet Government have endeavoured to extract the maximum propaganda advantages from the majority of these exchanges and to ensure that the merit for arranging them accrues to local communist or "front" organizations.

16. It can be expected that this policy, which has the merit of cheapness, of "normalising" relations with the non-Communist countries of Europe will continue and be expanded. It coincides with the Soviet leaders' evident desire to present the Soviet Union to the outside world in a more attractive guise. It serves as a tactical accompaniment to the theme of "peaceful co-existence", and affords Soviet diplomacy greater scope for divisive manoeuvre. One further advantage the Soviet Union may hope to derive from these "softening-up" tactics is that in the relations among Western countries, national susceptibilities and interests may acquire paramount importance over the need for international co-operation to achieve Western security. Another, that party-political alignments inside Western countries may be determined by economic and social considerations rather than by considerations of foreign policy, and that this in turn may help local Communist parties to emerge from isolation and to make political alliances. For example, the policy of ostentatious friendliness towards the United Kingdom is clearly designed to serve the objective amongst others of accentuating Anglo-American divergences. The more cordial attitude towards Greece and Turkey, for its part, is evidence of a change of tactics after the failure of the policy of intimidation pursued under Stalin.

17. Finland and Yugoslavia. The more forthcoming attitude which the Soviet Government have lately adopted towards two European countries on the periphery of the Soviet bloc is of particular significance:

- (a) Finland. The Soviet Government have taken steps to strengthen their position, economically, politically and militarily, in Finland. They may be expected to pursue and possibly to intensify this policy and, although any direct Soviet threat to Finnish political independence is improbable, the Soviet leaders doubtless hope to entice Dr. Kekkonen's Government into closer relations with the Communist bloc.
- (b) Yugoslavia. During this period the Soviet Government have undertaken a series of measures designed to improve Soviet-Yugoslav relations. It is significant that the signature of the Balkan Pact did not deter them from pursuing this policy. It seems probable that the Soviet Government's decision to accept the Trieste settlement was primarily dictated by their desire to further the détente in Soviet-Yugoslav relations.

18. The Near East. Despite an occasional threatening article in the Soviet press and the adoption of an acrimonious tone in diplomatic communications, the USSR does not seem inclined at present to interfere actively in Iran, and indeed shows some signs of wishing to "normalise" its relations with Iran. The present Soviet intention seems to be to make unmistakably clear to the Iranian Government that it would not view favourably Iran's entrance into an arrangement like the Turkish Pakistan mutual-assistance treaty.

In the Near East generally, the Soviet effort seems to involve working both sides of the street without making a definite commitment to either party to the Arab-Israeli dispute, although the USSR seems to be playing up more to the Arab side at the moment. In this area, Moscow seems content to watch its chances

and to stir up as much trouble as possible without tying itself to a definite course of action.

19. Asia. In Asia, the enhancement of Communist China's prestige has further strengthened its influence over its neighbours, and the "Chinese People's Republic" has become increasingly important in their foreign policy estimates. Communist policy in Asia aims to complete the expulsion of the West from the area, and, with this end in view, to neutralise the non-Communist Asiatic states. The Communists hope to do this by placing the onus for maintaining "tensions" in the Far East upon the West and by concentrating the attention of Asian opinion on issues which can be given an "anti-colonial" interpretation. In their pronouncements regarding the "liberation" of Formosa, the Chinese Communists endeavour to portray themselves as pursuing a legitimate national interest, in the face of unwarranted and aggressive intervention by the "imperialist" United States. Great stress has been laid by the Chinese Communist propagandists upon the purely domestic character of their struggle to crush the Chinese Nationalists, with particular regard to the recurrent Communist attacks on the coastal islands still held by Nationalist forces. This stress perhaps reflects concern on the part of the Chinese Communists lest Asian and world opinion identify them as the force mainly responsible for the maintenance of tensions in the Pacific. Such an identification would prevent realisation of their hope, which is to put an increasing strain upon what they believe to be the weakest link in the chain of common purpose which unites the Western allies. The Soviet position with respect to Communist China's stand on Formosa has been one of rather restrained support, and the Nationalist-held coastal islands have hardly been mentioned by the Soviet leaders. This may signify a Soviet uneasiness on the score of possible unilateral action by Communist China against Nationalist territory. However, an action against Formosa would be

impossible for the Chinese Communists without very extensive Soviet assistance.

India and Japan have become the primary objectives in the Communist effort to win the good opinion and to disarm the suspicions of the non-Communist countries of Asia. The declaration on Japan in the recent Sino-Soviet Agreements makes it evident that the "neutralisation" of Japan and its detachment from the United States is a major goal of Communist policy in the Far East. This is the complement in the Far East to the prominent Communist attempts to court Indian opinion. The latter policy is enshrined in the "five principles", originally enunciated in the Sino-Indian agreement of April on India's rights in Tibet and reiterated in the Sino-Indian communiqué issued after Chou En-lai's meeting with Nehru at the end of June. The "five principles" are: (1) mutual respect for territorial integrity and sovereignty; (2) non-aggression; (3) non-interference in each other's internal affairs; (4) equality and mutual benefit and (5) peaceful co-existence. However, these "principles" do not prevent the continuation of intensive subversive Communist activities in Asia.

20. Geneva Conference and Indo-China. The policies of the Soviet and Chinese Delegations at the Geneva Conference were well co-ordinated and, although Molotov throughout showed flexibility on procedural matters, the Chinese seemed to play a leading rôle in the formulation of policy, particularly in the closing stages of the Conference. The considerations which led the Communist side to agree to settlement on Indo-China were various. Among them, there was the fear that the prolongation of the conflict would lead to United States intervention and to the possible extension of hostilities to the mainland of China. The Communists may also have calculated that an intransigent attitude on their part would antagonise free Asian opinion and increase their apprehensions of

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Chinese policy. Furthermore, the Communists undoubtedly hoped - as they still do - through political means to acquire control over all Indo-China without the risk or burden of war, as a stepping-stone towards the further expansion of Communist influence over the free countries of South-East Asia. Thus, since Geneva, the Viet Minh have in general displayed a willingness to observe the forms of the Armistice Agreement, particularly in Vietnam and Cambodia. Although the Viet Minh regular Army is being rapidly expanded (by the incorporation of irregulars into regular units), this is probably more with a view to overawing opinion in South Vietnam and Laos and Cambodia than as a prelude to further military aggression. In any event, the political and administrative difficulties with which the Governments of South Vietnam, Laos and Cambodia are faced, afford scope for Communist political infiltration and subversion.

21. East-West Trade and Under-Developed Areas. As part of their effort to lend a semblance of concrete meaning to "peaceful co-existence" both the Soviet Union and China have continued, although in varying degrees to different countries, to hold out the lure of greatly expanded East-West trade before Western opinion and the Soviet Union has displayed increasing activity in regional and international economic organizations and trade fairs. There has been a modest expansion in Soviet trade with Western Europe over the low levels of 1953 and the Soviet Government may consider it desirable on economic grounds further to expand such trade. But the self-sufficiency of the Communist bloc remains a basic Soviet aim and there is no concrete evidence to suggest that the Soviet Government are willing or able to furnish exports on a scale sufficient to provide for any considerable increase in Soviet imports from the West. Meanwhile they will continue to extract the maximum political advantage from Soviet trade with the free countries

and to exploit the strategic-controls issue for propaganda ends and as an explanation of the existing low level of East-West trade.

There have been significant indications of increasing Soviet and satellite interest in the fields of technical assistance and economic aid to "under-developed areas", although Soviet financial participation in these fields is still inconsiderable. The USSR have, however, offered to supply India, on favourable conditions, with the equipment for a steel plant with an initial annual capacity of half-a-million tons. In Afghanistan, economic penetration is being actively pursued.

It seems probable that, as in the case of trade, the USSR hopes to reap maximum political advantages in this sphere from a minimum of economic effort. Really substantial participation in aid to under-developed areas is unlikely so long as the USSR remains pre-occupied with its own economic development and with the need to satisfy Chinese Communist demands. It would nonetheless seem logical to expect an increasing Soviet interest in the subject, built primarily around the attempt to contrast "disinterested" Soviet efforts with the allegedly "colonial" nature of Western, and particularly United States, activity in this field.

22. The Soviet Satellites. There has been no loosening of the Soviet grip on the Satellites, although the Soviet Government appear anxious to render the fact of Soviet control more palatable to them. A recent example was the announcement of their intention to surrender their shares in the majority of the Joint Companies in Roumania, Bulgaria and Hungary. However the Soviet Government have been careful not to surrender their share in certain key companies in Roumania and Bulgaria, and the requirement on the Satellites to pay compensation robs the bargain of much of its attraction for the Satellites. But there is no evidence that the effective hold which the Soviet Government exercise over the Satellites, as a result of their remaining network of controls,

has been relaxed. Moreover the process of economic integration may be carried a step further by the projected co-ordination, for the period 1956-60, of the timing of the Five-Year Plan of all the Satellites except Bulgaria with that of the Soviet Union.

23. Soviet Military Position. The Soviet leaders are pursuing the intensive development and qualitative improvement of their armed forces. The Soviet Union continues to test nuclear weapons, and it is making a major effort to produce a diversified and powerful arsenal of atomic weapons and to develop the means for delivering them (including guided missiles). The Soviets are restudying their tactics and organization in the light of Allied atomic capabilities, and of their own possible use of such weapons. They have issued basic publications in this field and have field-tested new doctrines and tactical conceptions.

Intensive Soviet development, coupled with a gradual realisation on their part of the increasing likelihood that such weapons will be a normal part of a major conflict may foreshadow readjustments in their armed forces which Soviet propaganda could exploit as reductions and steps toward disarmament. Although the 1954 budget showed a reduction of 9 percent in the published allocation for defence expenditure, there are large unrevealed items in the budget and the expenditure allocated to defence does not cover a number of vital military items, including nuclear development. Moreover, the reduction in open military expenditure may not involve any reduction in the rate at which the Soviet armed forces are being re-equipped with up-to-date weapons of a conventional type. It is possible that the decrease in revealed expenditure may be entirely attributable to a cut in expenditure on ammunition, consequent upon the end of active hostilities in the Far East.