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Chief, Economic Research Area, ORR

6 January 1960

Chief, Industrial Division, ORR

Monthly Report, December 1959

### I. Relations with and Support to Other Components:

#### A. CIA:

- 1. Chief, D/I briefed the DCI on NIE 11-8-59, "Soviet Capabilities for Strategic Attack through Mid-1964," which by the end of December was successfully completed. Also, Chief, D/I together with Chief, ERA and Chief, D/A on several occasions briefed members of USIB on general economic developments in the USSR, particularly with respect to the military expenditures implication of NIE 11-4-59, "Main Trends in Soviet Capabilities and Policies, 1959-64."
- 2. Premier Khrushchev's Budapest statement on missiles of 1 December led to a request for I/GM comment and support for an OCI publication. I/GM also assisted Chief, D/I in preparing a brief comment for the DCI on an earlier Khrushchev statement on missile expenditures.
- 3. In connection with a visit with analysts at headquarters ACSI, US Army, was apprized that a substantial 25X1A9a number of Soviet citizens of German origin have recently reached Western Germany. St/I/R was alerted immediately with a view to ascertaining the availability of these sources for interrogation.
- 4. The Deployment Section of I/CM provided extensive support, including the loan of branch graphics, to OSI in the preparation of a forthcoming briefing for the DCI on new developments in the surface-to-air missile field. The briefing will be presented to the DCI in early January and is the first of a series of OSI briefings intended to apprise the Director of new developments in technical fields. Chief, I/CM has been invited to attend the briefing and answer questions on the economic, production, and deployment aspects should any arise.

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- 5. I/GM prepared initial drafts of the production and deployment sections of a paper, dealing with the history of Soviet development of long-range ballistic missiles, to be submitted by the DCI to the President in mid-January. GMD/OSI is the action unit in the Agency for this paper, and close coordination is being maintained with QSI on the subsequent drafts.
- the Chief of a Western intelligence service on current problems of collecting information on the Soviet guided missile program. Also, the Deployment Section, I/CM, briefed 8 members of the Reports Branch of DD/P/EE on the role, within CIA, of ORR in the field of guided missile deployment. The meeting was arranged after learning that this group was unaware of OER's interest in and responsibility for this type of information.

#### B. USIB:

### Exchange Committee:

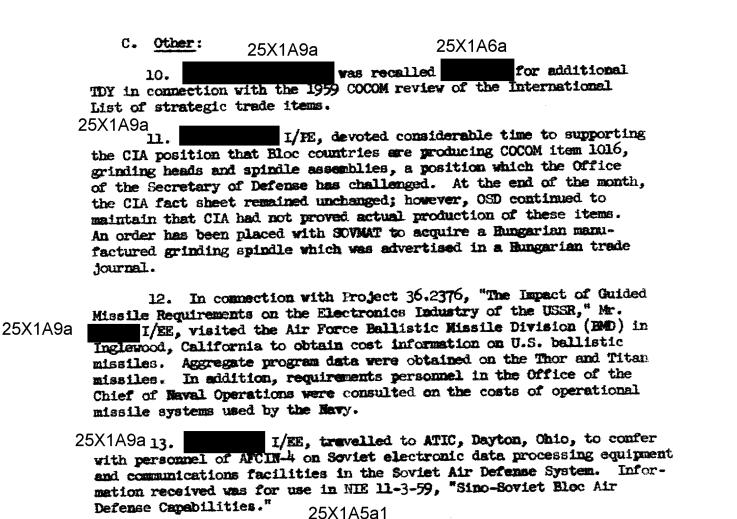
- 7. I/PE and I/GM jointly recommended an exchange with the USSR on the manufacture of tractor drills and tractor cultivators and recommended again (as was done in May 1959) an exchange in the field of railroad car manufacture.
- 8. I/PE continued to provide guidance for the proposed trip of Mr. Turner G. Timberlake, U.S. Army Research and Development Laboratories, to the USSR to visit construction machinery plants.

#### **GMAIC**

9. I/CM, at the request of the Chairman, CMAIC, prepared draft terms of reference for a proposed CMAIC Subcommittee on Guided Missile Production. The CMAIC is considering recommending to USIB the establishment of several formal subcommittees, one of which would deal with production. As of mid-December, the CIA and MSA members and the Chairman, CMAIC, favored the formation of subcommittees on Technical, Collection, Production and Astronautics intelligence; the other members either objected (Navy, Joint Staff and State), or reserved judgment (USAF, Army) pending examination of draft terms of reference for the proposed subcommittees. Despite the varied positions, all CMAIC members agree that it has become virtually impossible for them to keep informed on the wide range of topics now regularly considered at CMAIC meetings, and reported on to the USIB.

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- 14. To support the in connection with its work for the Joint Disarmament Study Group, as well as for other projects, I/ME prepared and transmitted to extensive material 25X1A5a1 on ruble ratios, military expanditures, Soviet Air Force personnel pay, and the formulation and execution of policy for Soviet weapons.
- 25X1A5a1 Section of I/GM consulted with current research efforts on the analysis of certain special materials related to guided missile deployment.

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## II. Changes in Estimates:

and mix of Soviet military procurement have been incorporated in I/ME's recent contribution to NIE 11-4-59 vis-a-vis 11-4-58. In the aggregate, the value of Soviet procurement is now estimated to have been lower in the recent past and is projected at appreciably smaller rates of growth. Thus, instead of doubling over the period 1958-63, it is estimated that the increase will be on the order of 55-60 percent. The most striking change in the mix is the drastic downward revision with regard to aircraft throughout the period. From being the dominant element of procurement for most of the period, it is now but a relatively small part. Expenditures for guided missiles have become the dominant element (although at lower levels than in last year's estimate) and are responsible for most of the growth projected for the period.

### III. Future Plans:

- 25X1X7 for the May 1960. I/EE is presently scheduled to prepare two papers for this Conference.

## IV. Problems:

19. We significant problems were encountered during December.

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