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REPORT ON TRENDS AND IMPLICATIONS OF SOVIET POLICY  
APRIL TO DECEMBER 1954

Note by the Chairman of the Working Group

At its meeting on 27th October, 1954<sup>(1)</sup>, the Council agreed that a paper on Trends and Implications of Soviet Policy should be prepared for the Ministerial Meeting. It is included under Item II of the Agenda.

2. A copy of the Report, as agreed by the Working Group on 6th December, is attached. It is in two parts, which are classified COSMIC SECRET in accordance with the decision of the Council at its meeting on 1st September, 1954<sup>(2)</sup>. An Annex to the Report, which is classified RESTRICTED and is circulated separately, provides a chronology of events relating to the USSR during the period under review.

3. Part I of the Report is intended to provide a brief summing-up of the main topics analysed in fuller detail in Part II of the Report.

(Signed) S. FENCALTEA

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PART I

1. Basic Soviet Aims in Europe. To prevent the inclusion of Western Germany in the Western defensive system, to disrupt NATO, to cause United States withdrawal from Europe, and ultimately, to bring Germany and the rest of Western Europe under Communist control: these remain the fundamental aims of the Soviet Union in Europe.

2. "Peaceful Co-existence". There has been a steady increase in Soviet emphasis on the theme of "peaceful co-existence". This represents a shift in tactics, brought about in large part by recognition on the Soviet side of the growing strength and cohesiveness of the Western world, and by the realisation that a policy based ostensibly on "peace" and mildness would better serve the Soviet aim of dividing and weakening the Western nations than would a policy of harshness and military threat. This Soviet change of pace may also be founded in part on a genuine fear of atomic warfare - which may have its implications for the general defence policy of the USSR - and on internal political and economic needs.

The emphasis on "peaceful co-existence" has not been accompanied by any Soviet concessions on fundamental issues. It finds its expression in inexpensive verbal appeals and symbolic acts. There is no reason to think that the Soviet leaders have abandoned the Leninist belief in the fundamental incompatibility between the Communist and the free worlds. To the Soviet leaders, "peaceful co-existence" is not incompatible with the energetic pursuit of the cold war. Their use of the term implies a sense of hostility rather than a desire for normal international collaboration. It is calculated to appeal to opinion, especially neutralist opinion, in the West, and to stimulate public pressure on the Western Governments to relax their efforts to achieve international security. In Europe, the Soviet Government may hope that if Western public opinion can be persuaded that Soviet aims are pacific, this will serve their policy of disruption. In Asia, the Chinese Communists are attempting to convince their neighbours that "peaceful co-existence" is possible for all of Asia if only Western and, in particular, American influence can be totally excluded from the area.

3. "Normalisation of Relations". Soviet failure to take a stand of uncompromising opposition to the Trieste settlement can be regarded as constituting practical acceptance of a solution they were unable to prevent. The Soviet attitude may have been due mainly to the desire to further the rapprochement with Yugoslavia. Soviet attention towards Finland has also been intensified: the USSR obviously hopes to increase its influence there.

In other fields there has been accumulating evidence of a desire for "normalisation" of relations, and a greatly increased emphasis on cultural and other exchanges. Steps of this type, which involve no substantial sacrifice, constitute evidence that the Soviet leadership has realised that past Soviet intransigence on

4. London-Paris Agreements. Soviet policy has shown no ability to offer an acceptable alternative to the London-Paris Agreements. The Soviet Note of 23rd October merely restated a previously held position, known beforehand to be unacceptable to the West. In its Note of 13th November, the Soviet Union reverted to the position it had taken at the Berlin Conference and in its Note of 31st March: that is, of attempting to submerge the specific problems of the Austrian State Treaty and of German re-unification (free all-German elections and the formation of an all-German Government) in a general discussion of its draft European collective-security treaty. The two most recent Soviet Notes would thus seem to indicate that the USSR does not intend to sacrifice any of its basic positions in order to prevent implementation of the Paris Agreements.

5. The "European Collective-Security Treaty". In its Note of 13th November, the USSR revived its proposal that a collective security treaty be concluded for Europe, which would avoid the dangers allegedly inherent in the inclusion of a re-armed Western Germany in the Western defensive system, and suggested the early convening of a Conference. It is difficult to believe that the Kremlin could have hoped to prevent ratification of the Paris Agreements by means of its Note of 13th November - only the eight Soviet-bloc states attended this Conference in Moscow. The final communiqué of the Conference re-emphasised the dangers of ratification and threatened counter-measures by the USSR and its satellites, which, it seems, would not materially change the present situation (remilitarisation of Eastern Germany and co-ordination of the military efforts of the eight states). The communiqué forecast the continuance, even after ratification, of present Soviet efforts to prevent or impede effective implementation of the Agreements.

6. NATO. The Soviet offer to consider joining NATO, first put forward in the Note of 31st March, has been allowed to lapse following its firm rejection by the Western Powers; in its Note of 13th November, the USSR returned to its position of simply attacking NATO as an "aggressive military grouping". The lure of "Europe for the Europeans" has been revived, albeit in a somewhat veiled form, in the Note of 13th November. This constitutes a new confirmation - if any were needed - that the Soviet aim is still to win Western Europe away from its connection with the United States.

7. Disarmament. Soviet representatives have displayed increased flexibility in discussing the procedure to be followed in the examination of this question. However, even though the USSR has changed its attitude slightly on certain points, there is still no evidence that it is willing to accept truly effective controls and safeguards. Its statements of readiness to continue to discuss these subjects appear designed to mask the underlying reality of Soviet intransigence, although they will no doubt continue to play a major rôle in Soviet political warfare.

8. Asia. By putting a stop to the fighting in Indo-China the Geneva Conference created a new situation in South-East Asia without, however, ending the opposition between the West and the Sino-Soviet bloc. The latter, while taking care to show apparent respect for the pledges given at Geneva, pursue their subversive activities by other means. The important part played by the Chinese Delegation during the Conference, and the Sino-Soviet Accords announced in the

the prestige of the Chinese People's Republic, and to make it a more effective instrument of Communism in Asia. It appears doubtful, however, that China would undertake any major armed initiative in Asia (e.g. invasion of Formosa, South Korea or Thailand) without Soviet consent. Attacks upon Chinese Nationalist-held coastal islands, nevertheless, obviously lie within Chinese Communist military capabilities. Chinese Communist propaganda has laid great stress upon the purely domestic character of the issues posed by Nationalist possession of Formosa and the coastal islands. The USSR has kept silent about the L'esser islands, but supported, albeit in a restrained way, the CPR's position on Formosa. Soviet policy towards Japan, India, and certain of the under-developed countries, has been significantly more active. The Communist bloc has gained part of the crucial area of South-East Asia as a base from which future efforts at subversion and expansion may be expected.

9. Soviet Internal Affairs. The régime, which continues to present itself as a "collective leadership", appears to be firmly entrenched; there is no evidence of any threat to its stability. The apparent willingness of top leaders to absent themselves from Moscow suggests that the leadership situation is at least temporarily secure.

Although the propaganda emphasis on achieving a sharp increase in the standard of living over the next two to three years has been somewhat reduced, there is as yet no evidence that the consumer programme initiated in 1953 has been substantially modified. At the same time, the Soviet leaders continue to place over-riding emphasis on the expansion of heavy industry.<sup>(1)</sup> The semi-annual plan fulfilment report in July showed no particular deviation from the past rate of increase for such heavy industry items as steel and coal despite the reported high increases for certain categories of durable consumer goods.

Agriculture remained the main internal problem for the Soviet régime. The measures announced last March to extend the area cultivated by reclaiming unused and virgin lands were followed in May and June by steps to spur flax, hemp and grain production. In August, a new and still more ambitious target was set for areas to be reclaimed; designed to secure an increase by the end of 1955 in the total sown acreage of the USSR of almost 20% over 1953.<sup>(2)</sup>

The psychological climate of the Soviet Union is still somewhat less oppressive than in Stalin's era, but there has been a noticeable return to Party conformity during the last few months. Writers who had deviated from the Party line have been severely attacked. An anti-religious campaign has been launched - the first of its kind on a large-scale since the war. However, the excesses to which it has given rise have recently led to corrective action to which Khrushchev has lent his authority.

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(1) Reference is made in the Secretary General's Progress Report (document C-M(54)115, paragraphs 27 - 30 to the long-term implications of the present rate of Soviet industrial development.

(2) Soviet claims of success in the agricultural programme during



10. Atomic Energy and Weapons. The Soviet Union continues to test and develop nuclear weapons, including some which are apparently as powerful as any in the world. It also continues to develop its capacity to deliver these weapons and to increase the efficiency of all branches of its armed services. Claims of progress in the application of atomic energy to peaceful uses were enhanced by the announcement in July that a small atomic electric station had been put into operation in the Soviet Union, and that work is in hand on even more significant atomic-electric installations.

11. Conclusions. Throughout this period Soviet policy, both external and internal, has continued to exhibit greater flexibility and suppleness than during Stalin's later years. However, this has been a change of manner rather than of substance. There has been no surrender of any important position, and the Soviet grip on the satellites, although ostensibly somewhat relaxed, has been firmly maintained. In Asia, a significant territorial gain has been won, and the Chinese Communists continue to combine an attitude of threatening truculence with efforts to disarm the suspicions of other Asian Governments. The monolithic nature of the Soviet system remains basically unaltered and its military strength continues to grow at an impressive rate. Despite their talk of "peaceful co-existence", there is no evidence that the Soviet leaders have abandoned the Leninist belief in the fundamental hostility of the free and Communist worlds and the desire to accelerate the absorption of the former by the latter, although they appear anxious to avoid the risk of general war in the pursuit of this objective. Their current policies, while calculated to appeal to certain sectors of world opinion (especially in Asia), provide no grounds for believing that the threat to the free world has in any sense diminished, but simply reinforce the judgment that signs of Western weakness or division will intensify it.

## 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, however, the Soviet Government have not been able to propose any acceptable basis for agreement on German unification. Neither the Soviet Note of 23rd October nor that of 13th November represents any advance on their previous position. That of 23rd October has nothing new to offer towards a solution of the German and Austrian questions, while that of 13th November merely repeats Molotov's proposals on European security. The Soviet Government will doubtless persist in their attempts to prevent or postpone ratification of the Paris Agreements by playing on Western fears of a rearmed Germany and on the German desire for re-unification. They will continue to show an ostensible willingness to negotiate, while dangling the bait of acceptance of the West's disarmament proposals. 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.

establish a unified command structure in Eastern Europe (under the umbrella, perhaps, of a collective-security treaty), and to increase their military preparedness, as a reply to the ratification of the Paris Agreements. A more formal grouping of the Communist Powers in Europe, which would presumably supplement or replace the present system of interlocking bilateral pacts between the Soviet Union and the various satellites, would not necessarily reinforce the power or effectiveness of the Soviet bloc, although it might provide for the formal incorporation of East Germany, and an East German army, into the Communist military grouping. Its establishment might also serve to offset, at least to some extent, the psychological effects of the serious reverse which ratification of the Paris Agreements will represent for the Soviet Union.

Once it is clear that ratification cannot be prevented, the Soviet Union will make every possible attempt, through its supporters and neutralist elements in the West, to hinder the execution of the Paris Agreements. But it can be assumed that the Soviet Government will be prepared, in the last resort, to live with the fact of a re-armed Western Germany incorporated into the Western defensive system.

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 17th 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. It has been made plain that Soviet agreement to withdraw their troops from Austria, and to conclude an Austrian State 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. However, 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 30th September 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

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 has been concluded with Sweden; Scandinavian fishermen are permitted to benefit from a greater flexibility in the application of the Soviet twelve-mile limit in the Baltic, and the Anglo-Soviet Fisheries Agreement has been 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 for the Soviets 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. In certain instances, the reason for this more cordial attitude appears more specific. For example, the policy of ostentatious friendliness towards the United Kingdom is clearly designed to serve the objective, among others of accentuating Anglo-American divergences. The new conciliatory 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 growing activity of Soviet diplomacy is of particular significance with regard to two European countries on the periphery of the Soviet bloc:

- (a) Finland. The Soviet Government have taken steps to strengthen their position 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

- (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 a rapprochement with Yugoslavia.

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 that country. 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-Pakistani 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 on the West the onus for maintaining "tension" in the Far East, 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 Chinese Communist propagandists upon the purely domestic character of their struggle to crush the Chinese Nationalists. 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 tension 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 very difficult for the Chinese Communists without extensive Soviet assistance.

India and Japan have become the primary objectives in the Communist effort to win the good opinion and to disarm the



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 Communist subversive 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, increasing its apprehensions of 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 Viet-nam 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 Viet-nam and Laos and Cambodia than as a prelude to an immediate resumption of military aggression. In any event, the political and administrative difficulties with which the Governments of South Viet-nam, 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 degree to different countries - to hold out the lure of greatly expanded East-West trade before Western opinion. 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

political advantage from a minimum of economic effort. So long as the USSR remains pre-occupied with its own economic development and with the need to satisfy Chinese Communist demands, really extensive participation in aid to under-developed areas is unlikely, although the Soviet Union might effectively concentrate its efforts on one or two countries if it considered it politically advantageous. It would 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. The USSR have in fact 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.

22. The Soviet Satellites. There has been no loosening of the Soviet grip on the satellites, although the USSR 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 Rumania, Bulgaria and Hungary. However, the Soviet Government have been careful not to surrender their share in certain key companies in Rumania and Bulgaria, and the requirement on the satellites to pay compensation robs the bargain of much of its attraction for the satellites. 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-plans of all the satellites, except Bulgaria with that of the Soviet Union.

23. Soviet Military Position. The Soviet leaders are pursuing the development and qualitative improvement of their armed forces. The Soviet Union continues to test nuclear weapons. It is making a major effort to produce a powerful arsenal of atomic weapons and is developing 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.

Although the 1954 budget showed a reduction of 9 per cent 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.