

~~SECRET~~

Chief, D/A

5 May 1955

Chief, D/S

Coordination of CSM on Hungarian Attempt to Conceal Military Buildup

REFERENCE: Your memo, 2 May 1955

1. While the wide variances between ORR estimates and recent Hungarian official announcements raise the possibility that the latter are falsified, the two suggested explanations appear rather questionable. In particular, the second explanation seems completely out of line with what we know about the relationship between the USSR and its various European Satellites. As for the first explanation, it is noted that ORR estimated a 10% decline in production by defense industry. This is consistent with a decline in USSR military expenditures as a part of the New Course.

2. The two ORR estimates for which this division is responsible, cement and bricks, are based primarily up on 1954 plans and trend projections from announced actual production for prior years. The responsible branch knows no reason why 1954 actual production should have been so far beneath both 1954 plans and 1953 actual production. In fact, a large new cement plant was scheduled to start production in 1954. On the other hand, it is possible that labor unrest or difficulties arising out of the New Course might have had this result.

3. It is noted that the official announcement also spoke of an originally scheduled 4.5% increase in industrial output. If it were possible to confirm that this was the plan, it would support the announced actual increase.

4. If the announced figures were false, the question would arise of whom the Hungarian Government was trying to deceive. It is at least conceivable that an announcement that heavy industry production had declined might represent an attempt to discredit the "New Course" within Hungary.

25X1A9a



SFC:ds

~~SECRET~~