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15 January 1960

ICI BRIEFING

INTRODUCTION

I. In my presentation, I would like to concentrate on one main theme--where we see USSR going. Will first discuss our estimates--agreed by USIB--on Soviet foreign policy, then on the crucial question of their capability for strategic attack on the US, and finally on the present state of the Soviet economy. Next I would like to give you our preliminary views of what effect Khrushchev's speech last Thursday will have on these estimates. I would also like to discuss briefly Khrushchev's political situation at home and his emergency problems with the Chinese. Finally, I will touch briefly on a number of critical situations around the world.

SOVIET FOREIGN POLICY

I. The Soviet leaders currently show great confidence that they believe trend of events is in their favor.

A. Their rate of economic progress, their scientific achievements, their growing missile capabilities, and their estimate of the political tendencies in underdeveloped countries all suggest to them a favorable shift in world power relations.

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B. From the position of strength which they believe they now have, they feel able, not only to engage the West vigorously on disputed issues--politically, not militarily--when they wish to do so, but also to relax tensions when expedient without any imputation of weakness.

II. However, we do not believe Soviet leaders, dispite this confidence, would entertain thought of deliberately initiating general war in the next five years.

A. They appear fully aware of consequences of such a war for both sides.

B. Even if costs were acceptable to them, we think them more likely to press home their advantage by political and psychological means, expecting an enemy to recognize his position as hopeless.

C. Of course, always a chance Soviets under these circumstances might overplay their hand. Hence, an increased danger of war by miscalculation.

III. On the other hand, we also do not expect the Soviet leaders to seek a prolonged period of detente.

A. They do not believe a lasting accommodation with West possible.

B. They do not expect to achieve anything in dealings with the West without some element of pressure.

C. Finally, they undoubtedly fear that any continuing relaxations of tensions could be dangerous to the structure of their power, both within the USSR and elsewhere in the bloc.

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IV. Thus in Soviet external affairs over the next five years, we expect that swings of policy are likely to fall within a range which excludes:

A. On the one hand, deliberate assumption of serious and uncontrollable risks of general war; or

B. On the other, any abandonment of the concept of continuing struggle between two irreconcilable worlds.

V. Within that range, we expect to see elements of pressure and detente combined and varied as tactical advantage may suggest.

A. Such a seemingly inconstant Soviet policy characteristic of whole history of Communist policy.

1. They are preoccupied with tactics of maneuver--seek to keep enemy off balance. This especially true of Khrushchev's regime.

2. Also, Soviet leadership now dealing with problems for which it has no precedent--may hesitate from time to time.

3. Shifts may also be related to factional politics in Moscow and to intra-bloc disagreements (will return later to these problems).

B. Immediate outlook is that Soviets will continue tactics of detente at least through initial phase of upcoming high-level negotiations.

1. Sees it as opportunity to feel out West for concessions.

2. At very least, Moscow sees these talks as Western recognition of equal status.

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3. Probably also hope to lessen urgency with which Western military programs carried on.

C. Beyond these negotiations outlook is less clear.

1. Soviet leaders will still try to win concessions basically through negotiation. But the element of pressure and threat will probably become more pronounced, and the chances of miscalculation may be increased.

D. However, the key question is probably that of long-range missiles. I now wish to give you a rather detailed discussion of our estimates of the Soviet position in this field. 25X1

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SOVIET ECONOMY

I. Basic to this estimate are the growing capabilities of the Soviet economy.

A. Seven-Year Plan (1959-65) calls for annual increase in industrial production of 8-9 percent a year.

1. This would give them 50% of US production in 1965 (40% in 1959), assuming U.S. growth rate of 4.5%.

2. They would view this as major success in "catching up with U.S."

B. We believe these industrial goals will be met (but not those in agriculture, which remains exceedingly inefficient sector of Soviet economy).

C. But we see possibility of difficulties ahead, particularly in years 1960-62.

II. In these years competition for resources between military and civilian programs, both for machinery and for manpower, will be at a maximum.

A. Khrushchev has undertaken an ambitious--though feasible--industrial development plan.

B. He has also undertaken a massive housing program, promised the consumer a moderate but steady rise in his standard of living, and promised the worker shorter hours.

C. These programs compound the inter-related problems of manpower and mechanization.

1. In the next few years annual increment of manpower to the labor force will be at a low point--reflecting lowered WWII birth rate.

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2. Considerable maneuvering necessary to make up this gap from other sources (transfer of women from domestic work, reducing full-time schooling for 15-19 group, transfers from agriculture or from armed forces).

3. They have major campaign under way to increase productivity of present labor force through mechanization and automation. However, this particularly competes with military programs, and we see some signs that program has not got off the ground.

III. These factors difficult to measure. Our best judgment is that Khrushchev can, with some juggling of resources:

A. Meet Seven-Year Plan industrial goals--but not ahead of schedule as he has claimed.

B. Support his present conventional forces.

C. Build an ICBM force--and other missile forces--consistent with our estimate as I have outlined it, and

D. Meet his commitments to the Soviet consumer for manufactured goals (but not for agricultural products).

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