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CIA HISTORICAL REVIEW PROGRAM  
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INTELLIGENCE MEMORANDUM

PRELIMINARY EVALUATION OF THE SOVIET  
FIFTH FIVE-YEAR PLAN

'CIA/RR IM-366

28 August 1952

WARNING

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAW, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

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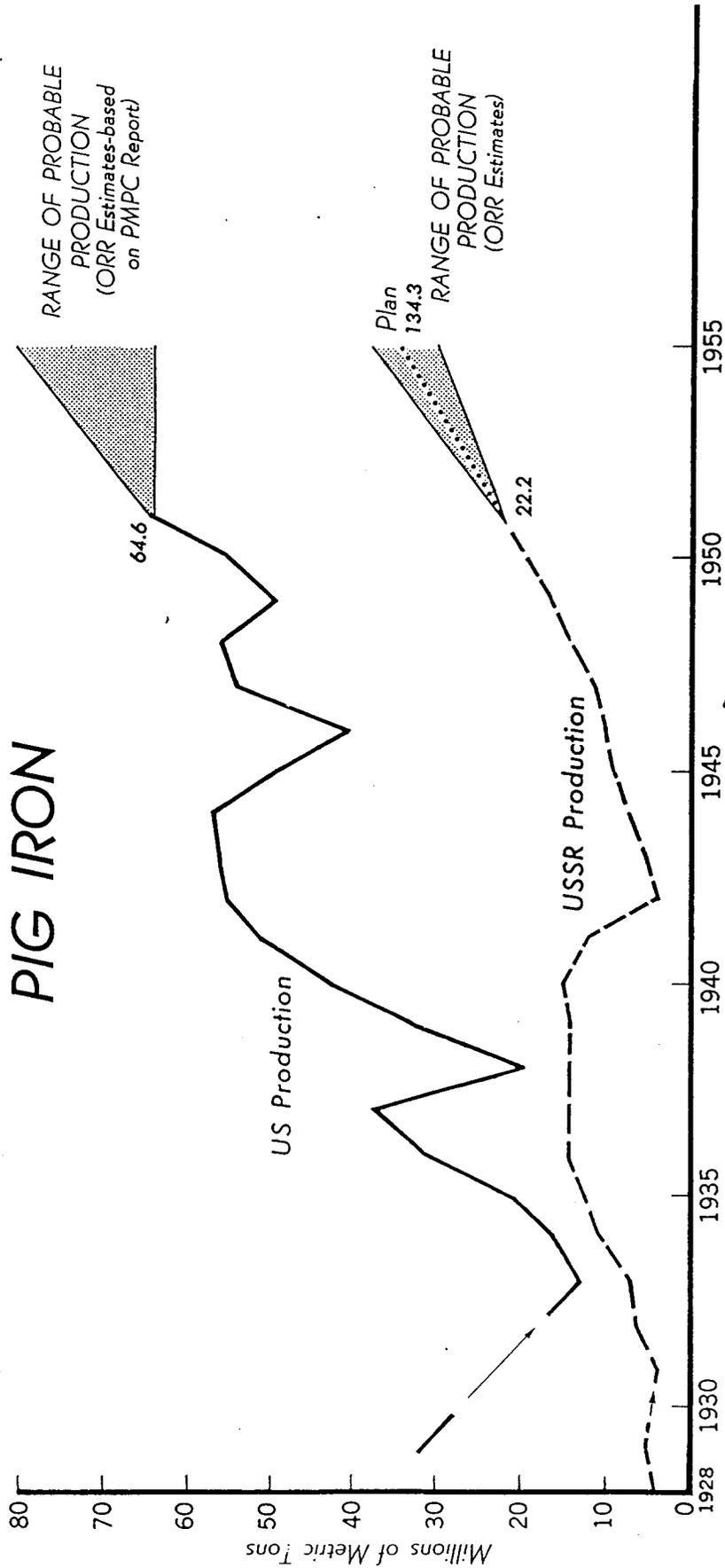
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PRELIMINARY EVALUATION OF THE SOVIET FIFTH FIVE YEAR PLAN

- I. Direction of Soviet Planning
- II. Usefulness and Reliability of Plan Data
- III. The Data
- IV. Economic Aggregates in the Five Year Plan
- V. Growth Potential of the USSR Economy
- VI. Implications for Soviet Economic Capabilities for War

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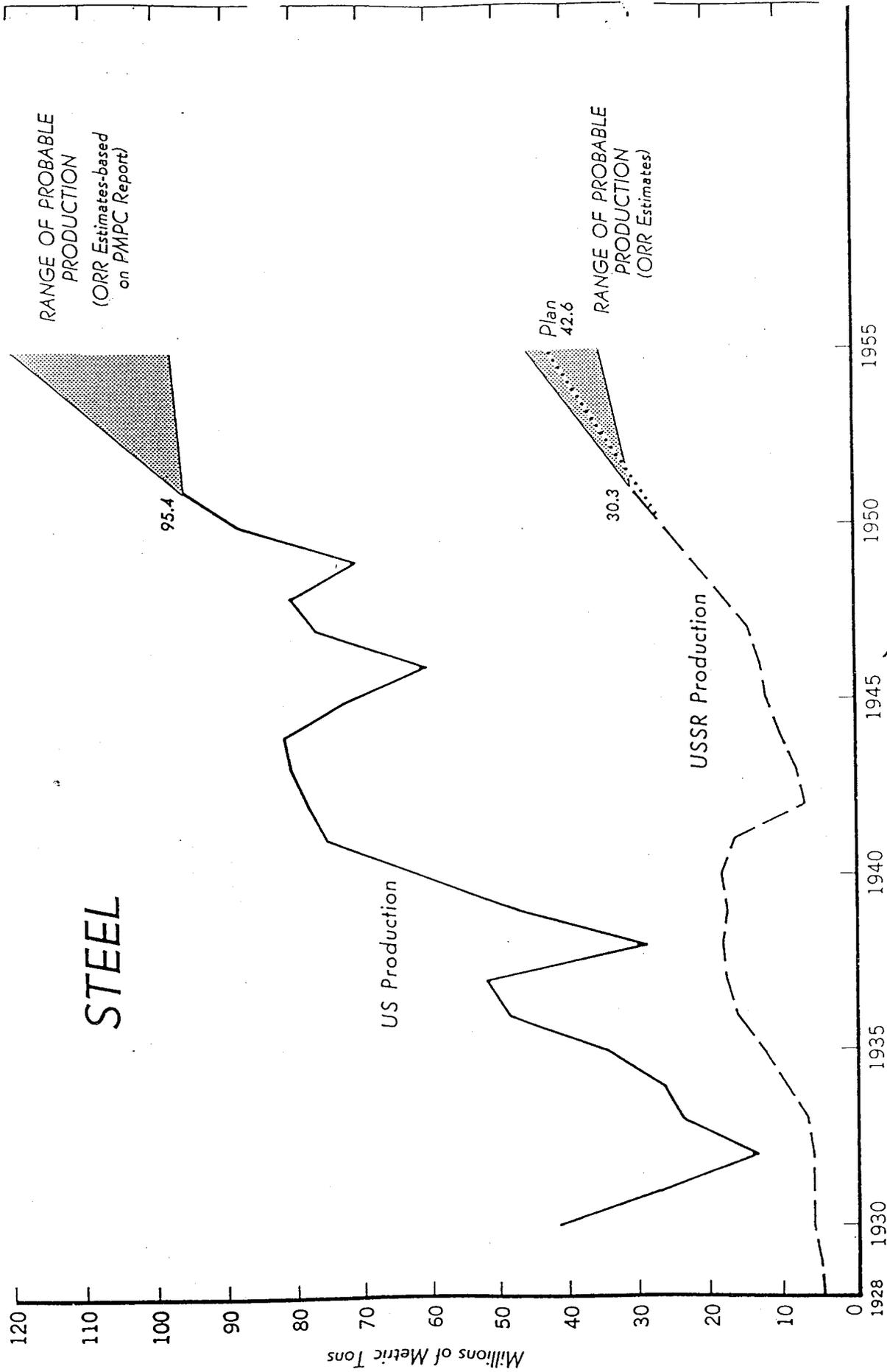
# PIG IRON



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# STEEL

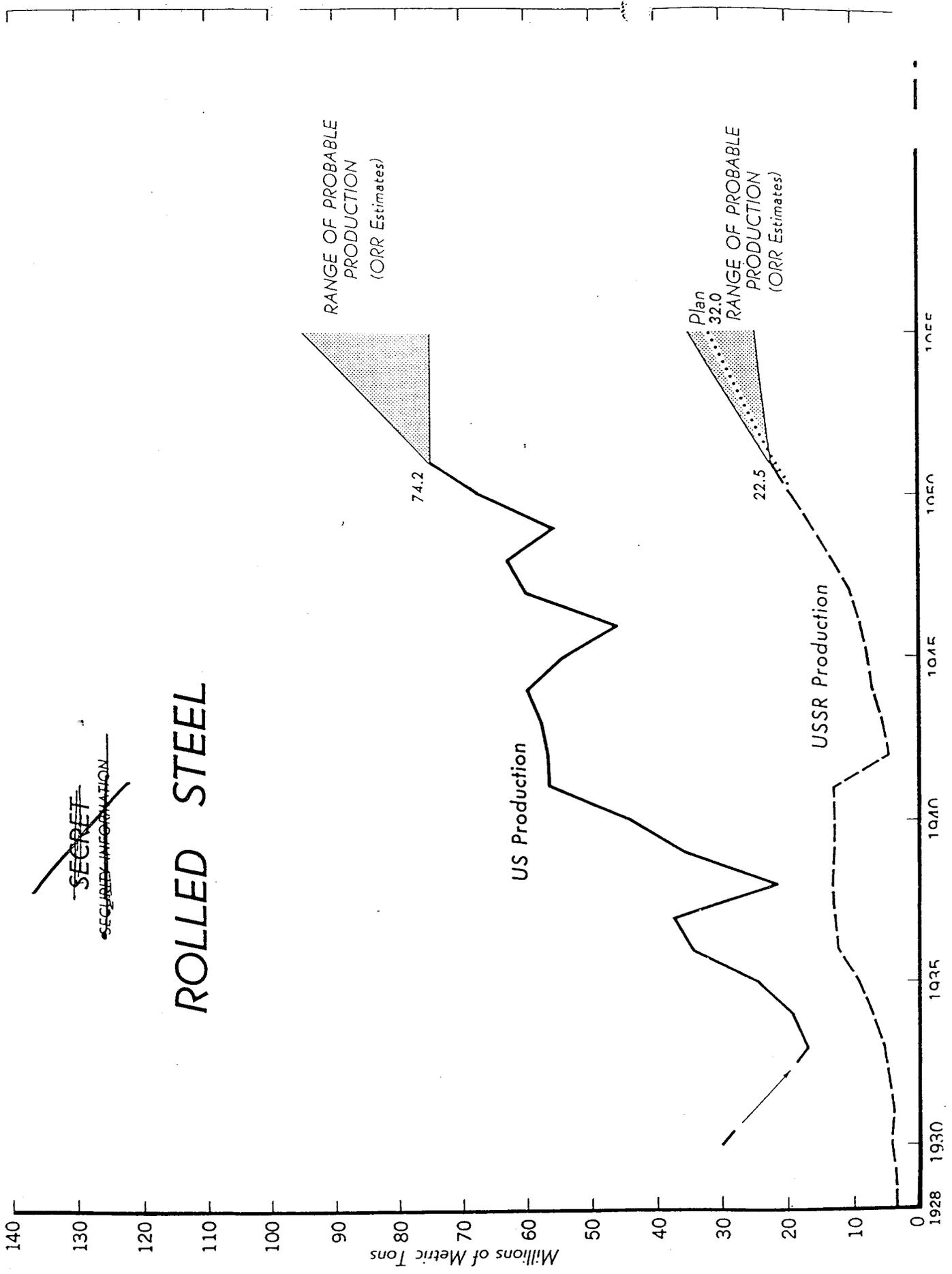


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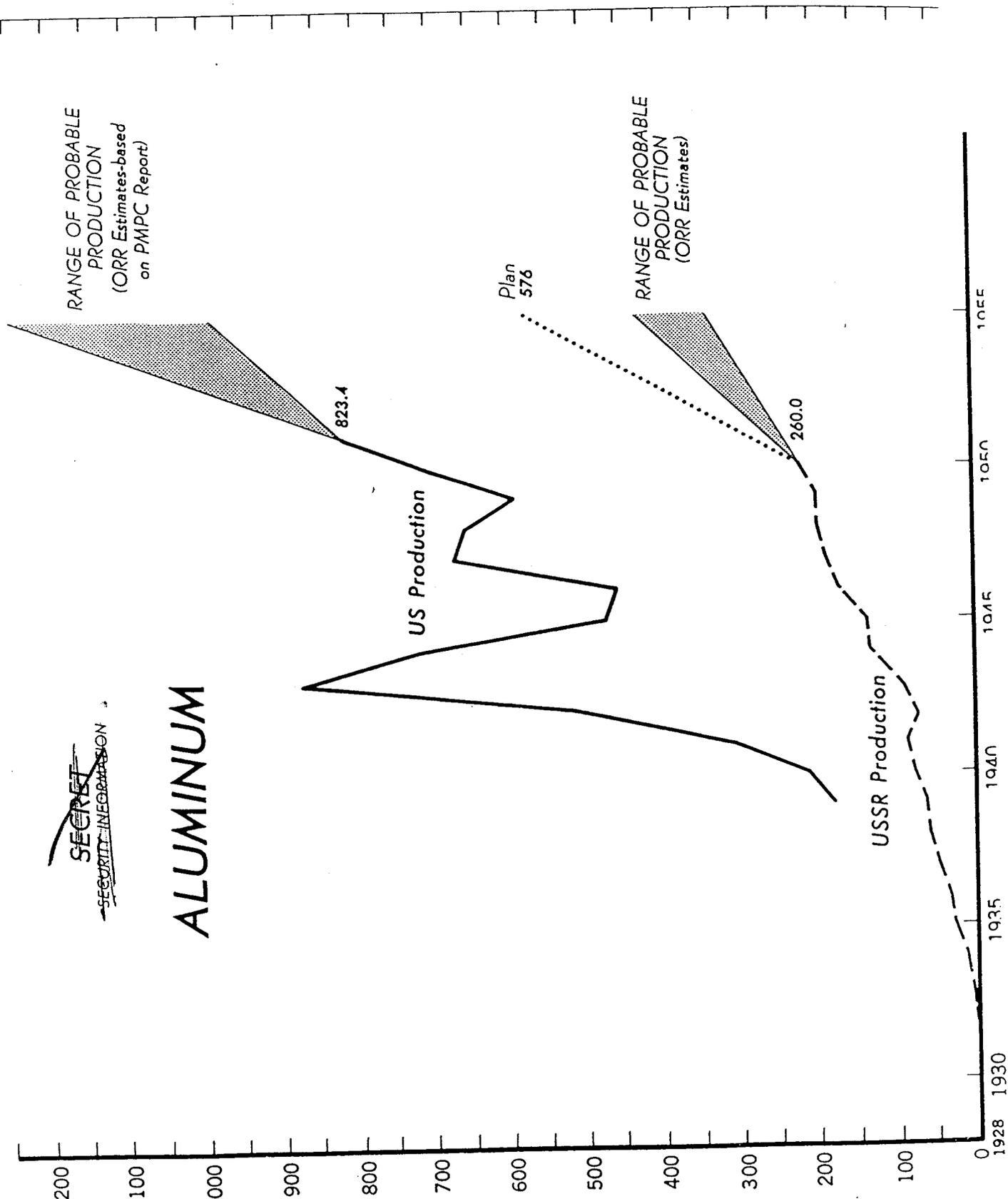
# ROLLED STEEL



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# ALUMINUM

Thousands of Metric Tons



RANGE OF PROBABLE PRODUCTION (ORR Estimates-based on PMPC Report)

US Production

RANGE OF PROBABLE PRODUCTION (ORR Estimates)

USSR Production

Plan 576

823.4

260.0

1965

1960

1945

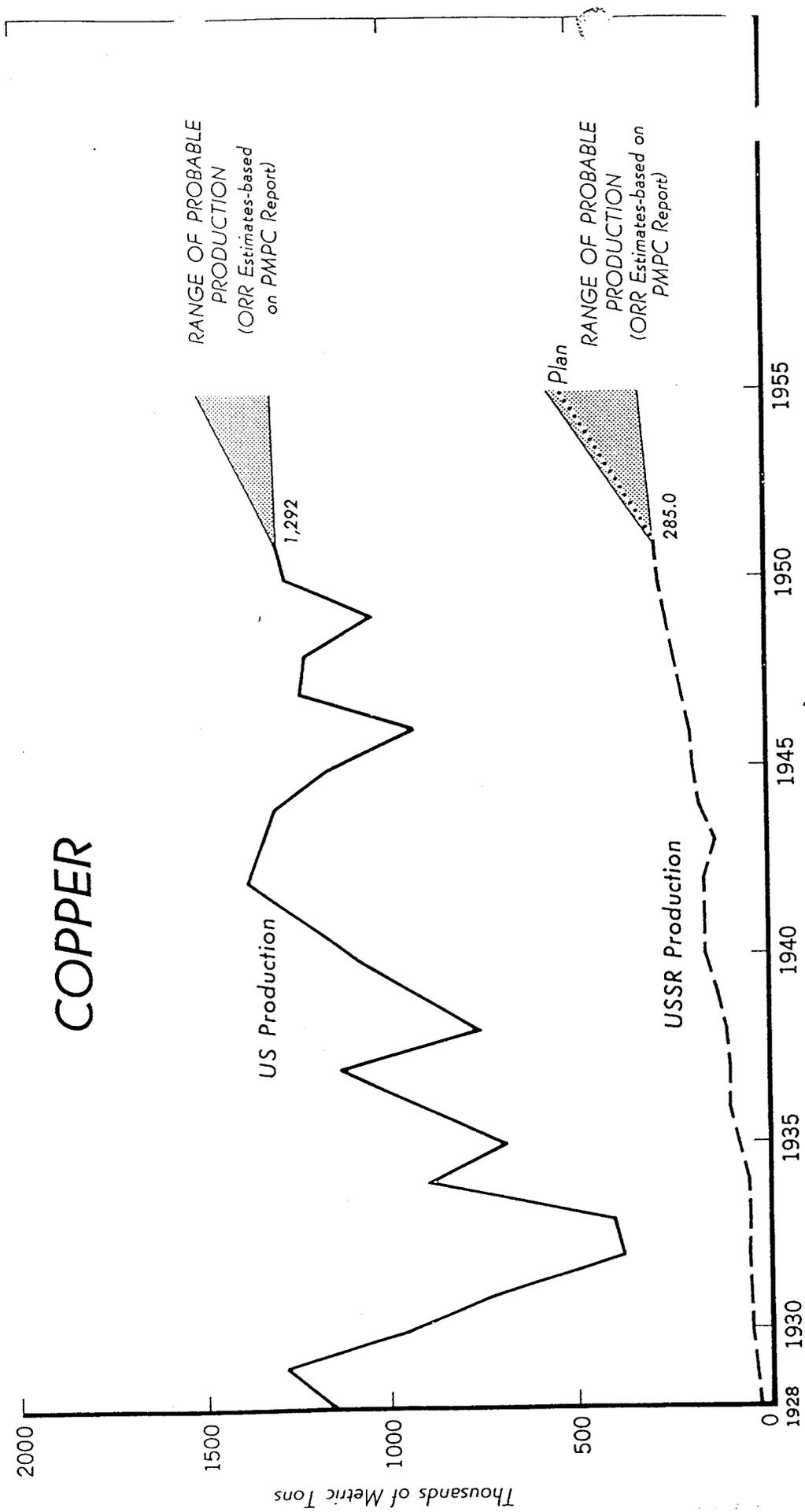
1940

1935

1930

1928

# COPPER



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44  
40  
36  
32  
28  
24  
20  
16  
12  
8  
4  
0

Thousands of Metric Tons

1928 1930

1935

1940

1945

1950

1955

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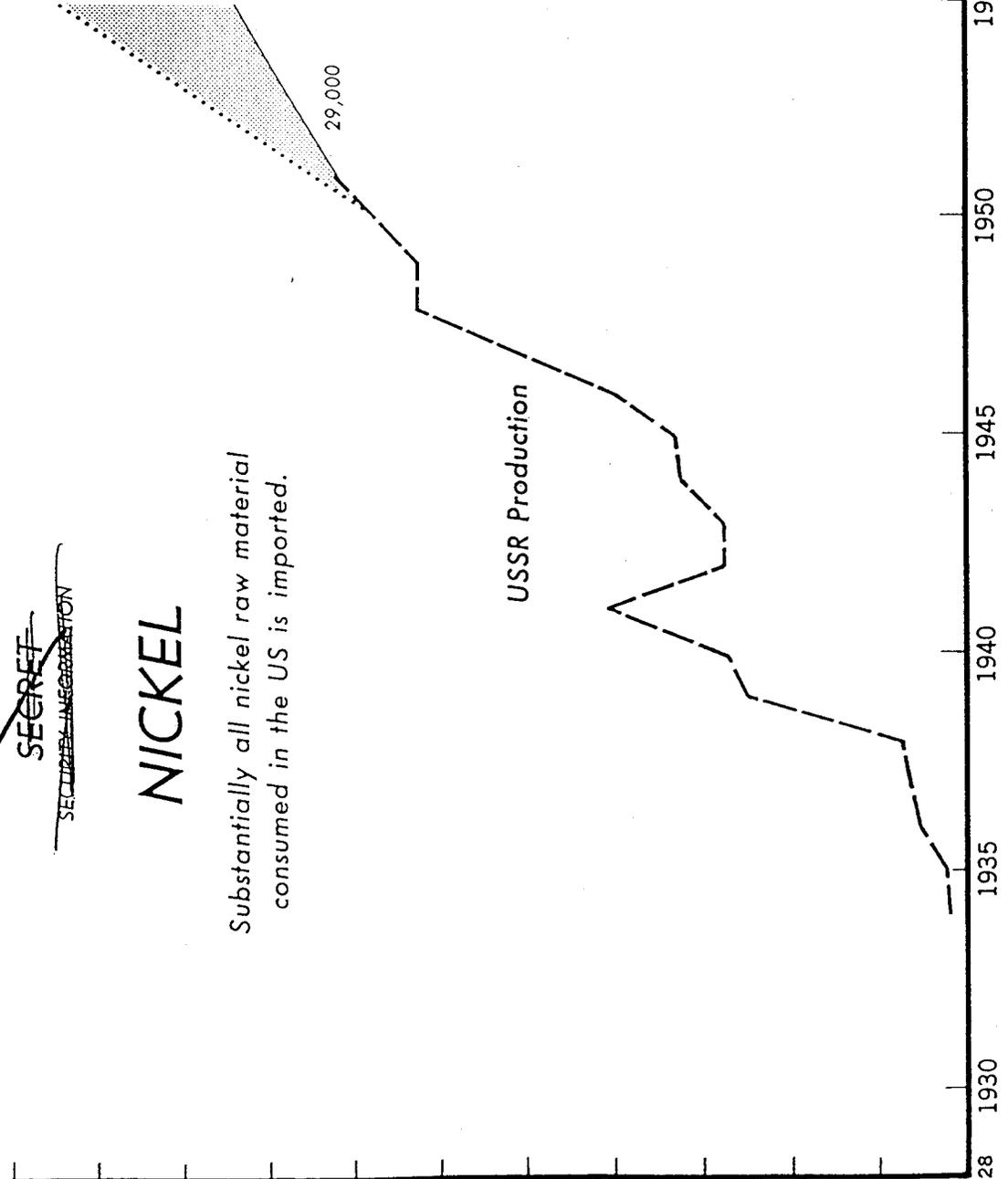
# NICKEL

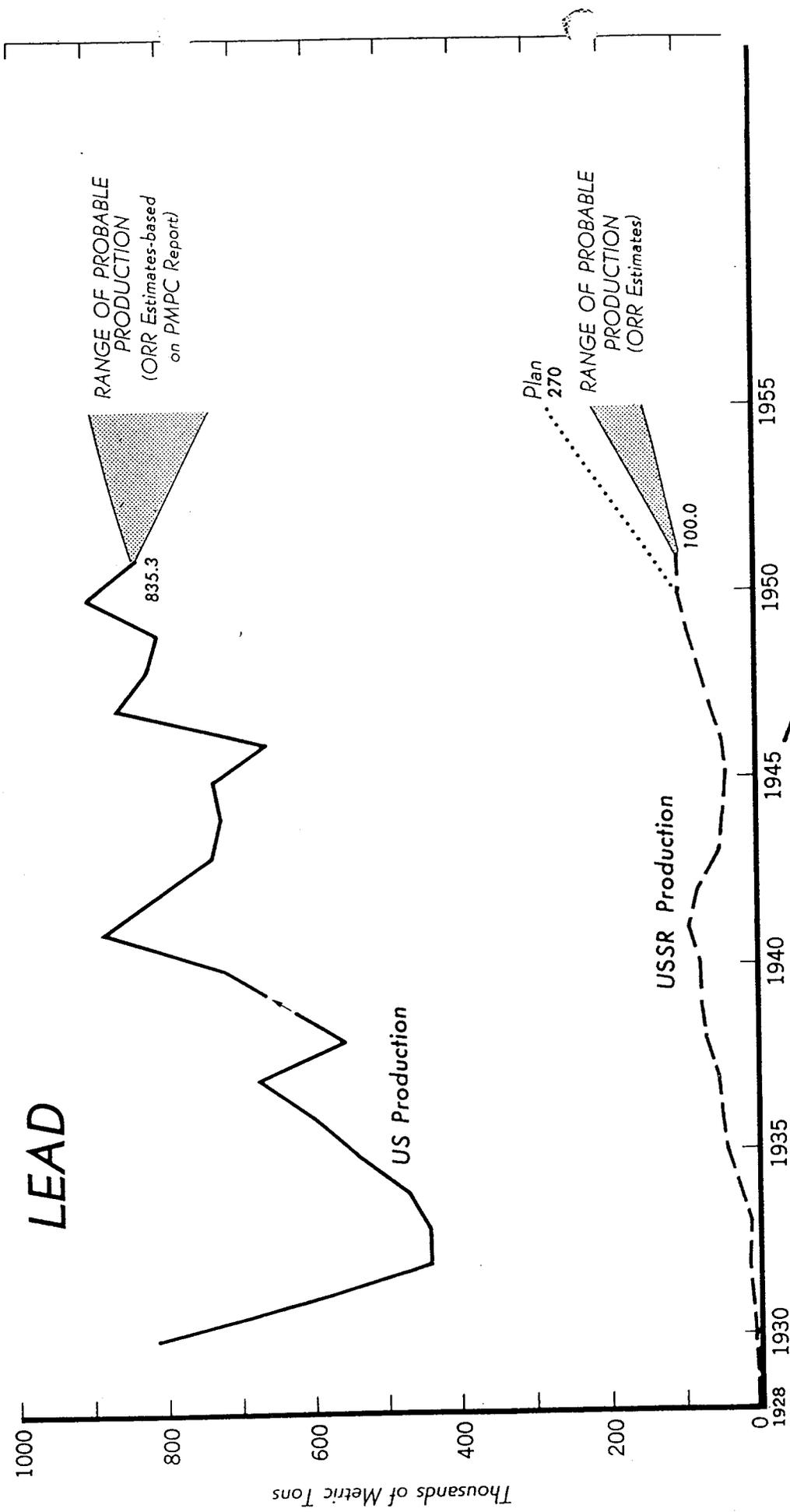
Substantially all nickel raw material consumed in the US is imported.

USSR Production

Plan  
42,100  
RANGE OF PROBABLE  
PRODUCTION  
(ORR Estimates)

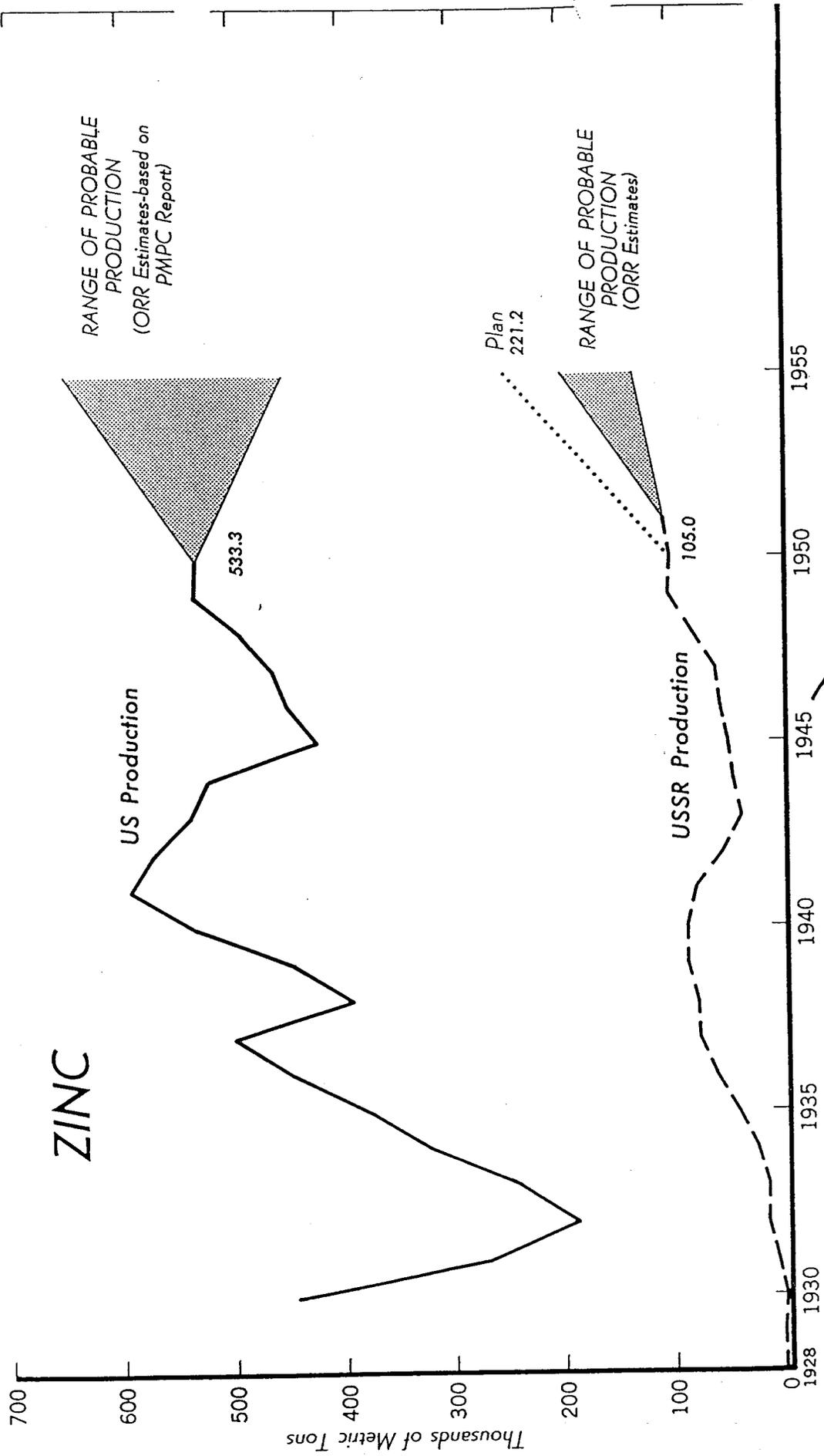
29,000



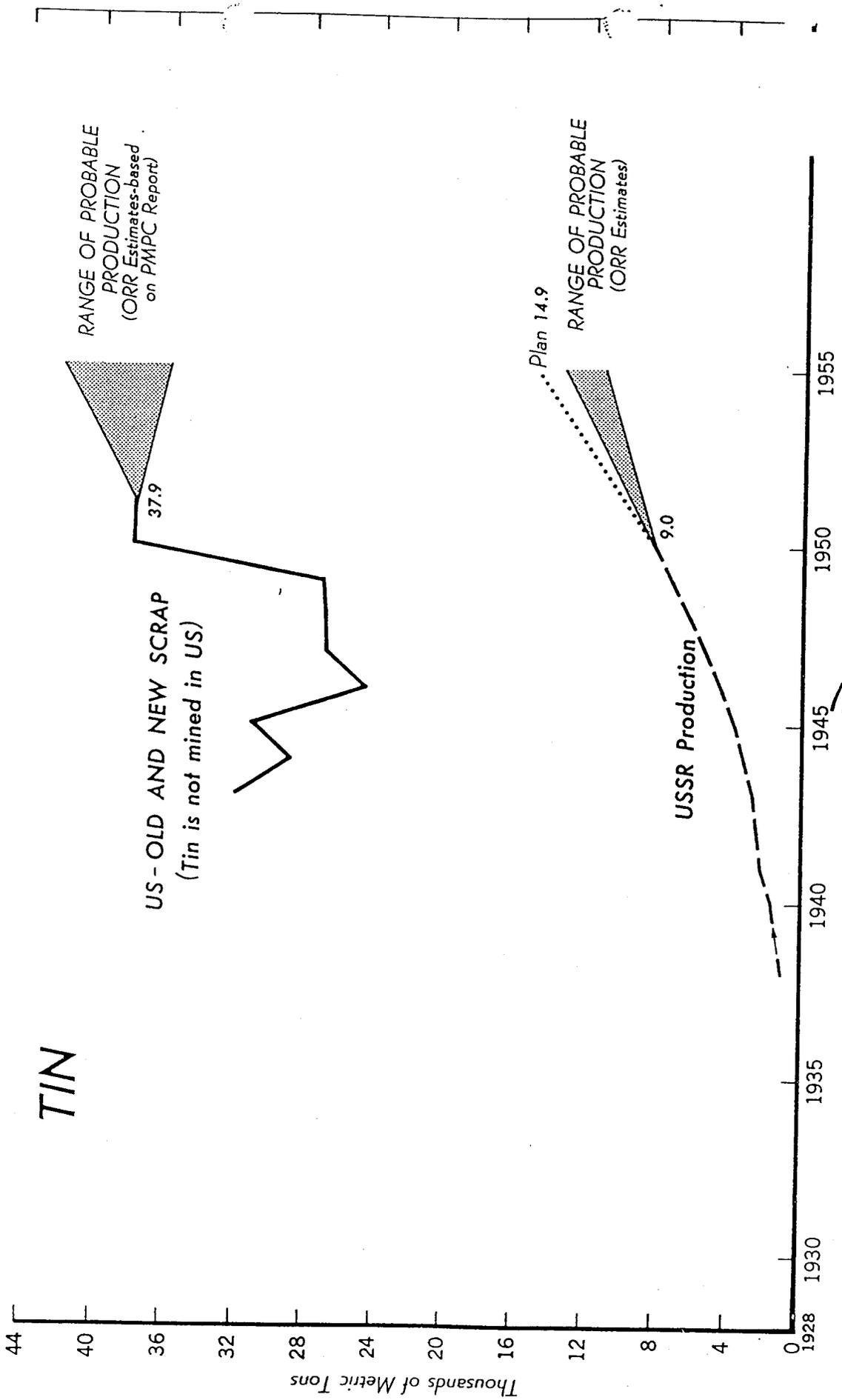


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# ZINC



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# COAL

RANGE OF PROBABLE PRODUCTION  
(ORR Estimates-based on PMPC Report)

Plan 375  
RANGE OF PROBABLE PRODUCTION  
(ORR Estimates)

532.0

282.0

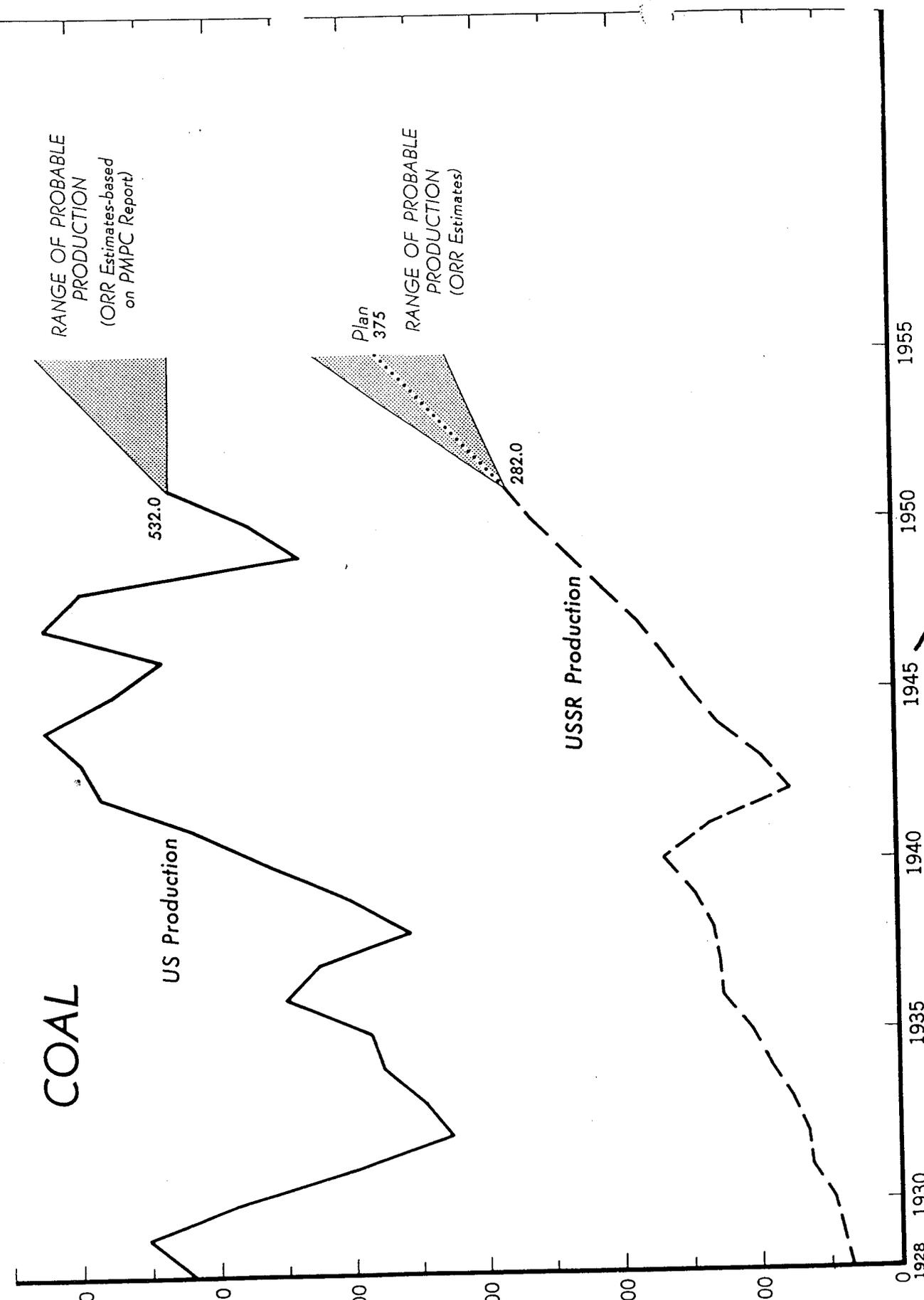
US Production

USSR Production

Millions of Metric Tons

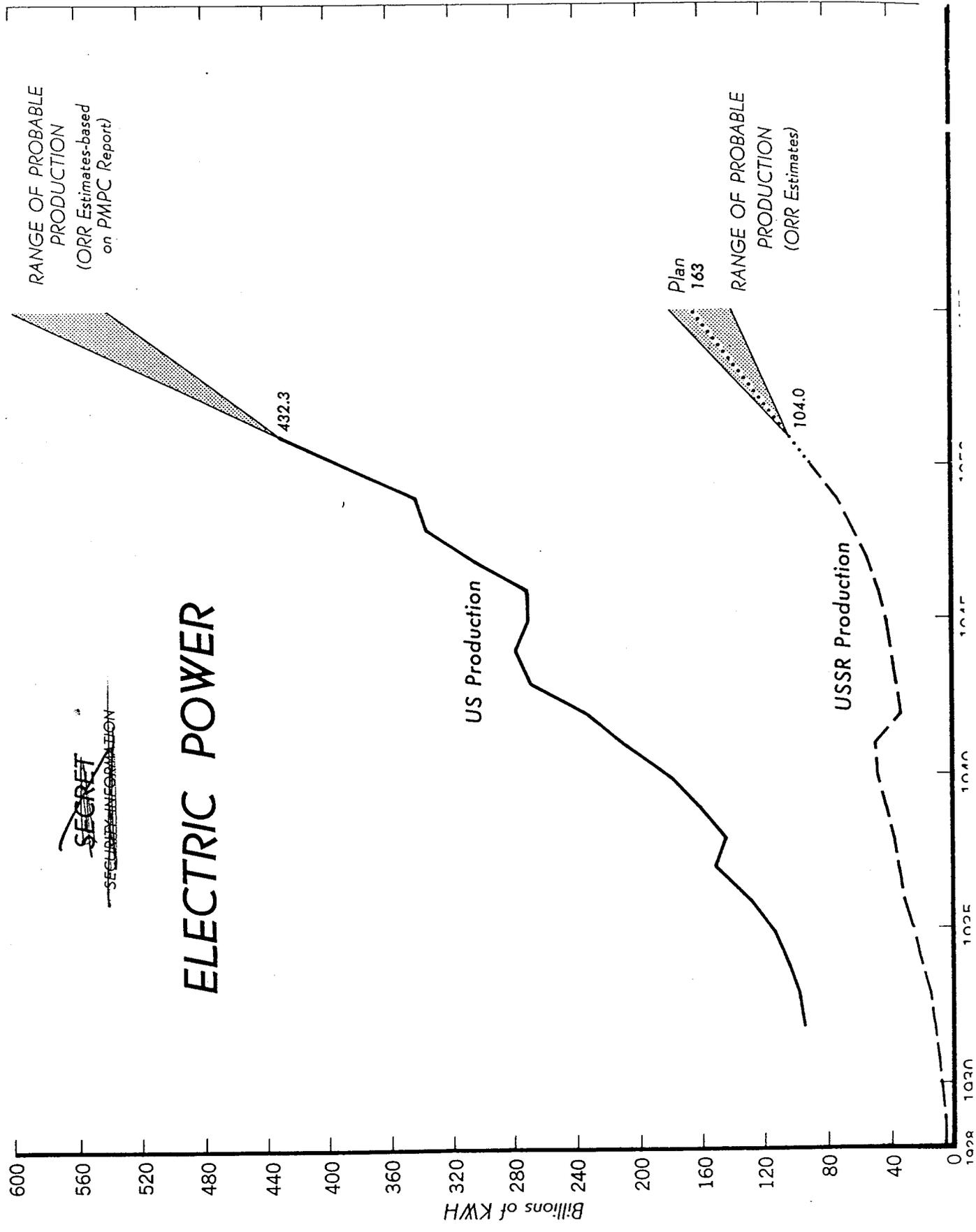
1928 1930 1935 1940 1945 1950 1955

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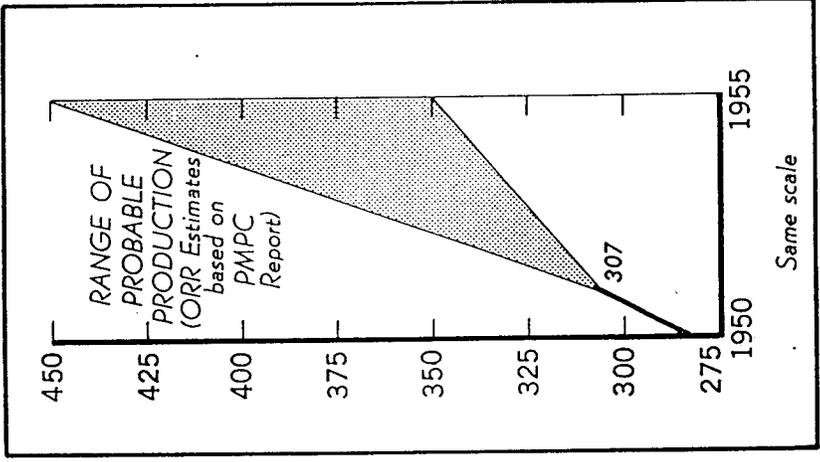
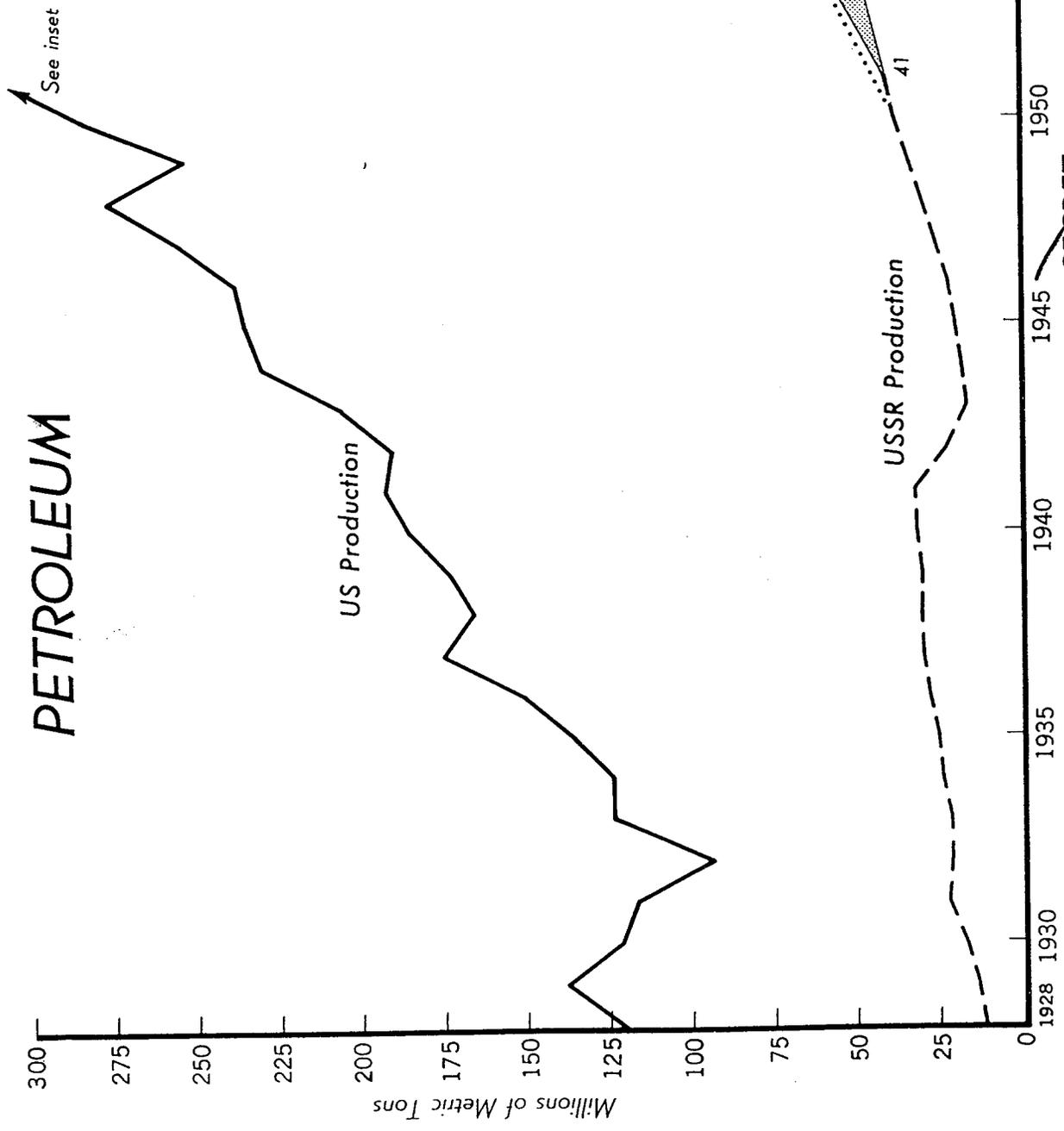


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# ELECTRIC POWER



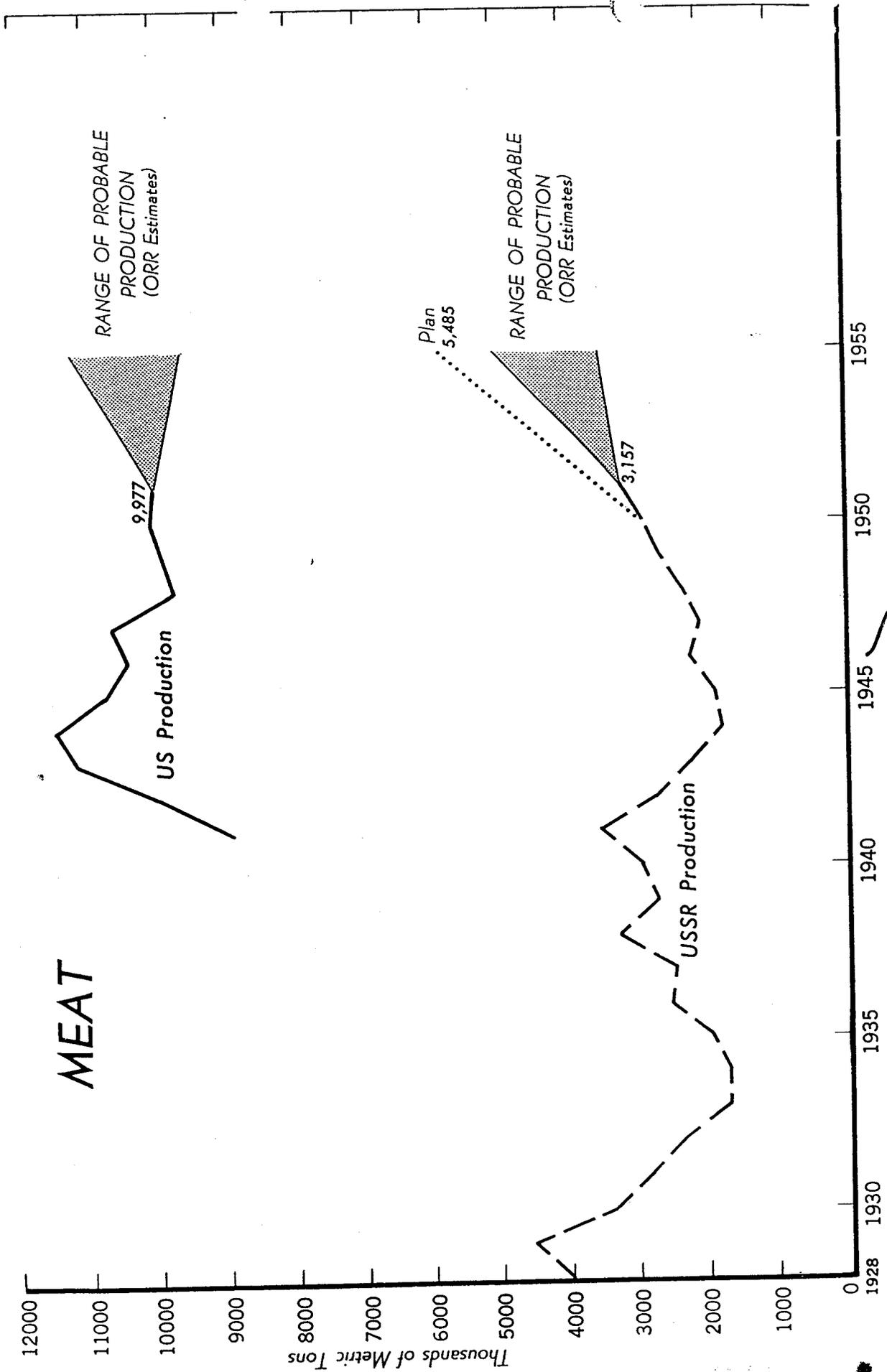
# PETROLEUM



Plan 69.4  
 RANGE OF PROBABLE  
 PRODUCTION  
 (ORR Estimates)

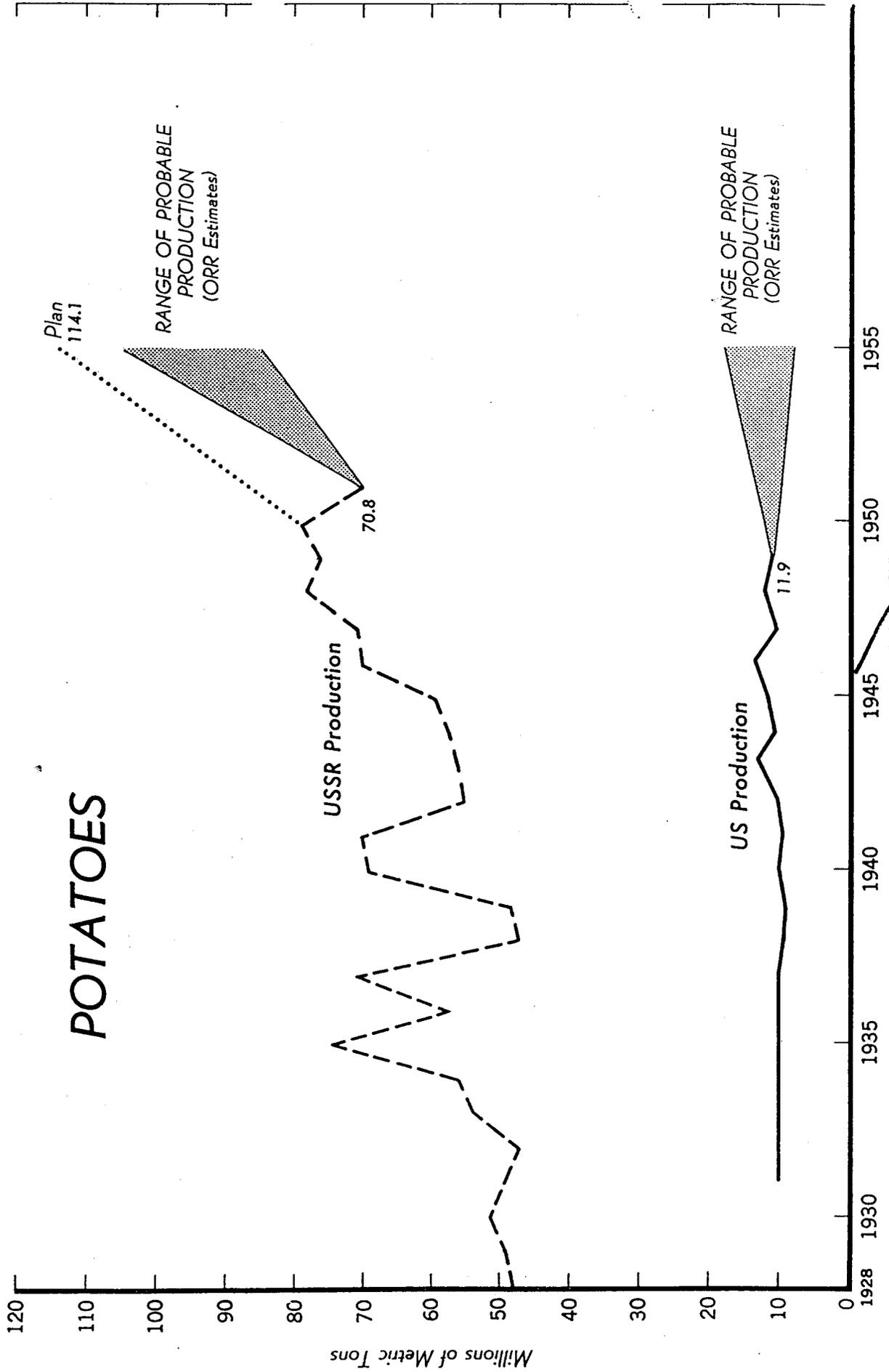
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# MEAT



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# POTATOES

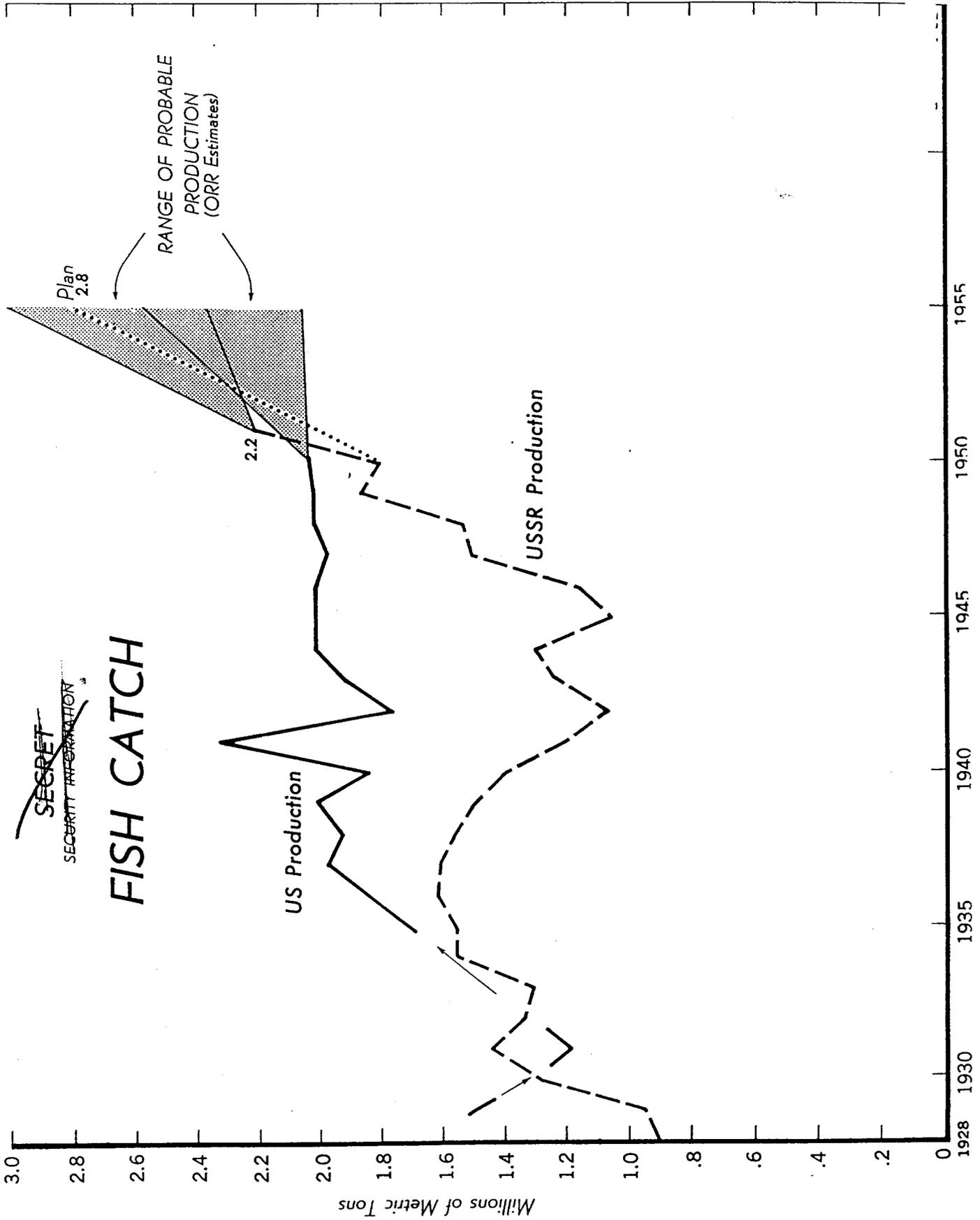


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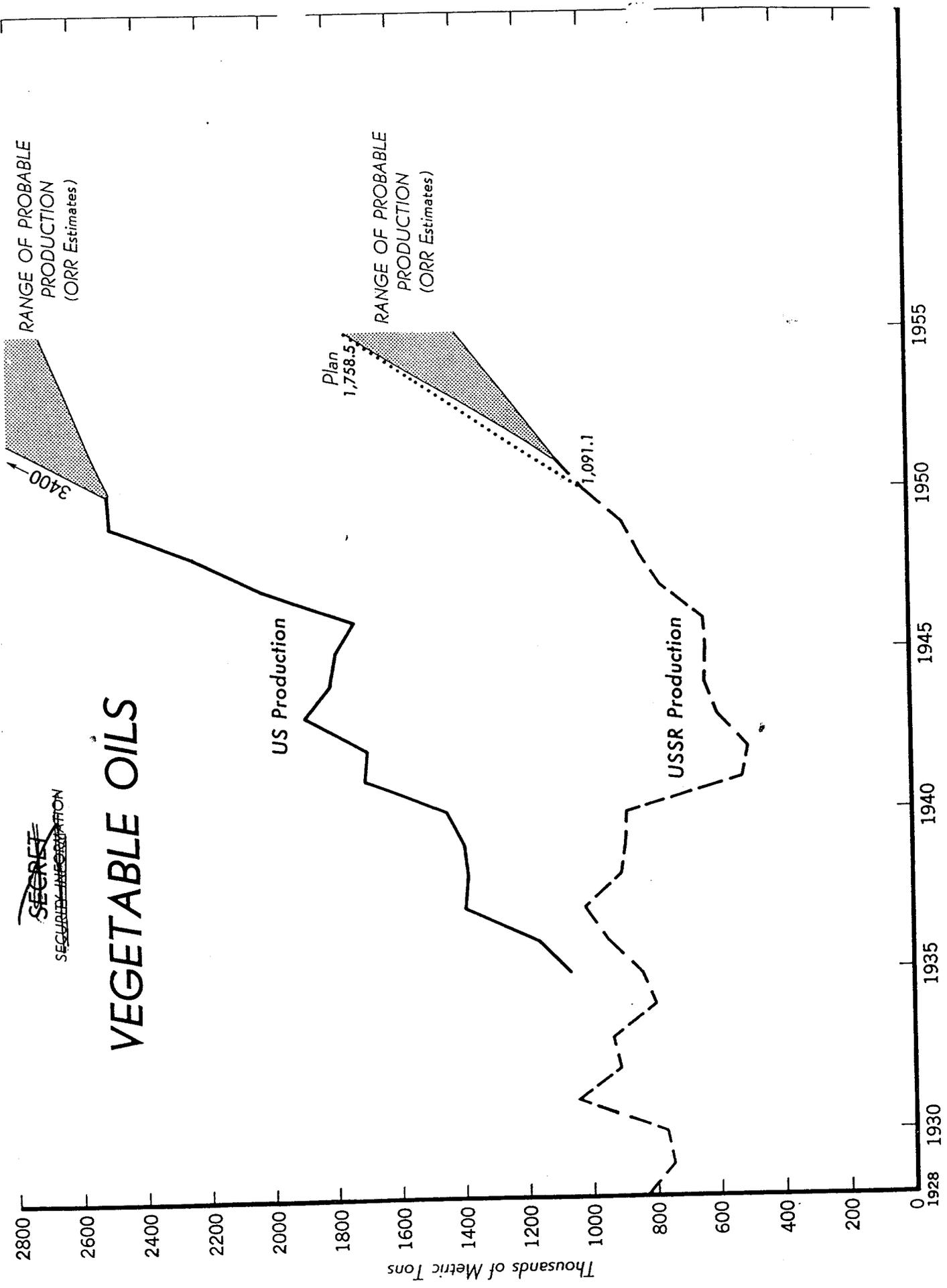
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# FISH CATCH

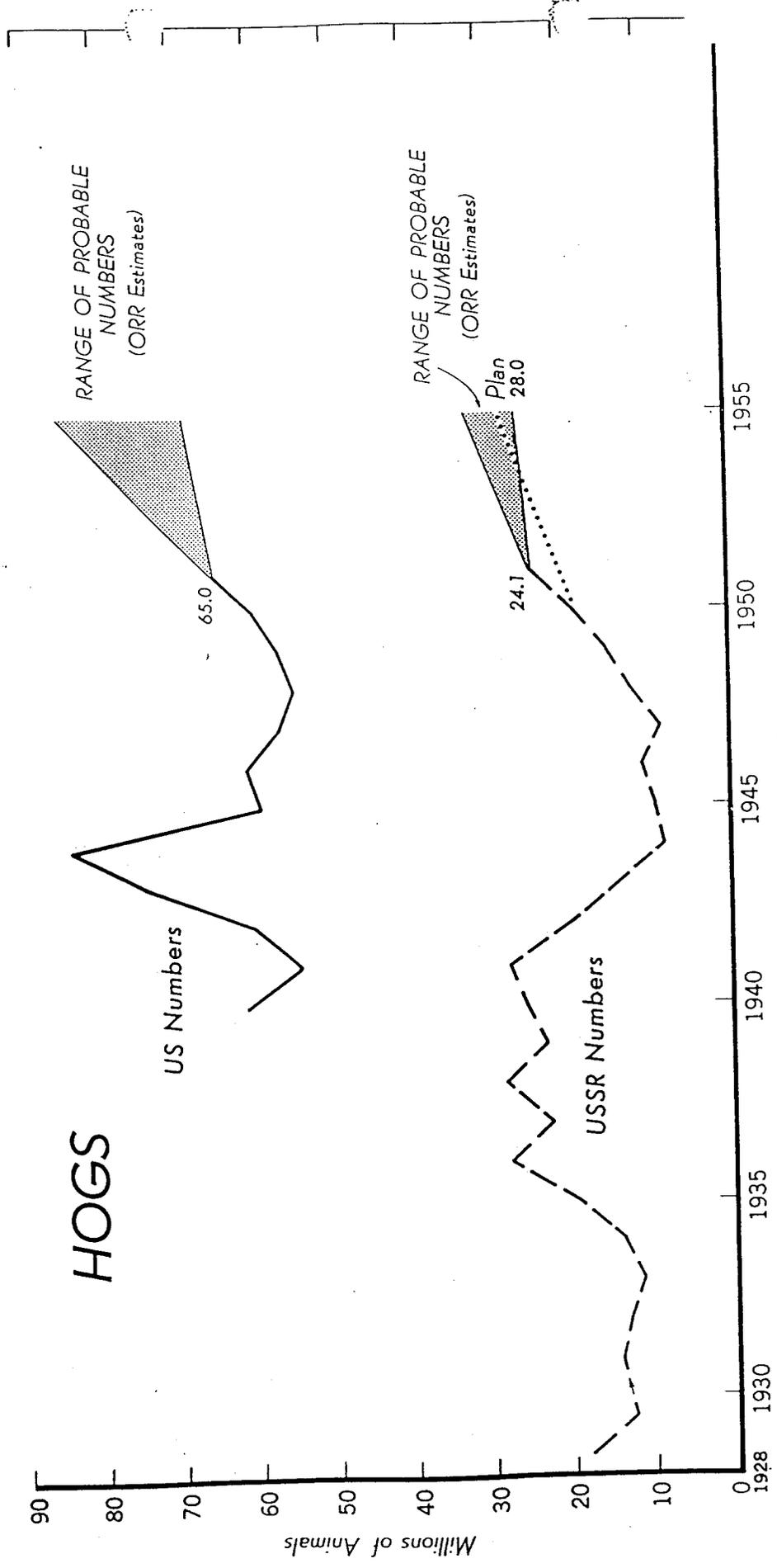


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# VEGETABLE OILS

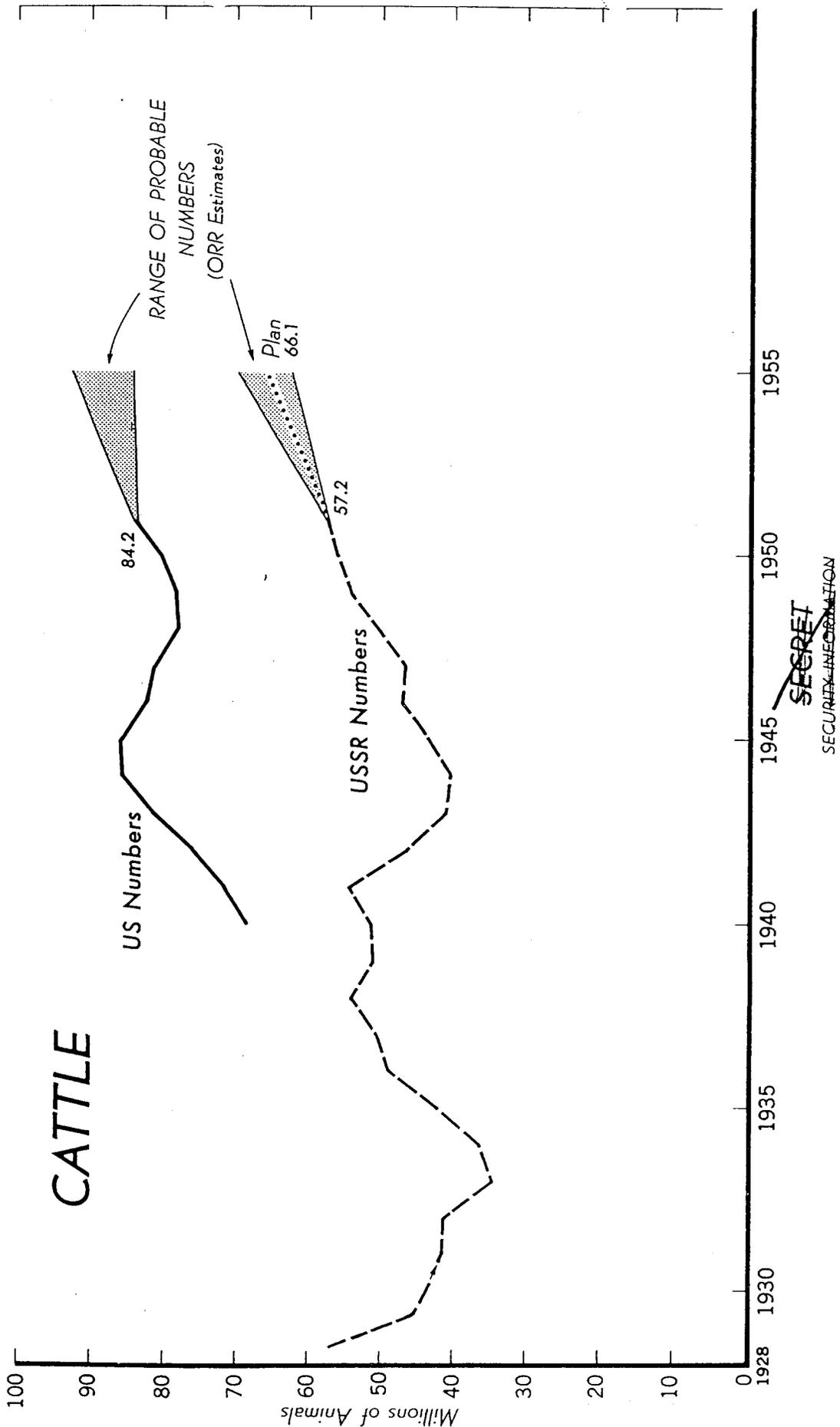


# HOGS



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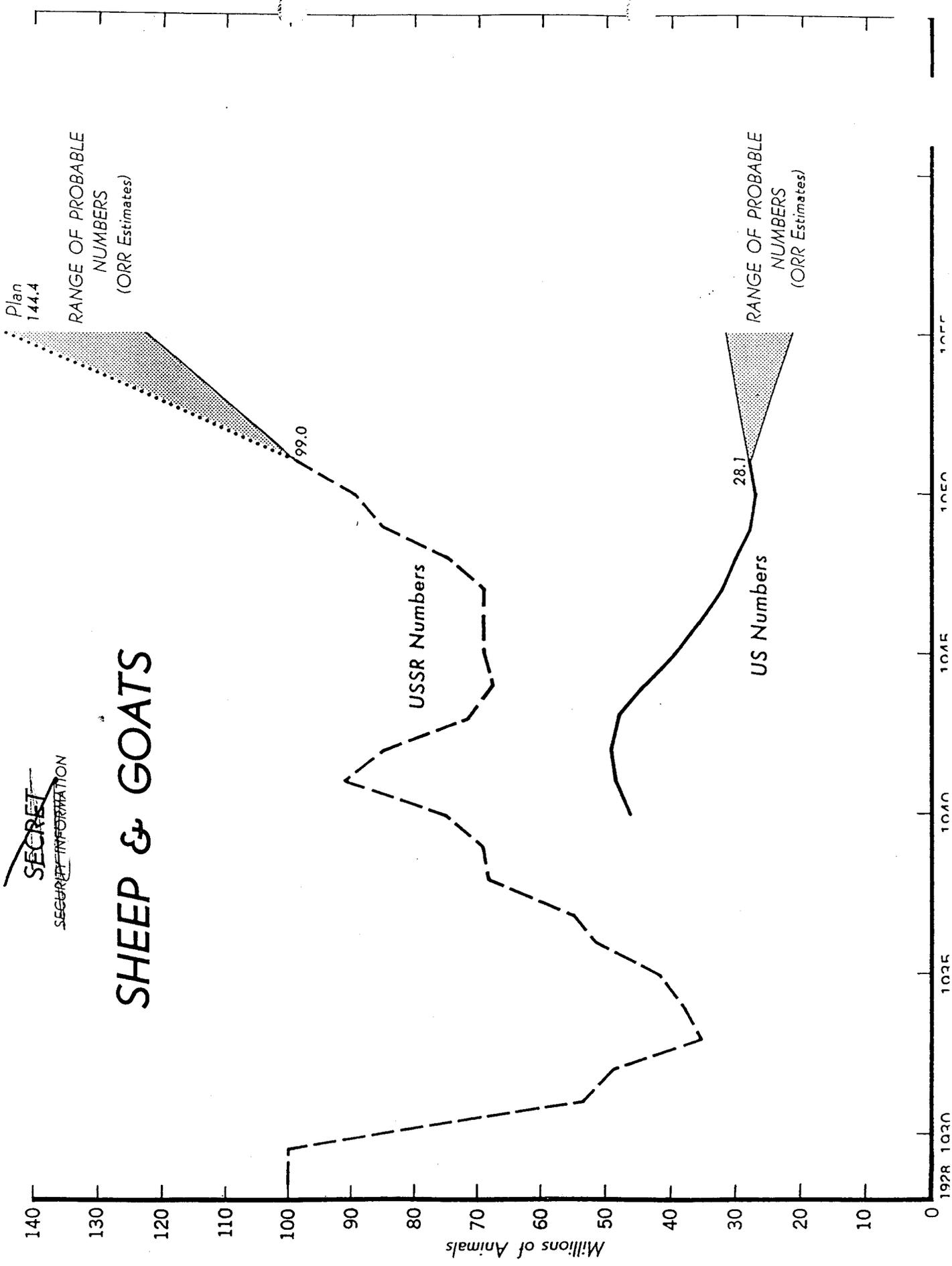
# CATTLE



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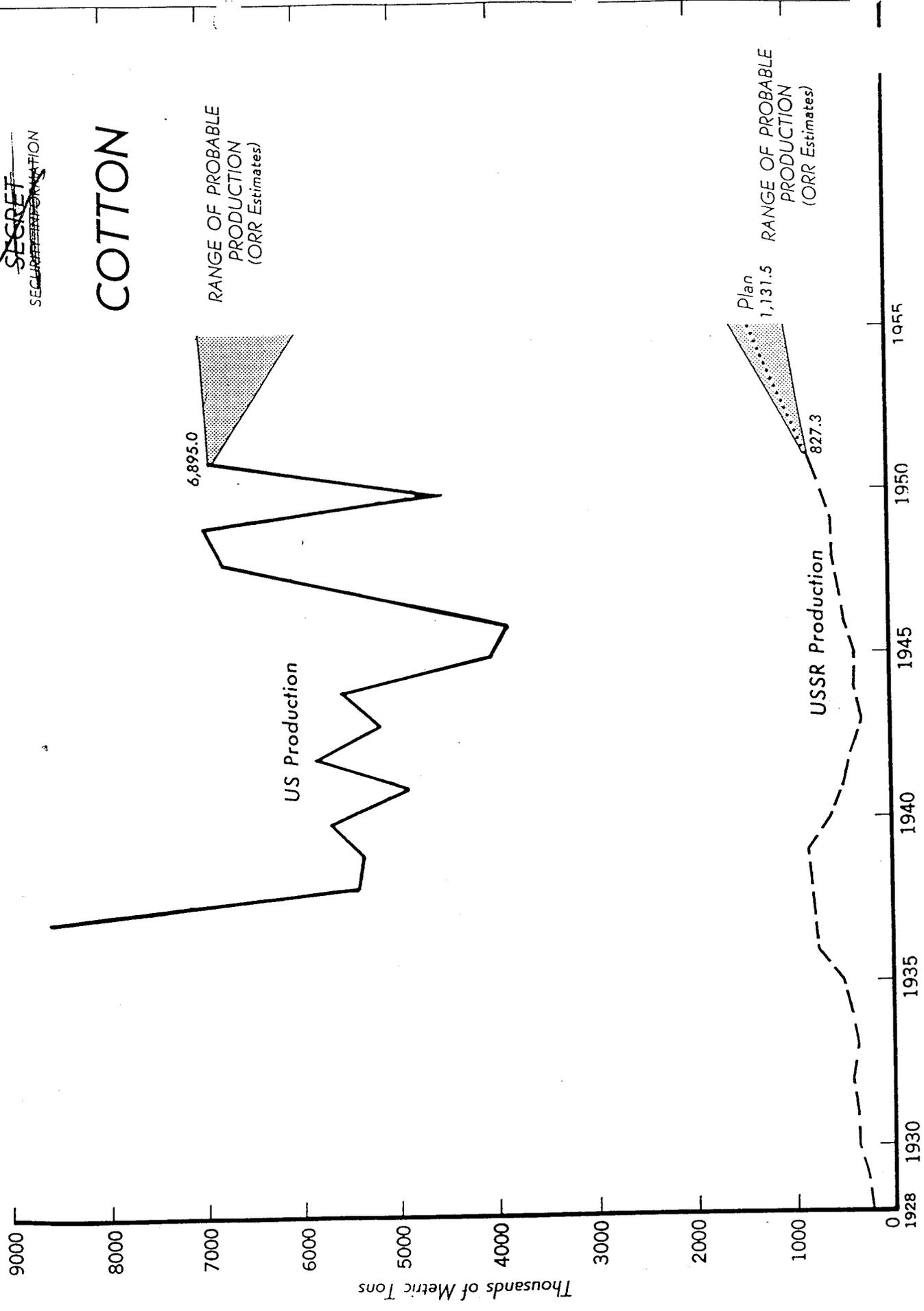
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# SHEEP & GOATS



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# COTTON



US Production

USSR Production

Plan

6,895.0

827.3

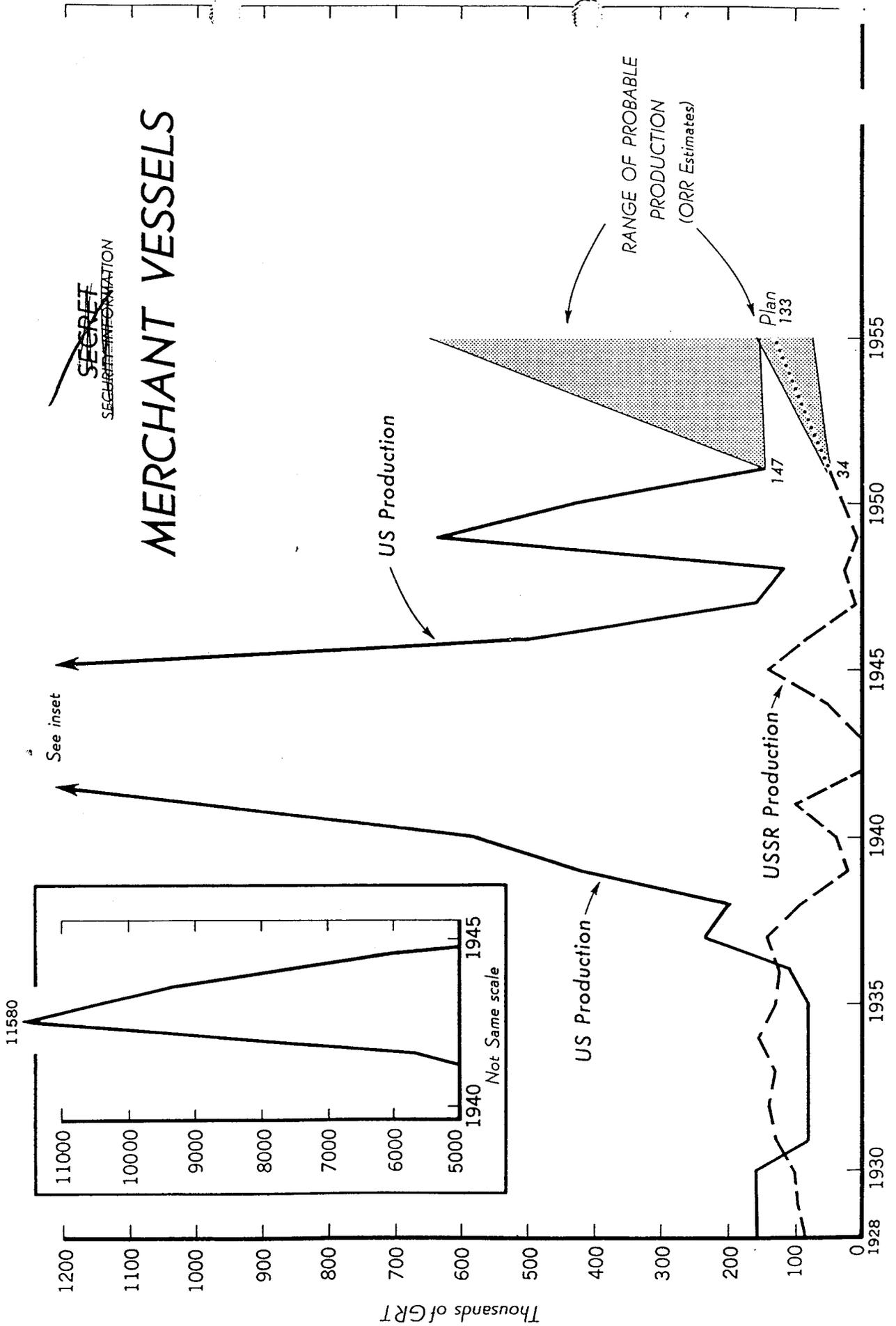
RANGE OF PROBABLE PRODUCTION (ORR Estimates)

RANGE OF PROBABLE PRODUCTION (ORR Estimates)

Thousands of Metric Tons

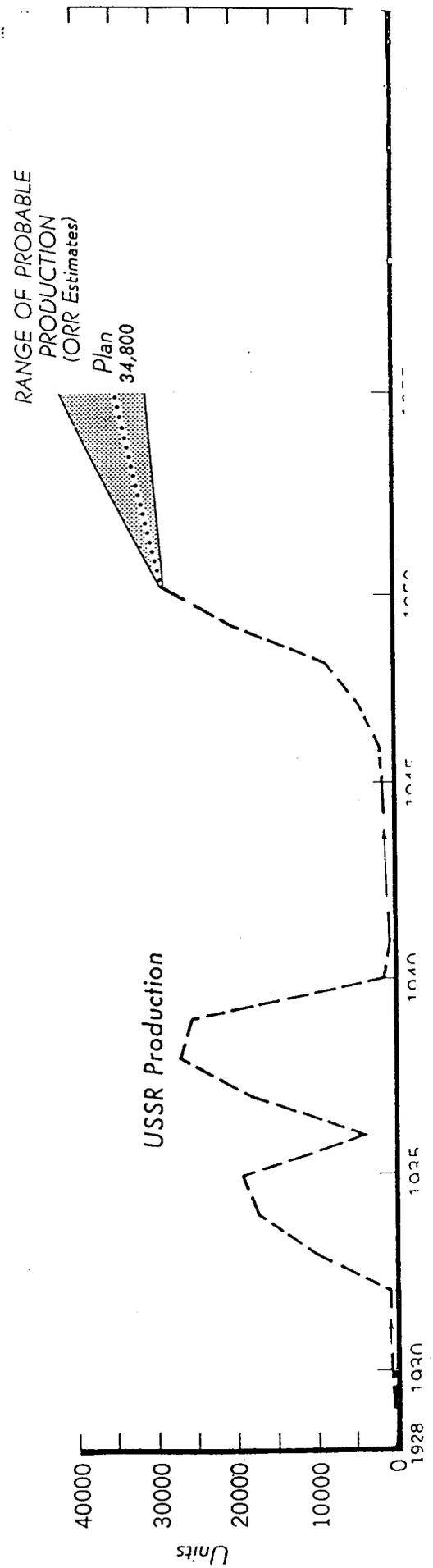
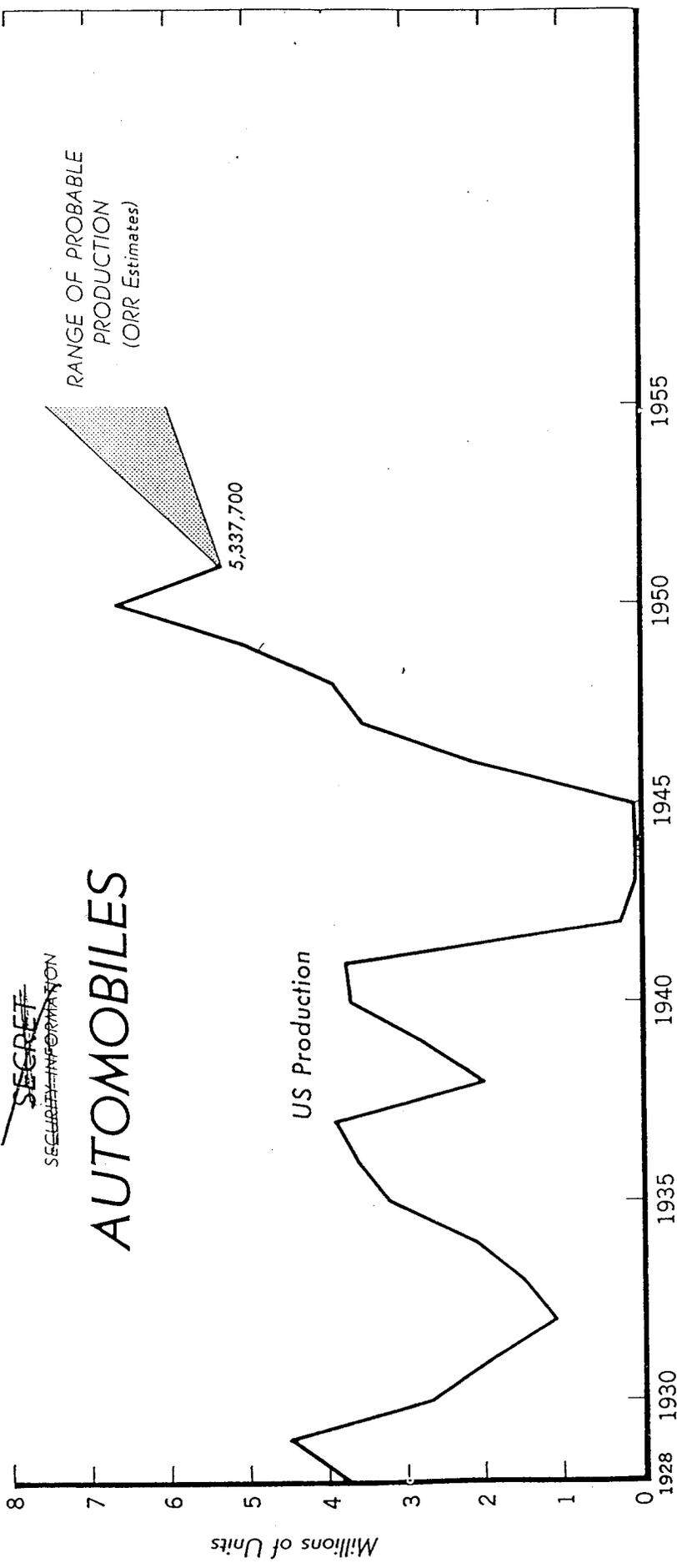
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# MERCHANT VESSELS

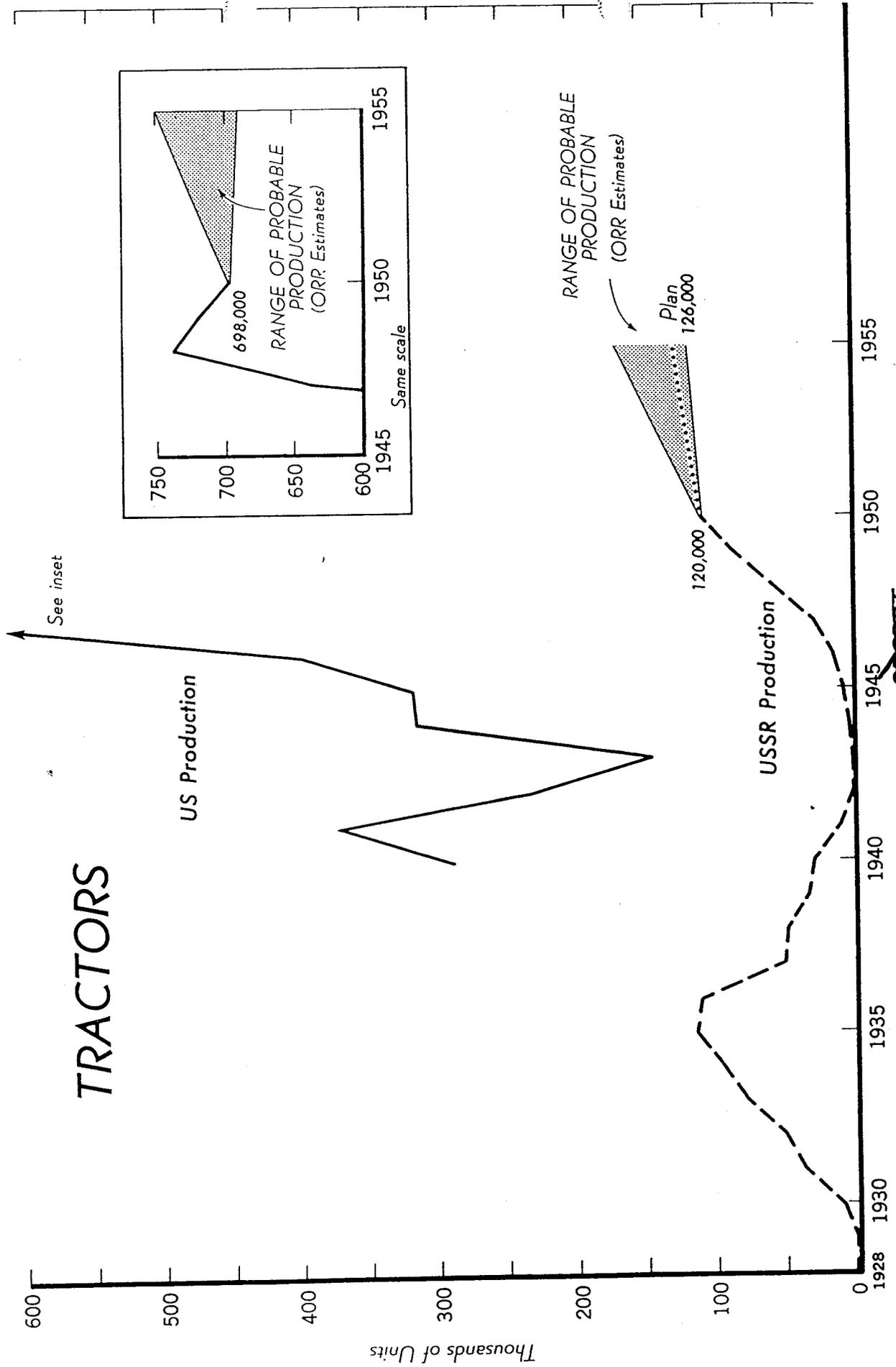


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# AUTOMOBILES



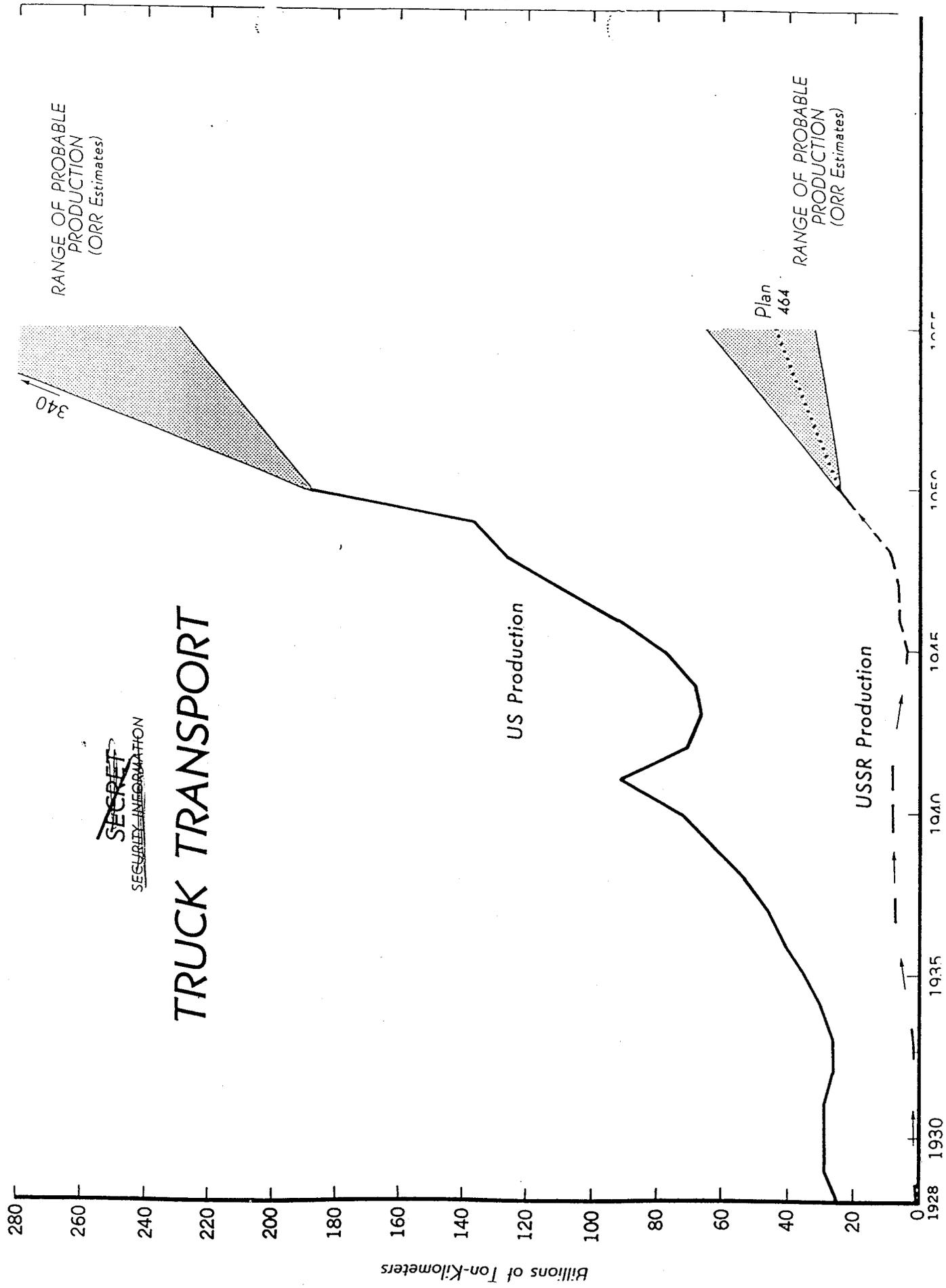
# TRACTORS



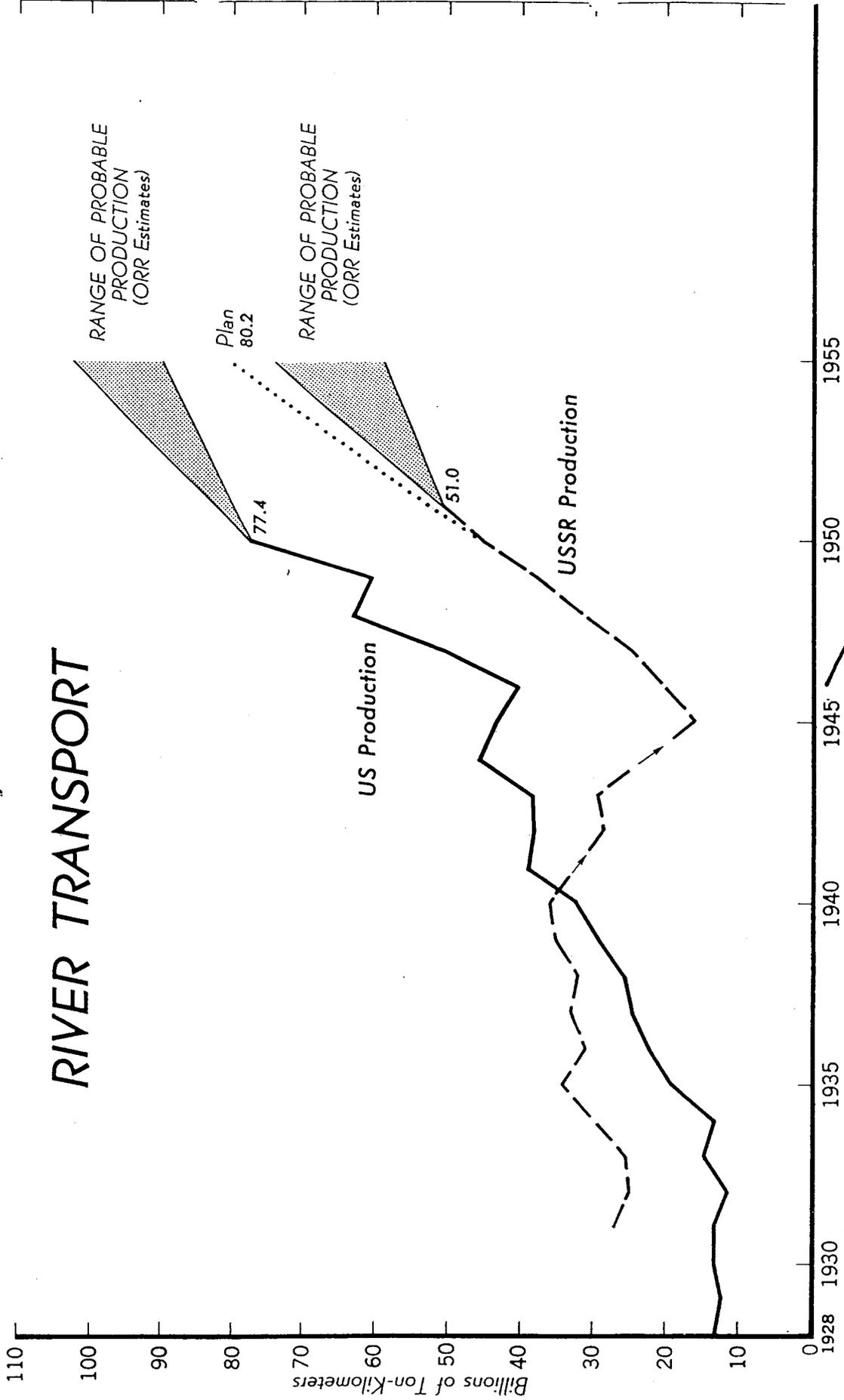
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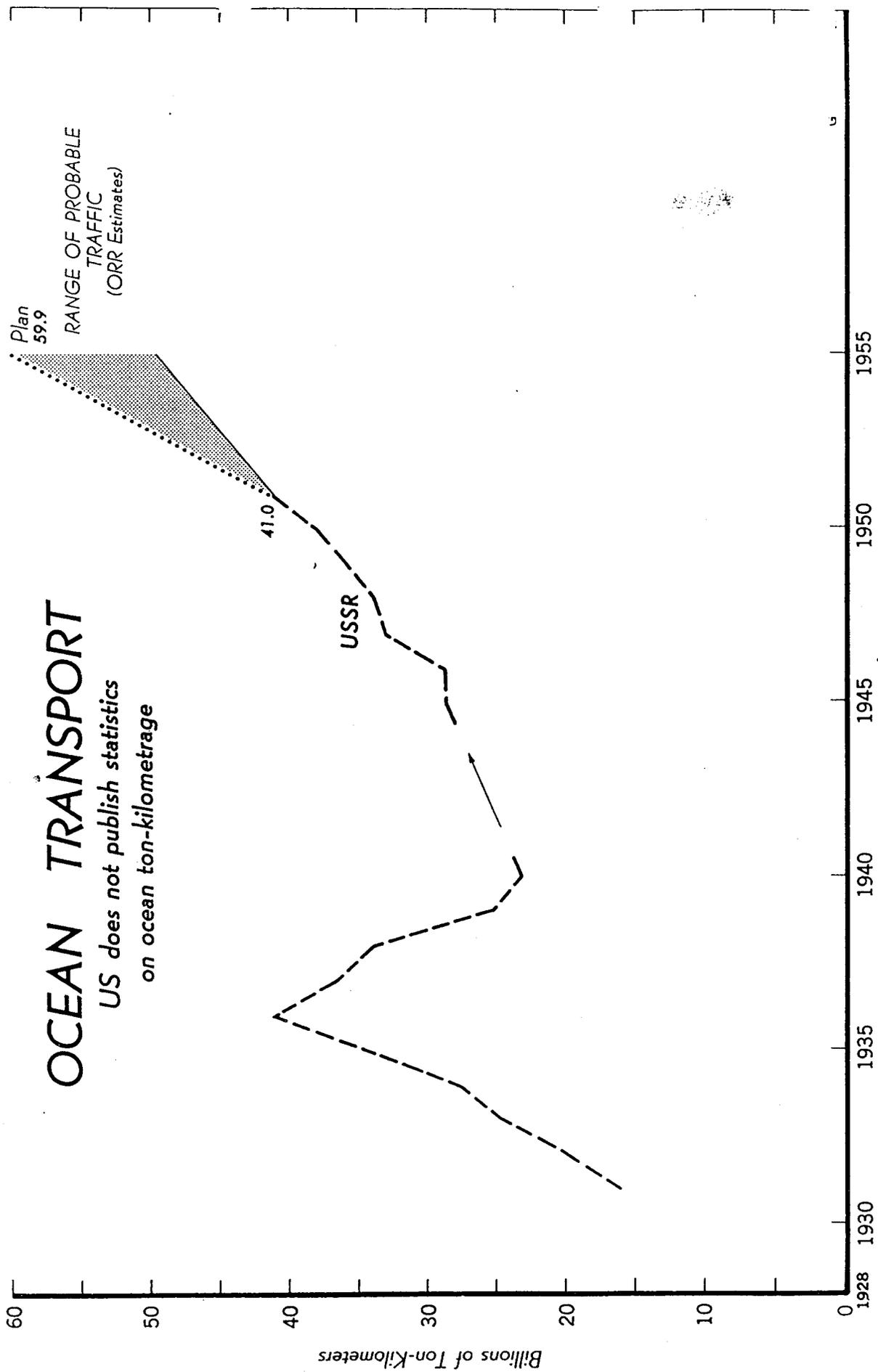
# TRUCK TRANSPORT



# RIVER TRANSPORT

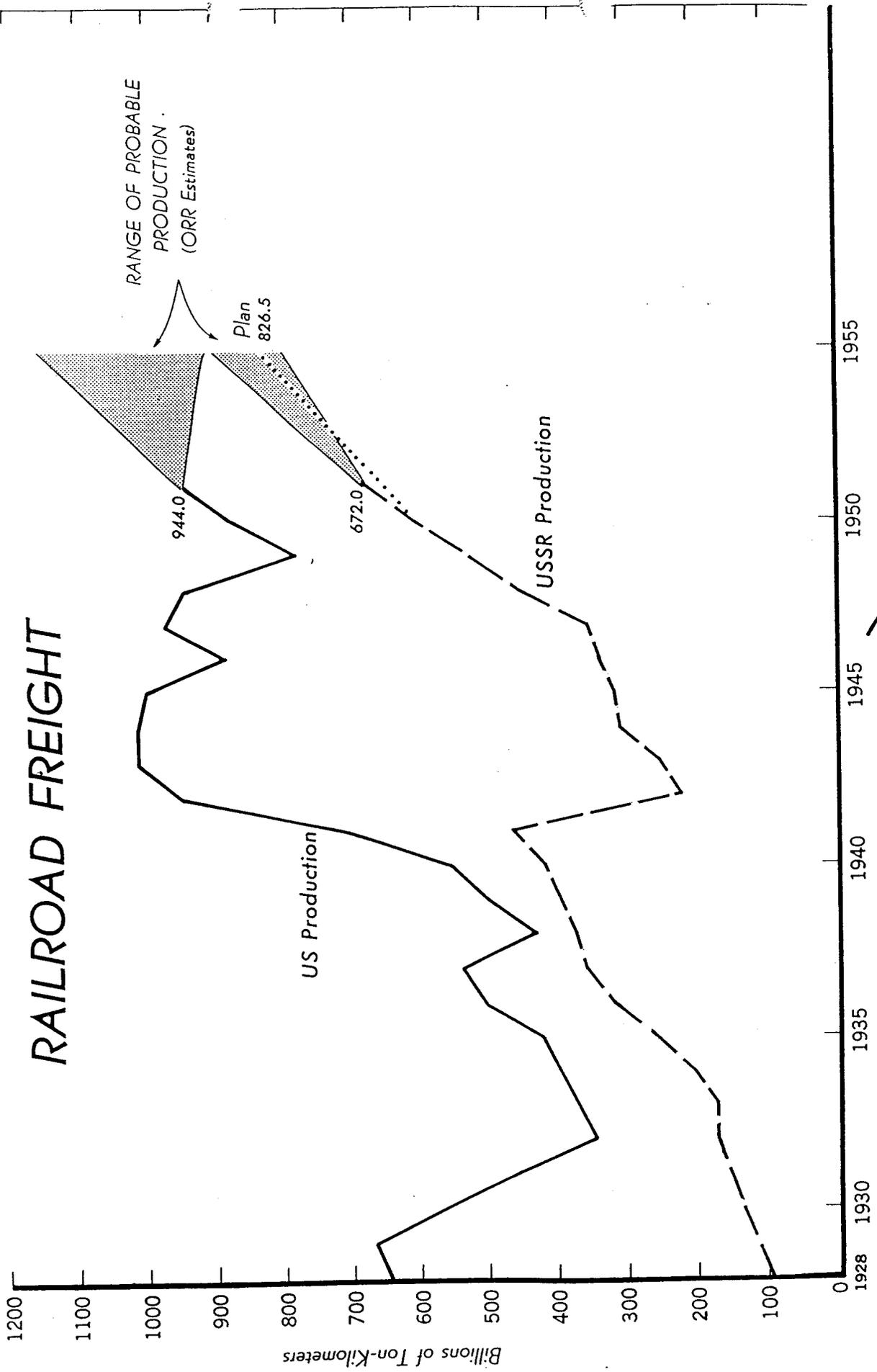


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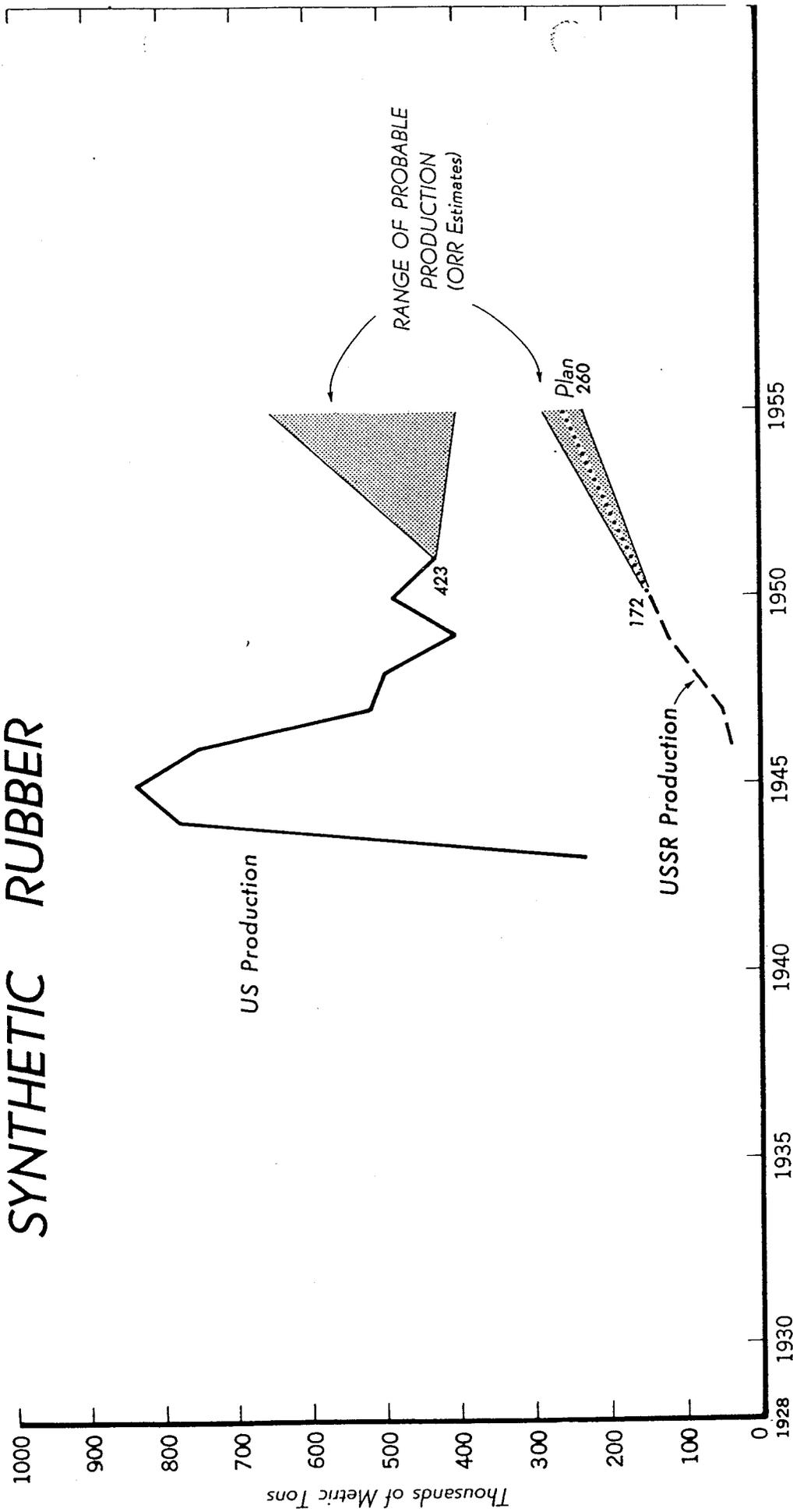
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# RAILROAD FREIGHT



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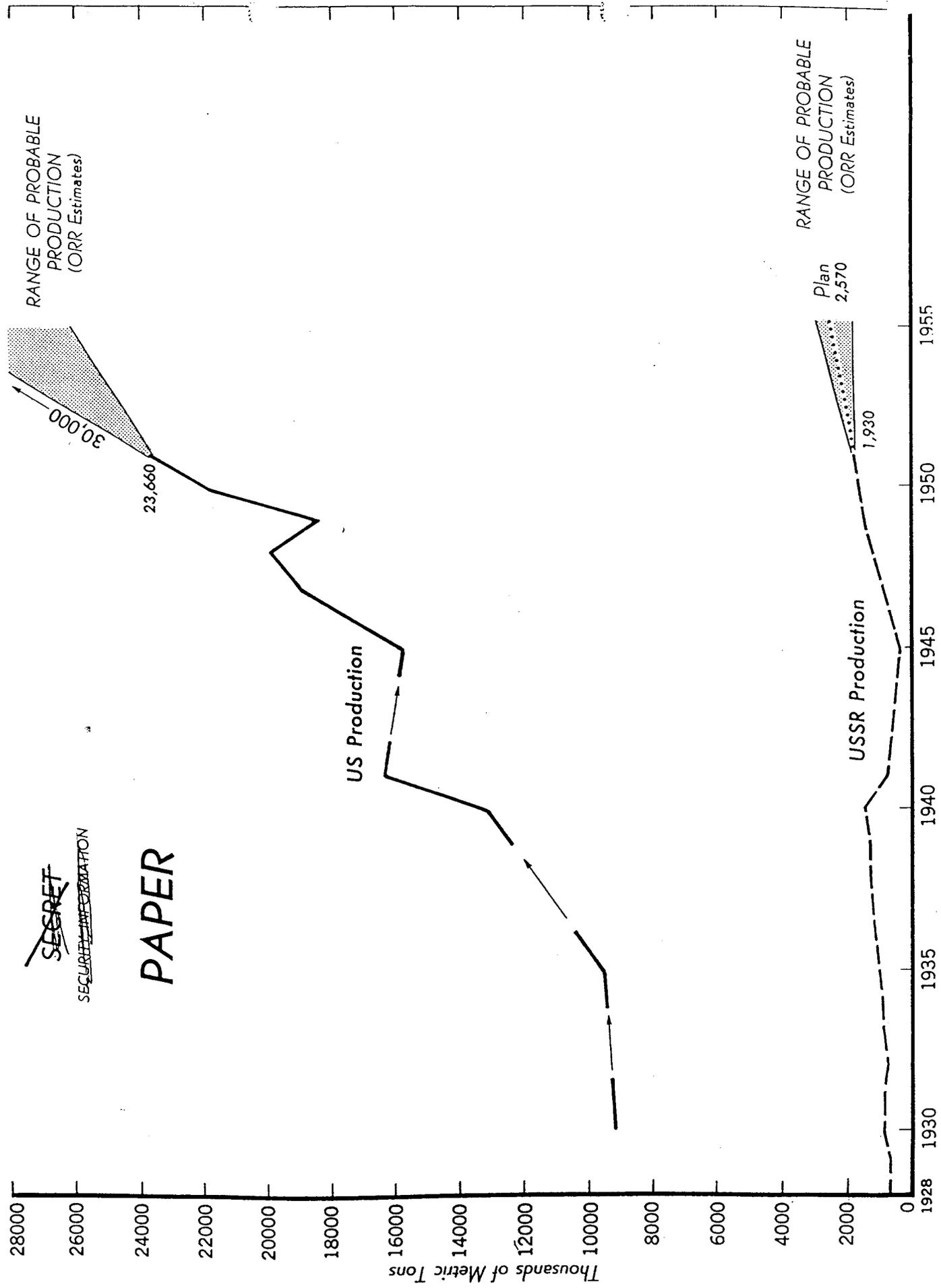
# SYNTHETIC RUBBER



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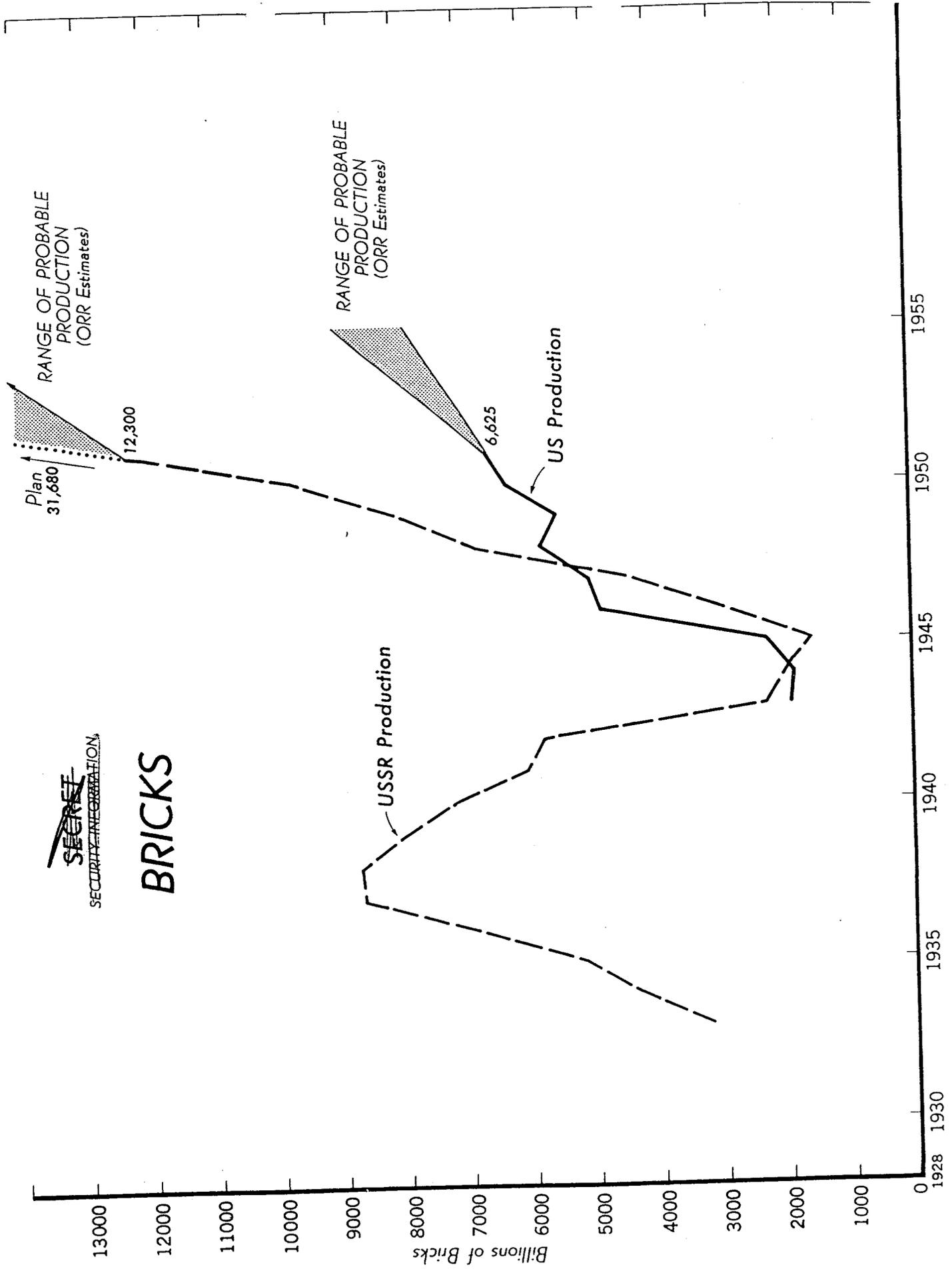
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# PAPER



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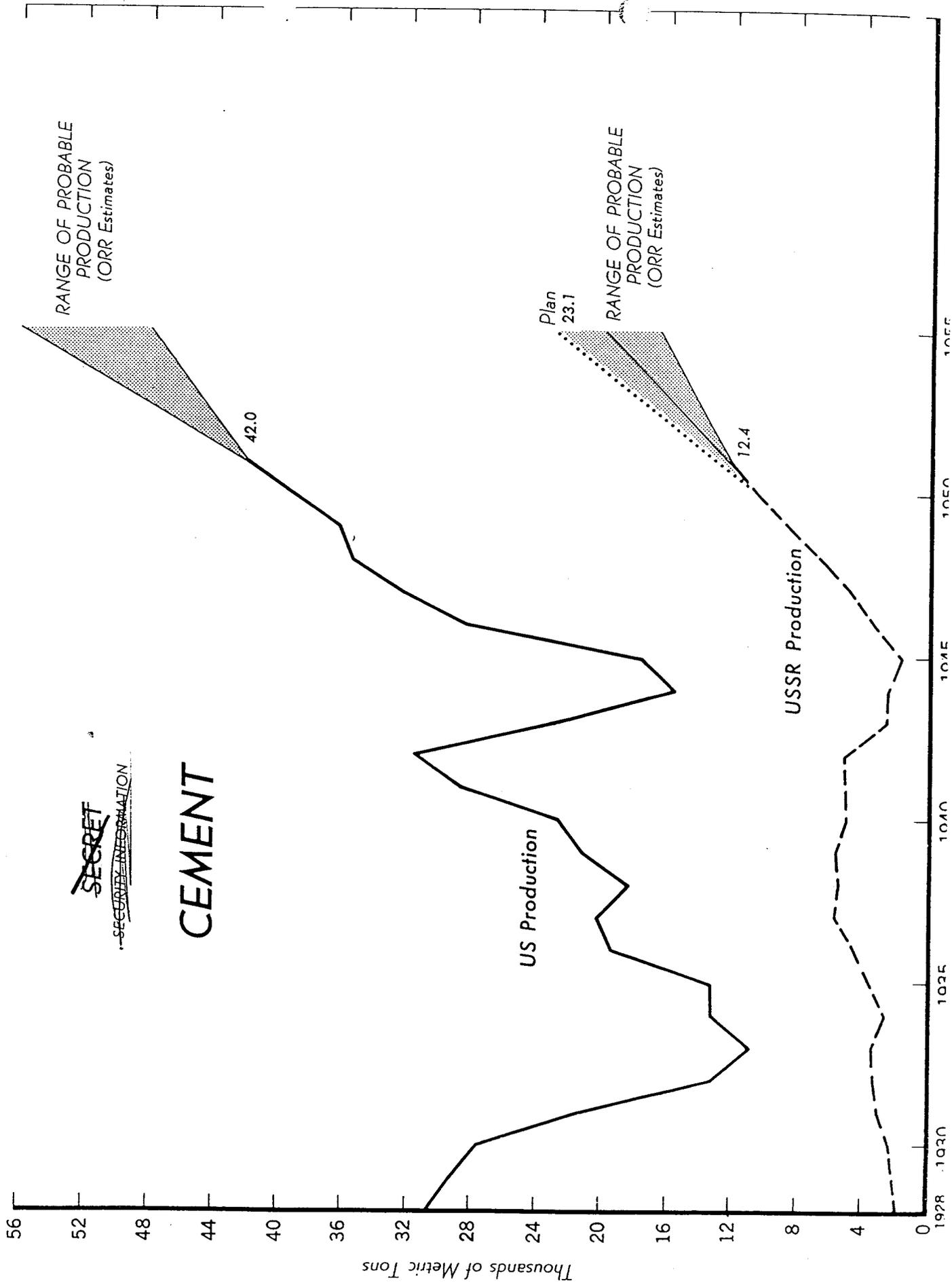
# BRICKS



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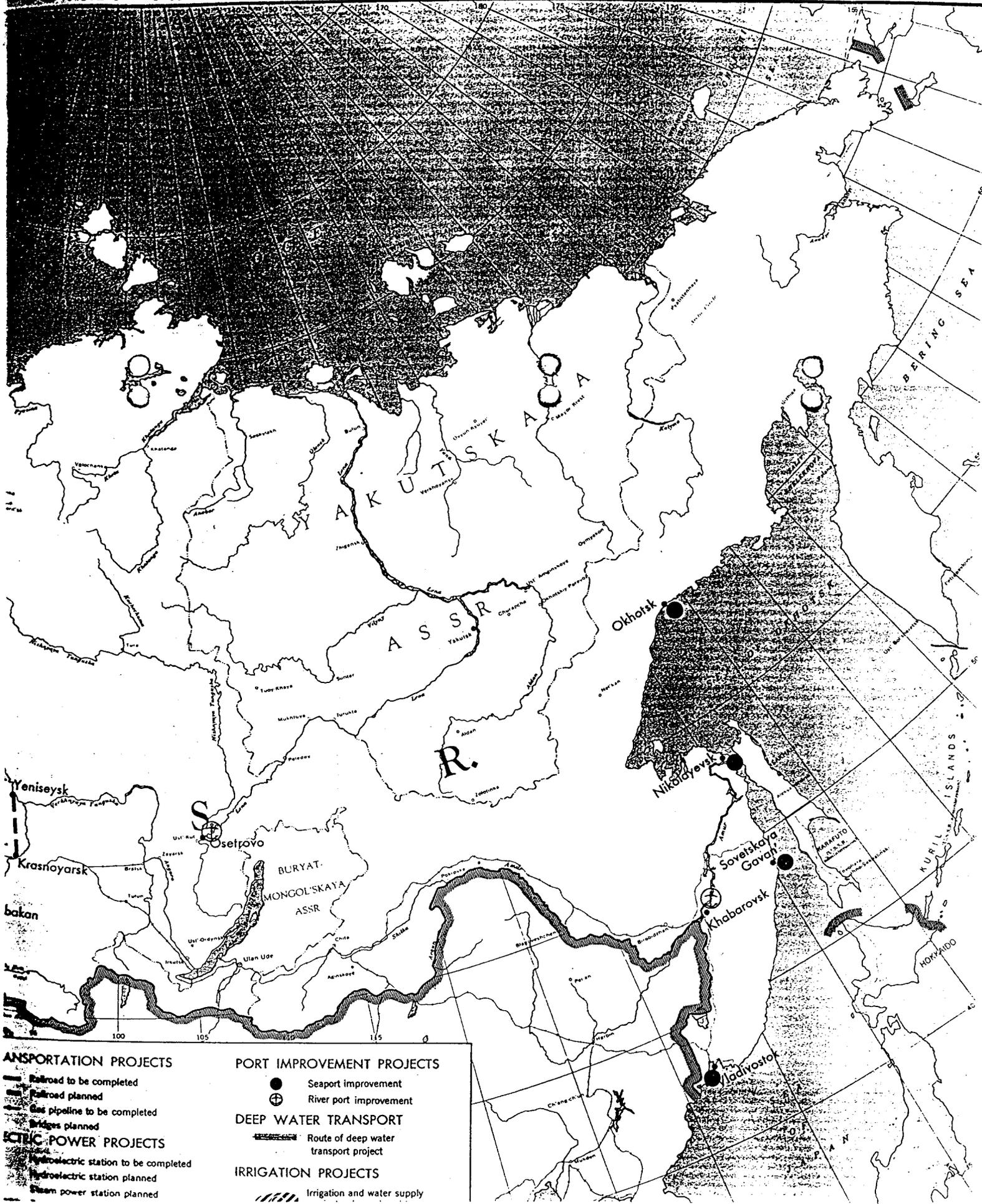
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# CEMENT





# SOVIET FIFTH FIVE-YEAR PLAN



- |                                       |                               |                                       |                        |
|---------------------------------------|-------------------------------|---------------------------------------|------------------------|
| <b>TRANSPORTATION PROJECTS</b>        |                               | <b>PORT IMPROVEMENT PROJECTS</b>      |                        |
| Railroad to be completed              | Railroad planned              | Seaport improvement                   | River port improvement |
| Gas pipeline to be completed          | Bridges planned               | <b>DEEP WATER TRANSPORT</b>           |                        |
| <b>ELECTRIC POWER PROJECTS</b>        |                               | Route of deep water transport project |                        |
| Hydroelectric station to be completed | Hydroelectric station planned | <b>IRRIGATION PROJECTS</b>            |                        |
| Steam power station planned           | Irrigation and water supply   |                                       |                        |

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I. Direction of Soviet Planning.

The Fifth Five Year Plan, covering the period from the beginning of 1951 to the end of 1955, was announced in Moscow on 20 August 1952. Most plans are announced about a year after their beginning; in this case it may have been delayed because of the immense statistical and planning work required (especially since this Plan has been integrated with the Satellite plans), or in order to use the Plan as an additional propaganda device for the current Chinese negotiations and the Party Congress to convene shortly.

It has been obvious for some time that the USSR has been operating on a new plan, but until now there has been no indication of the basic nature and direction of the planned economic effort through 1955. It is the fifth such plan. The first, from 1928 through 1932, following the capitalistic New Economic Policy, had its main emphasis on electrification of the economy. The second plan laid stress on transportation and heavy industry, while the interrupted third plan was to consolidate the gains of the first two. The war made necessary a revision of the third plan, and only interim planning was in effect until the issuance of the fourth plan, covering 1946 through 1950. Restoration of the war damaged economy was the keynote of the fourth plan.

The Fifth Five Year Plan appears to be the first balanced and general plan. It stresses over-all development and expansion. It is evidence that the USSR intends to enlarge the industrial base of their economy. The output of consumer goods is to advance slightly, but the share of total resources devoted to the consuming sector will probably not increase. While the military sector is not specifically mentioned, it does not appear that there will be any change in the proportion of total resources devoted to military production. The rapid rates of growth for such items as steel, copper, aluminum, electric power, petroleum, and machine building demonstrate that the purpose of this Plan is to develop natural resources, to build plants and equipment, and in general to work toward a position where the Bloc can challenge the industrial might of the non-Bloc world, either by peaceful competition or military aggression.

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## II. The Usefulness and Reliability of Plan Figures in Estimating Economic Activity.

Official Soviet pronouncements on planned goals and their degree of achievement are an essential element in the intelligence picture of the Soviet economy. Other sources of intelligence provide only scattered information, generally of questionable reliability, on the same range of subject matter. Most wartime and postwar statistics to be found in this paper have been derived either from official Soviet announcements of percentage increases or from adjustments, usually downward, of such announcements. Since the second plan, the USSR has published fewer and fewer absolute data on production. In the fifth plan there are no absolute data. In the academic and intelligence communities, most data for recent years have been derived from absolute data for 1940 (available in detail) and subsequently announced percentage increases. Intelligence research on the Soviet economy has not advanced sufficiently to permit a general "consistency check" to determine, for example, whether estimates for some industries are unreasonably high when compared to other industries. Thus we must still rely altogether too heavily upon official pronouncements.

Pronouncements of the Central Statistical Administration on plans and achievements may be fiction, in whole or in part. It would be easy for top planners to carry a double set of books—one for controlling the economy, the other for propaganda mill. The USSR is such a vast expanse, and economic activity there is so varied, that few within the USSR—even at high administrative and political levels—could gain a correct insight into over-all conditions in an industry or an area. With the convenience of a double-accounting device at their disposal, the planners might well feel it to their advantage on the cold war fronts to misstate their economic accomplishments and plans. The reason for believing that this is probably not the case rests largely on the belief that, given their world-wide objects and their tight control over the economy, the derived statistics for particular industries—not the announced indexes of aggregates, such as gross industrial production and labor productivity—appear eminently reasonable. Comparison with U.S. achievements impresses one that the slopes of Soviet production are not extraordinarily steep. Our conclusion is that the published Plan is substantially accurate. The analysis in this paper is accordingly based upon the premises that the post-1940 statistics are approximations to reality and that we have not erected a "paper economy."

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### III. The Data.

Approximately 70 percent of total Soviet economic activity is covered by the text of the official statement on the Fifth plan. The principal areas omitted are the military production and operational sector (15 percent); education (5 percent); certain industrial and military construction activities (2 percent); activities of the ferrous metal, chemical, and machinery industries (6 percent); and lumbering (5 percent).\* Using the statistics which were announced, the charts, tables, and map which follow depict objectives of the Plan and contain statistical analyses and comparisons with other years and with the United States.

Table A shows the increases, according to Plan, in the broad economic aggregates, such as gross national product and industrial production.

Table B shows data for 1950, 1951, and the 1955 goals, along with percentage changes and 1951 U.S. data. In this table approximately 50 percent of total Soviet economic activity is reported. In addition to the sector ignored in the official pronouncement, the following activities are not included because of the difficulty of obtaining proper units of absolute measurement: health services (2 percent); other construction activities (4 percent); consumer goods other than textiles (4 percent); retail trade (3 percent); sundry financial and communal services (1 percent); machinery products (3 percent); and wood products (2 percent).

Table C arranges selected items of the Plan by order of percentage increase.

The charts compare U.S. production with Soviet production from 1928 to date, with a range of estimates for both countries. The coverage of the economy in the charts is less comprehensive than in Table A. Only 33 percent of total Soviet economic activities are depicted herein. The newly eliminated areas are grain, flax, and sugar (10 percent); textiles and footwear (6 percent); and machine tools, turbines, caustic soda, and soda ash (2 percent).

The map, drawn wholly from the USSR published statement of the Plan and hence unclassified, shows specific installations, such as river and rail developments, electric stations, and other items geographically identified in the Plan.

\* The proportions of total economic activity assigned to each sector are based on the relationships of the wage bills of the respective sectors relative to the total wage bill for the entire economy, as shown in the 1941 Plan. Shifts in the relative share of the various sectors since 1941 would not significantly alter the indicated proportions.

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TABLE A

Comparison of the Rate of Growth of Selected  
Economic Aggregates in the Fifth Five-Year Plan

Aggregates	1940	1950	1950 as % of 1940	1955	Fifth Plan: 1955 as % of 1950
Gross National Income (billions of 1926-7 rubles)	128.3	211	164	337.6	160
Gross Industrial Output (billions of 1926-7 rubles)	138.5	239.6	173	407.3	170
Producers' goods (billions of 1926-7 rubles)	86.1	158.6	184	275.8	174
Consumers' goods (billions of 1926-7 rubles)	52.4	80.0	153	131.5	164
Retail Trade (billions of current rubles)	175.1	275	128	467.5	170
Productivity of Labor (percent)			136		150
Money Wages (billions of current rubles)	162	294.8	182	339.8	115
Industrial Workers (percent)					115

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Table B  
USSR Production and Plan Objectives

Item	USSR 1950	USSR 1950 Index	USSR 1951	US 1951	USSR 1955	USSR 1955 Index	% Annual Increa
Grain (000,000 mt)	124.5	100	133	126.3	174.3	140-150	9.0
Wheat (000,000 mt)	30.2	100	36.7	26.9	47.6	155-160	12.0
Sugar Beets (000 mt)	27.3	100	29.7	9,510.0	45.7	165-170	13.5
Cotton (000 mt)	718.4	100	827.3	3,294.0	1,131.5	155-165	12.0
Flax (000 mt)	540.0	100	540.0	-	783.0	140-150	9.0
Potatoes (000,000 mt)	78.9	100	70.8	-	114.1	140-150	9.0
Cattle (000,000 units)	56.0	100	57.2	84.2	66.1	118-120	3.8
Hogs (000,000 units)	19.0	100	24.1	65.0	28.0	145-150	9.5
Sheep and Goats (000 animals)	89.7	100	99.0	28.1	144.4	160-162	12.2
Fish (000,000 mt)	1.8	100	-	2.2	2.8	158	11.6
Coal (000,000 mt)	262.0	100	282.0	532.0	375.0	143	8.6
Peat (000,000 mt)	35.7	100	42.6	-	45.3	127	5.4
Petroleum (000,000 mt)	37.5	100	41.0	307.5	69.4	185	17.0
Mineral fertilizers (000,000 mt)	3.56	100	-	-	6.69	188	17.6
Meat (000 mt)	2,857.0	100	3,157.0	9,977.0	5,485.0	192	18.4
Butter (000 mt)	325.0	100	344.0	664.0	559.0	172	14.4
Sugar (000,000,000 mt)	2.18	100	2.09	-	3.88	178	15.6
Cotton fabrics (000,000,000 m)	3.6	100	-	9.2	5.8	161	12.2
Woolen fabrics (000,000 m)	145.0	100	-	382.3	223.0	154	10.8
Leather footwear (000,000 pr)	192.0	100	-	471.1	298.0	155	11.0
Paper (000 mt)	1,760.0	100	1,950.0	23,660.0	2,570.0	146	9.2
Caustic soda (000 mt)	277.0	100	300.0	-	496.0	179	15.8
Soda Ash (calcined soda) (000 mt)	-	100	-	-	-	184	16.8
Vegetable oil (000 mt)	993.5	100	1,091.1	-	1,758.5	177	15.4
Synthetic Rubber (000 mt)	143.0	100	172.0	423.0	260.0	182	16.4
Metallurgical Coke (000 mt)	25.4	100	29.0	-	38.1	150	10.0
Bricks (000,000,000 units)	9,600.0	100	12,300.0	6,625.0	31,680.0	330	47.0
Cement (000 mt)	10.5	100	12.4	42.0	23.1	220	24.0
Pig Iron (000,000 mt)	19.5	100	22.2	64.6	34.3	176	15.2
Steel (000,000 mt)	26.3	100	30.3	95.4	42.6	162	12.4
Rolled Steel (000,000 mt)	19.5	100	22.5	74.2	32.0	164	14.1
Nickel (000 mt)	27.5	100	29.0	0.0	42.1	153	10.6
Copper (000 mt)	275.0	100	285.0	1,088.0	523.0	190	18.0
Aluminum (000 mt)	221.6	100	260.0	759.0	576.0	260	35.2
Lead (000 mt)	100.0	100	100.0	221.2	270.0	270	34.0

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Table B  
(cont'd)  
USSR Production and Plan Objectives

Item	USSR 1950	USSR 1950 Index	USSR 1951	US 1951	USSR 1955	USSR 1955 Index	% Annual Increa
Zinc (000 mt)	100.0	100	105.0	845.6	250.0	250	30.0
Tin (000 mt)	8.3	100	9.0	37.9	14.9	180	16.0
Steam and Hydro Turbines )	1,176.0	100	1,402.0	-	-	238	27.6
Tractors (000 units)	106.0	100	120.0	-	126.0	119	131.0
Machine Tools (000 units)	74.0	100	85.0	-	222.0	300	3.8
Automobiles (units)	29,000.0	100	-	6,768,000.0	34,800.0	120	40.0
Electric Power (000,000,000 kwh)	90.2	100	104.0	432.3	163.0	180	4.0
Railroad Freight (000,000,000 T/km)	601.1	100	672.0	944.0	826.5	135-140	17.0
Truck Transport (000,000,000 T/km)	25.4	100	-	-	46.4	180-185	7.5
Ocean Transport (000,000,000 T/km)	38.0	100	41.0	-	59.9	155-160	16.5
River Transport (000,000,000 T/km)	45.2	100	51.0	-	80.2	175-180	11.5
Merchant Ships (000 GRT)	34.0	100	53.0	147.0	133.0	390	15.5
							58.0

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Table C

Percentage Increases in USSR Fifth Five Year Plan  
(Arranged by order of magnitude)

<u>Item</u>	<u>Percentage Increase over 1950</u>
Tractors	19
Automobiles	20
Movie screens	23
Peat	27
Railway transport	35-40
Coal	43
Potatoes	40-45
Flax	40-50
Grain	45
Paper	46
Coking coal	50
Nickel	53
Woolen fabrics	54
Leather footwear	55
Ocean transport	55-60
Wheat	55-65
Cotton	55-65
Timber haulage	56
Fish	58
Cotton goods	61
Steel	62
Rolled steel	64
Sugar beet roots	65-70
Butter	72
River transport	75-80
Pig iron	76
Vegetable oil	77
Sugar	78
Caustic soda	79
Electric power	80
Heavy sheet steel	80
Tin	80
Motor transport	80-85
Synthetic rubber	82
Calcined soda	84
Petroleum	85
Metallurgical equipment	85
Mineral fertilizers	88
Copper	90
Meat	92

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Table C  
(cont'd)

Percentage Increases in USSR Fifth Five Year Plan  
(Arranged by order of magnitude)

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<u>Item</u>	<u>Percentage Increase over 1950</u>
Air transport	100
Machine building	100
Rolling equipment	100
Precision machine tools	100
Building materials	100
Canned goods	110
Light section steel and wire	110
Cement	120
Steam turbines	130
Shale	130
Chemical equipment	130
Bricks	130
Zinc	150
Drugs and medicines	150
Aluminum	160
Large machine tools	160
River passenger boats	160
Slate	160
Steam boilers	170
Lead	170
Operation and control instruments	170
Freighters and tankers	190
Furniture	200
Rustless sheet steel	210
Oil equipment	250
Fishing vessels	280
Polished glass	300
Pipelines	400
Hydro turbines	680
Heavy forgings and presses	700

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IV. Economic Aggregates in the Five Year Plan

The Plan text contains selected data on economic aggregates. The information is not complete enough to permit a systematic analysis of consistency but does provide enough to make some preliminary observations. Appropriate statistics are found in Table A.

It is estimated that in 1951 USSR gross national product was distributed as follows: investment--25 percent; military expenditures--17 percent; consumption--54 percent; and government administration--4 percent. Although the Plan text does not present aggregates in those terms, it can be deduced from statistics on planned increases in the output of consumers' and producers' goods that the relative weights of those two magnitudes will differ little from the 1950 level, as seen in the following tabulation.

	1950 (billions of 1926/27 rubles)	1955	1950 %	1955 %
Producers' goods	158.6	275.8	66.6	67.7
Consumers' goods	80.0	131.5	33.4	32.3

Gross national income is to rise by 60 percent, while gross industrial output (consumption plus investment) is to rise by 70 percent. If problems of definition and measurement are ignored, it will mean that the other components of gross national product will rise by less than 60 percent. Therefore, it may be concluded that the proportion of resources devoted to military and administrative purposes may fall and most certainly will not increase. This conclusion is consistent with the general proposition that the aim of the Plan is long-term expansion of economic power rather than immediate expansion of military operational facilities.

Other official figures lend further support to the conclusion that no increased emphasis will be devoted to the consumption sector. The 15 percent addition to the money wage bill will be exactly offset by a 15 percent rise in the nonagricultural labor force. Any increase in the real income of labor will therefore have to come in the form of reduced retail prices made possible by increased labor productivity. The Plan proposes an increase of 35 percent in real wages through the price reduction technique, to be made possible by an increase of 50 percent in labor productivity. A failure to achieve this high productivity goal would severely limit the chances of a significant increase in consumer real income.

It will be observed in Table B that percentage increases in production of many consumer goods items are less than the over-all 64 percent for the group as a whole. This inconsistency can be explained by the weighting system the Russians probably employ in constructing their consumer goods production index. The items which bulk largest in the consumers' budget should be weighted most

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heavily in the index. In Table B the percentage increase for wheat is 60, meat 92, sugar 72, and cotton fabrics 61. These four items constitute a large share of consumer goods production. It is the large increases in these four items that account for the seemingly high rise in the aggregate percentage.

It is interesting to note that the relative accretion to the labor force is less than in former plan periods. The 15 percent rise in the labor force is not much greater than the general population increase. Evidently it is no longer possible to add to the industrial labor force by drawing upon the agricultural population. The high goals set for farm products rule against further reduction in the rural working population.

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## V. Growth Potential of the USSR Economy

This Plan calls for a tremendous upsurge in natural resource development, in the processing of basic materials, and in machinery output. Properly interpreted, the USSR contemplates that in 1955 it will have an economy half again the size of the 1950 economy. In general, the economic system of the USSR is capable of this sort of growth. To do so requires that consumption levels be held low; expansion in the consumers' goods sector can proceed at no greater pace than general expansion. In addition, the building of military end items cannot be allowed to encroach on expansion in other areas; the relative share of the military sector must remain about the same. A large effort must continue to go into investment, a ploughing back into the economy of a substantial portion of their resources. Under these conditions the USSR can in general attain the 1955 goals they have set for themselves.

While in the aggregate the Plan seems capable of achievement, the details present a less optimistic picture for the USSR. In some particular items it is dubious in the extreme that the specified goals can be met. In other sectors, while the Plan is achievable, it would be straining the economic and technological system to the fullest and it is doubtful that the USSR is prepared to commit the resources necessary to attain the particular aim.

Agriculture has long been lagging in the Soviet economy. In keeping with the balanced progress which is the theme of this Plan, planned increases for many agricultural products are beyond the capabilities of the USSR. This is especially true of grains, meat, and potatoes. Other items, such as hogs, cattle, sheep and goats, fish catch, and cotton, are possible of achievement, but for some the Plan represents the outside limits.

In the energy sectors of the economy--coal, petroleum, and electric power--there is wide divergence in their ability of meeting the Plan. The coal goal seems quite modest and the USSR is fully capable of meeting and exceeding it. The goal for electric power is also easily achievable and will probably be overfulfilled. The situation in petroleum is far different.. It calls for 69.4 million metric tons in 1955, whereas Stalin previously claimed that there would be 60 million metric tons by 1960. This indicates a substantial oil boom. The general concensus is that, while it is technologically possible, the USSR cannot in fact achieve the Plan in this respect. Questionable statistical practices, such as including natural gas with their petroleum for 1955 but not for 1950, may account for some or all of the discrepancy in statements. In any case, the Plan for petroleum is much too high.

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The Plan for the iron and steel industry seems realistic and within the capability of the USSR. Pig iron, raw steel, and rolled steel plans are in the proper balance. The high goal for nickel, in which full achievement is doubtful, indicates that there will be an emphasis on structural steel.

Construction materials, such as brick, cement, and lumber all have very high goals. They are capable of being achieved, but only by using plant facilities to the fullest extent and building new ones. The goal of almost 32 trillion bricks may indicate a substitution of brick for structural steel and lumber in construction. The planned increases for nickel, used in structural steel, in bricks, and in lumber lends credence to the belief that the emphasis of this Plan is on plant and plant facilities.

On the basis of ORR estimates covering the last few years, the planned expansion in nonferrous metals may be overambitious. The planned increases in lead and zinc production, for instance, are considerably out of line with trends from 1949 through 1951 as estimated by ORR. They do not appear so unrealistic, however, if compared with estimated trends from 1945 through 1948. It is not possible, therefore, to render a firm judgment on the feasibility of plan fulfillment without a thorough re-examination of the soundness of estimates for the last few years.

Only a small part of the chemical industry is covered in terms of specific items. But from what is given in the Plan as a whole a general picture of rapid building is in prospect in the industry. The mineral fertilizer industry, to which sulphuric acid, ammonia, and nitric acid are closely associated, has a high planned goal. It seems only barely possible that the goals can be reached in view of the difficulties the USSR has had in recent years in building chemical plants. Caustic soda and chlorine seem possible, as does coke-chemicals.

The transportation sector as a whole can be attained. In rail transport, where the USSR concentrates its transportation effort, the goal can be realized. Truck transportation is also possible of achievement. Water transportation, both river and oceanic, are somewhat doubtful, and the planned increases are the outside limits.

For the large category of industrial products the Plan itself is noticeably vague and spotty. A doubling of machine building is planned and a few specific items are mentioned. Without knowing more about the composition of these categories it is not possible to judge the capability of the USSR to meet the stated goals. The 130 percent increase in chemical equipment seems doubtful, as do the high goals for steam and hydro turbines. The machine tool and metal cutting machinery categories are so fuzzy that all that can be said is that substantial increases are possible in the rather broad category of machine tools, but whether the goals can be reached cannot be determined.

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Considering the emphasis on basic materials, such as metals, construction materials, petroleum, and electric power, it seems reasonable to expect substantial expansion in machinery and other industrial products. But whether specific Plan goals can be met cannot be assessed.

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## VI. Implications for Soviet Economic Capabilities for War

The Plan is an obvious indication that the military power in being of the USSR will increase by 1955 and that its economic capacity for waging a war will be larger. These accretions do not necessarily mean, however, that Soviet power will improve relative to that of the West. Interpretations of Soviet economic potential for war cannot be made without determining in detail military production in the entire Bloc, and then relating this to the Bloc's military ability to conduct global warfare. In order to make an estimate of this kind a complete war game study is mandatory.

Lacking such a study, comparison of economic activity between the USSR and the U.S., or between the Bloc and the NATO states can be dangerously misleading. In the first place there is the obvious consideration that the Bloc utilizes a much greater portion of its total production for military purposes. But even taking this difference into account, levels of production are only one indicator in assessing relative power potentials. A myriad of non-economic factors—social, psychological, geographic and military, among others—enter into power assessments.

Yet it is equally misleading to ignore economic activity as a factor in the assessment. In economic activity is found one of the greatest disparities between the Bloc and the NATO states. This disparity is certainly a major, if not the primary, element in the West's superior power potential.

Moreover, a comparison of the USSR with the U.S., even though it ignores the satellite states and the states allied and associated with the U.S., is not completely out of order. This is because the vast majority of Bloc production comes from the USSR, and because the majority of Western production comes from the U.S.

In comparing the rates of growth in selected segments of the U.S. and Soviet economies there is thus a limited validity in assuming that these comparisons point up a change in the power potential of the Bloc relative to the U.S. with its allied and associated states.

If the Plan is substantially achieved, and there is every reason to believe that it will be, the economic capabilities of the USSR in 1955 will be much greater than they are today. Leaving aside the problems of inventories of military hardware and production of military end items, both of which are most important in the short run, it is the opinion of this office that the preponderant economic superiority of the U.S. over the USSR will probably be reduced, perhaps to a significant extent. Whereas at the beginning of the Plan the economy of the USSR was not sufficiently developed to withstand the destruction of a protracted general war, it will be in a much better position to do so in 1955. Production in the USSR will remain substantially below that of the U.S., but the ability of the USSR to divert proportionately more to the military sector mitigates this disability.

From an economic viewpoint, the USSR must be regarded as an increasingly formidable foe with an increasing potential for massive war production as a prelude to large scale modern war on many fronts over a long period of time.

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