

CONFIDENTIAL - Mr. [redacted] [redacted]

NY Special Agent in Charge, [redacted], [redacted], [redacted] -- 20 Feb. 1956

REVIEW OF [redacted] [redacted]

[with classification stamp at end]

An employee of the [redacted] textile enterprise in [redacted], who arrived in Austria last night reports that the [redacted] textile industry in [redacted] is almost completely at a standstill not only because of strikes and slow-downs, but largely due to a lack of raw materials. One Russian agent employed in [redacted] recently, but in the [redacted] drop in the market threatened to what is needed. He also reports that long periods of some of the spinning machines had made long periods of repair work necessary before any large-scale work can be started.

The same refugee also reports that since landing, thousands of [redacted] waves of arrests have stopped up in [redacted] and [redacted] [redacted] from day to day. Many workers, not only leaders of workers' councils, but also people who were politically active during the last few months, have simply disappeared. The main of reason is not only the many people in [redacted], but not all escape is direct to the West just to get out of [redacted], a large and cruel [redacted], in the case of hundreds of families. It is significant that during the last days, arrests are no longer made with Russian assistance, but now with the new [redacted] alone.

At the same time, the [redacted] agitation to join the new [redacted] is getting stronger in the factories. In many plants the agitators appear with printed membership forms which they distribute wholesale. This declaration must be signed by the worker, with no more formalities. As far as to our government the West, the form states that the undersigned asks voluntarily for membership in the Party, that he identifies himself with the ideas and goals of the workers and peasants revolutionary government, and he promises to fight for its program. This declaration may be signed without giving references, or without prior checking.

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There are rumors in many plants that in each factory a new Party committee would be set up which would take over from the workers' councils and even from the trade unions.

LABEX allegedly had lost touch in the trade unions when more moderate elements were elected to leading positions during the revolution.

Other references also leading SWAPSTAD at the beginning of this week report that conditions in SWAPSTAD are changing for the worse. Bread and milk are in short supply, and long queues are now seen in front of the bakeries and dairies. More streetcars and buses have gone into operation, but the rush hour is now 1400 and it is almost impossible to find a seat, or even a place to stand, when everybody in SWAPSTAD hurries home. By 1700 hours the streets are all but deserted, and by dark, the city is completely dead.

The wave of terror is given confirmation by the Tuesday copies of "Tapanlehden" and "Tapanlehti," both of which carry many stories about death sentences by the new Hungarian courts. Hungarian patriots are sentenced to death not only for the possession of arms, but also for political crimes committed during the revolution. The papers cite the case of two brothers, KIVOROS Jozsef and Karoly. One was sentenced to death and the other, to 12 years for organizing an independent republic in KIVOROS village near BUDAPEST. They organized a village administration and a local guard consisting of 12 men. This is now considered high treason.

INDUSTRIAL SITUATION: It is known from the official radio that the operation of textile factories is seriously hampered because of the scarcity of fuel, power and indispensable raw materials. One has the impression that strikers are petering out while the

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existence of the "go slow" manner of resistance still seems to be continued. Hence the regime's repeated threats against workers who just collect their pay but actually are not engaged in productive activity.

The past week has been characterized by a marked increase in the activity of the regime's new security force which carried out -- as it appears clearly from both official admissions and Western news agency reports -- a large number of arrests, searches for weapons. It is known that the KADAR government is making efforts to rely for the restoration of order more and more on the new security forces rather than the Soviet Armed Forces. KADAR has claimed in an interview granted to the GDR radio that the new Communist Party has started its activity all over the country. Official figures broadcast by the regime have, however, shown that until now only very small numbers have joined the Party. It has been announced officially a few weeks ago that the new Party members will not be requested to draw up a life story.

The regime is trying hard to reorganize the Party sections in the factories in face of the workers' councils known reluctance against this move. For the time being, it would seem that the regime wants to rely upon the workers' councils in the running of the shops while the trade unions should take over the representation of the workers' various interests and the Party sections the political instruction. In its fight against the territorial workers' councils and also in its efforts to restrict the factory workers' councils to their "actual" functions, that is the economic management of the factories, the KADAR regime has so far relied on the trade unions. KADAR's reported loss of faith in the latter has not been reported by other sources.

The food supply to the capital is likely to have its ups and downs according to the improving or worsening conditions of transportation and distribution. Unfortunately, the report fails to point out the reasons for the reported change for the worse. It is known from official sources that the structures are functioning only until dark. # (1950)