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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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EAST-WEST RELATIONS

Khrushchev's speech on 8 July and the Soviet Aviation Day air show on the following day underscored Moscow's current dual line which combines a show of reasonableness and readiness to negotiate on Berlin and Germany with measures to impress the West with Soviet military power. His announcement of a suspension of force reductions planned for 1961 and an increase of over three billion rubles in defense allocations was intended as a warning that the USSR will not be deterred from carrying out its declared intentions on Berlin by any military measures the Western powers may take to demonstrate their firmness on this issue.

Khrushchev sought to maintain the political initiative in the present maneuvering on Berlin by renewing his call for a negotiated settlement which would protect West Berlin's freedom and communications. These political and military moves are designed to make it difficult for the Western powers to agree on measures to strengthen their bargaining position, and to induce them to consent to negotiations under terms favorable to the USSR.

In his speech Khrushchev again stated, on the one hand, that the Soviet Union has no desire to interfere in the internal affairs of West Berlin, to obstruct Western access, or to damage the prestige of the US, Britain, and France. He expressed agreement with President Kennedy's recent statement that West Berliners must have the right of an independent choice as a free people and claimed that Soviet propos-

als "fully meet this demand."

Khrushchev appealed to President Kennedy and De Gaulle and Prime Minister Macmillan to "display wisdom" in settling the German problem and to agree to negotiations along with "other peace-loving states" to conclude a peace treaty. This formulation stops short of an explicit bid for a four-power summit meeting and apparently was intended as a restatement of the proposal in the 4 June aide-memoire Khrushchev gave the President at Vienna calling for a peace conference "without delay."

Khrushchev's efforts to appear flexible and constructive, on the other hand, were coupled with criticism of the "threatening notes" in recent speeches by Western leaders and by a renewal of previous warnings that the USSR cannot allow the Berlin question to "drag on for years." He attempted to increase the West's incentive to agree to early negotiations by warning that the present Western attitude does not contribute to a "businesslike atmosphere for negotiations" and that, under these circumstances, the conclusion of a separate treaty with East Germany "may prove to be the only way out of the present situation."

High Soviet Foreign Ministry officials have pressed this line in recent private talks with Western diplomats. Deputy Foreign Minister Sobolev indicated

on 10 July that if the US reply to Khrushchev's 4 June aide-memoire is quite negative, the USSR might advance its deadline for a settlement. The

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Italian ambassador informed the US Embassy that Foreign Minister Gromyko was "alarmingly complacent" on Berlin in a recent conversation. Gromyko disagreed with the ambassador's remark that Soviet policy is bound to stir up Western reaction and that the situation could become dangerous; on the contrary, he said there would be no important reaction and that, if there are no negotiations, the USSR would simply sign a separate treaty which would end Allied rights in Berlin.

Military Budget

Khrushchev made it clear in his speech that the increase in the Soviet military budget and the suspension of force reductions were designed to counter measures by the US and its NATO allies to build up their forces. He noted that President Kennedy had proposed a \$3.5-billion increase in US military expenditures and probably anticipated that his figure of a 3,144,000,000 ruble increase in Soviet military allocations would be reported in the Western press as equivalent--as indeed it is according to the official rate.

Khrushchev's announcement conveys the impression that the increase is to be a net addition. It is unlikely, however, that such a large increase in military spending, equal to 35 percent of the original 1961 total, could actually be used over the next six months. The real dollar equivalent to the claimed ruble increase depends heavily on which specific military goods or services the Soviets might

procure, but could be well in excess of the valuation at the official rate.

The additional funds needed to pay military forces now to be kept on active duty, rather than demobilized, is about half a billion rubles. The remaining 2.6 billion would represent about a 60-percent addition to Soviet outlays for military procurement and construction as estimated for all of 1961.

A long lead time is needed for the sharp expansion of sophisticated weapons systems, such as the ICBM, and Khrushchev was referring to the additional expenditures in the context of a cash outlay, i.e., money to be spent during the budget period. Khrushchev could, of course, step up the procurement of conventional weapons, such as tanks and fighter aircraft, currently being produced in Soviet munitions plants operating far below capacity.



If, as seems likely, the announcement was made primarily for political effect, certain budget items would be reclassified as "military," a relatively simple matter. For example, most spending for military research and development now is concealed in other parts of the budget, and by itself amounts to about 2.8 billion rubles.

New military expenditures in 1961 on the order reported by Khrushchev would have a significant impact on investment and/or consumption goals.

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If the impact were to fall on investment, the over-all rate of Soviet economic growth would decline sharply, thereby pushing off into the future Khrushchev's much-vaunted program of catching up with the US.

Suspension of Force Reduction

Khrushchev's statement merely publicizes a step probably taken several months ago. There have been several public hints that the program to reduce Soviet armed manpower from 3,623,000 to 2,423,000 in 1960 and 1961 might have to be curtailed. It is believed that the reductions are about half completed and that Soviet armed manpower, excluding internal security forces, now totals about 3,000,000.

Suspension of demobilization, which could reduce the expected net additions to the civilian labor force this year by one fifth, will probably require Moscow to find alternative sources of labor. Planned expansion of high school enrollment may be delayed to make more teen-agers available for work, and further steps may be taken to induce a greater percentage of women to enter the labor force.

Similar measures, together with reductions in the armed forces, since 1955 have enabled civilian employment to rise rapidly during a period in which the low World War II

birth rate was evident in the slow growth of the working-age population. Since last year, however, the number of persons reaching working age is again rising and the relative importance of demobilization as a source of civilian labor is diminishing.

Probably the most direct and immediate effect of the suspension will be felt in the frontier areas of the USSR where labor shortages are a perennial problem. It was to these areas that last year's demobilized soldiers were strongly urged to go.

Aviation Day Air Show

During the Aviation Day air show of 9 July, the first significant air show since 1956, a number of aircraft were publicly displayed for the first time, as well as air-to-air missiles (AAMs) and air-to-surface missiles (ASMs). Despite Khrushchev's disparaging remarks about aircraft in recent years, Marshal of Aviation Sergey Rudenko, deputy commander in chief of the Soviet Air Force, said the main object of the display was to "demonstrate the might of Soviet aviation."

The existence of most of these aircraft has been known for some time. Among those shown for the first time were: a four-jet, modified delta-wing aircraft of heavy bomber size and weight designated Boudner

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and first seen on the ground at Moscow/Fili in 1958; a supersonic dash swept-wing medium bomber with twin-jet engines mounted in the rear, now believed to be the Blinder and first seen at Kazan in early 1960; a supersonic dash twin-jet light bomber believed to be a development of the Backfin and first seen in 1957.

Others newly displayed included: a twin-jet flying boat; a large "convertiplane" apparently designed for both normal and vertical take-offs; one, possibly two, large interceptors with single very high thrust engines; a fighter similar to the Fishpot with rocket assist; a jet light trainer; and three new helicopters. Prototypes displayed in previous shows have not always been selected for production and operational use.

The show also highlighted modern airborne missiles. The Bear turboprop heavy bombers carried an ASM, probably the 350-nautical-mile Cherub. The Badger jet medium bombers carried an ASM which may have been either the 55-n.m. Cracker or the 100-n.m. Truckle. Fishbed, Fishpot, and Fitter fighter aircraft carried AAMs which have not yet been specifically identified.

East German Attitudes

In a speech to the East German People's Chamber on 6 July, Walter Ulbricht echoed Khrushchev's emphasis on the possibility of a negotiated settlement of the German and Berlin issues. He did not preclude, however, "certain tem-

porary sacrifices" by the East Germans in the event that a separate treaty is signed--a reference to the threat of West German economic counter-measures.

Apparently anticipating a summer of heightened tension, the regime reportedly has issued an order canceling summer leave plans of party functionaries in East Berlin through August on grounds that the present political situation requires that all officials remain at their posts in the next weeks. Concurrently the regime instituted harsher policies to deter East Berliners from working in West Berlin by threatening them with severe economic sanctions, and took steps to reduce attendance by East Germans at the forthcoming Evangelical Church congress in West Berlin.

West German Views

Mayor Brandt's suggestion on 7 July that the West consider calling a peace conference of the 52 "anti-Hitler coalition" nations has evoked sharp criticism by Chancellor Adenauer. Addressing a political rally in Munich on 9 July, Adenauer scoffed at Brandt's support of a "super conference" with the comment: "For heavens sake, what would come of that?" The chancellor stated that mention of an "arm-free" zone in central Europe recalled the Rapacki Plan, "which we have discussed and which does not provide security for anyone and only makes us a second-rate nation."

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Adenauer also rejected Khrushchev's statement that conclusion of a peace treaty with both parts of Germany is the most important problem, and asserted once again that controlled disarmament should come first. Using much stronger language, Defense Minister Strauss on 8 July scornfully dismissed all plans, ideas, and concepts for a solution of the German problem as "hocus-pocus" and asserted that conferences with the Soviets had proved detrimental or worthless.

Brandt believes that a large-scale conference could be one way for the West to seize the initiative from Khrushchev and confront the USSR with the self-determination issue. He also favors preparation of a peace treaty draft to be presented as a positive alternative to the Soviet proposals and suggests that the questions of armament reduction and an atom-free zone are negotiable if accepted by both sides and not injurious to the security of either.

Brandt also endorses the statement of Bundestag President Eugene Gerstenmaier favoring any negotiations which might lead to a peace treaty on the basis of German self-determination. Gerstenmaier presented a formal bipartisan declaration of the Bundestag on 30 June which, while flatly rejecting Moscow's proposal for direct talks between West and East Germany, called for peace treaty negotiations which would predetermine the military and political status of a reunited Germany. The statement also

pledged West German readiness to give any reasonable guarantee that a reunified Germany would be "a reliable partner of all their neighbors." Adenauer disapproved the Gerstenmaier statement, especially the implication that it represented a common foreign policy between the Christian Democratic Union (CDU) and the Socialists. Subsequently, the CDU executive committee adopted a formal proposal advocating "a reunited Germany with a free democratic constitution, integrated in the European community."

Although Brandt has frequently expressed privately his desire that the West seize the initiative by making its own proposals rather than merely concentrating exclusively on rebutting Soviet arguments, his proposals are probably partly motivated by a desire to embarrass Adenauer--his opponent in the September national elections --who continues to take a pessimistic view of new negotiations on Berlin. Meanwhile, in a reply to the 17 February Soviet note on Berlin, Bonn declared on 12 July that a German peace treaty must depend on the readiness of the USSR to allow free elections in East Germany, and asserted that a separate Soviet treaty with East Germany "would violate the right of self-determination of peoples." The note stated that a peace treaty with a single German government resulting from free elections would settle problems concerning Germany, including Berlin and the German frontier questions.

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