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CONFIDENTIAL INFORMATION

CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

28

16 October 1953

MEMORANDUM FOR THE INTELLIGENCE ADVISORY COMMITTEE

SUBJECT: NIE-99: Estimate of the World Situation through 1955

1. On 14 October we circulated to you a text of NIE-99. At the request of the JIG representative, the IAC representatives were reconvened to reconsider certain parts of that text, principally paragraph 18.
2. Attached is a revised text which incorporates the changes agreed to on 16 October.*
3. This text supersedes the 14 October text and will be considered by the IAC at 10:45, Tuesday, 20 October.
4. Because of the necessity for holding a clean-up session on this estimate on 16 October, the Board has not completed its discussion on the advisability of [REDACTED]. The Board recommendation will be sent to you on 19 October, for action on the 27th.

Paul A. Borel
PAUL A. BOREL
Deputy Assistant Director

Distribution "A"

* Areas of change indicated by marginal crayon markings.
Para 4 (formerly para 18) is only change of magnitude.

Approved for Release
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CENTRAL INTELLIGENCE AGENCY

16 October 1953

SUBJECT: NIE-99: THE WORLD SITUATION THROUGH 1955

SCOPE

This estimate is concerned with the major international trends which will affect the world situation through 1955 rather than with the specific events and conditions which will characterize that situation. The estimate must assume a continuation of present US policies and thus cannot consider the effects which a change in these policies would have on the world situation. ~~While we feel that an attempt must be made to estimate the effects of the growth of Soviet capabilities for nuclear warfare on the world situation, there is at present little evidence for making such an estimate.~~

I. THE OVER-ALL SITUATION THROUGH 1955

1. Despite the change in regime in the USSR and the shifts in Soviet foreign and domestic tactics, there has been no change in the USSR's basic hostility to all non-Soviet power. The USSR

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will continue its cold war against the Free World, largely through a vigorous political warfare campaign. While East-West negotiations are possible, there is little likelihood of any major Soviet concessions

~~on either side.~~

2. On the other hand, we believe that deliberate initiation of general war ^{by the USSR} is unlikely during this period, and, to the extent that the USSR pursues a more cautious policy, the chance of war by miscalculation will also probably be less. However, there will be continuing danger that it may occur from a series of actions and counteractions initiated by either side, but not intended by either side to have that result. In particular it might arise from actions by one side that were regarded by the other as an imminent threat to its security. ~~We believe that the Communists are unlikely to resort to~~ ^{also} ~~new local military aggression.~~ However, there will be a continued danger of ^{intermittent} ~~new or renewed~~ East-West clashes, particularly in Indochina, Korea, and Germany.

3. In the absence of such new East-West clashes, and unless the USSR abandons its ostensibly conciliatory tactics, the next two years will probably be a period of reduced Free World apprehensions of general war. So long as this period lasts it will present a new challenge to the Free World. While over the longer run the very diversity of the

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Free World may lend it a flexibility and potential for growth which will constitute a source of strength, over the next two years this diversity may prove a source of weakness. The totalitarian nature and centralized controls of the Soviet Bloc might give it advantages in this phase of the cold war, even though the totalitarian rigidities of the Bloc system might over the longer run impair its stability and cohesion. Continued stresses and strains within the Soviet Bloc are likely, but the monolithic unity and forced cohesion of the Bloc will probably be much less affected by a situation of reduced apprehensions than the more divided Free World. Moreover, the build-up of Bloc strength will almost certainly continue, even if at a somewhat reduced rate, while the Free World may be inclined to relax its guard. We believe that in a situation of reduced international apprehensions and Bloc emphasis on divisive tactics, there is danger of a weakening in the unity of the Free World.

(Formerly para. 18) 4. The progress being made by the USSR in the development of nuclear weapons is also a factor of prime military and psychological importance in the world situation. ~~Soviet development of nuclear weapons and means of delivery is approaching a stage in which the USSR will have the capability to launch attacks which, if delivered~~

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on target, would destroy a large proportion of the US war potential, although at the cost of receiving attacks of similar or greater magnitude. As this Soviet capability increases, Western superiority in numbers of nuclear weapons will be of relatively less significance insofar as their use for strategic purposes is concerned. On the other hand, increasing US tactical applications of nuclear weapons may reduce the military and psychological significance of the USSR's present preeminence in ground forces. Nevertheless, as the USSR increases its capabilities for delivering a seriously damaging attack on the US, the US is losing a unique advantage it has held in the East-West struggle. The full impact of this development is not yet clear, but even now we perceive two new elements:

- a. One is the danger that the USSR may use threats of atomic bombardment against certain Free World countries in an attempt to force their compliance with its demands. There is a chance that some US allies, if they feared that the threat of US retaliation would not deter Soviet action, would be forced by the prospect of atomic devastation to adopt more neutral positions in a cold, or especially in a hot, war.

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- b. In an age where initial air assault can be so destructive, the US is losing, if it has not already lost, the immense strategic advantages of being able to conduct a deliberate and extensive post D-day mobilization with relative freedom from enemy attack.

Thus the loss of unquestioned US superiority in capabilities for strategic uses of nuclear weapons may weaken the Western Alliance.*

II. PROBABLE TRENDS IN SOVIET BLOC COHESION, STRATEGY, AND POLICIES

5. Cohesion of the Bloc. Despite the evidence of popular disaffection within the Satellites and the possibility of a disruptive struggle for power within the new Kremlin leadership, we believe the Bloc will preserve its cohesion through the period of this estimate, and that the Kremlin will continue to play the dominant role in the formulation of Bloc policies. We believe that common material interests

~~ideology and hostility to the West will keep the USSR and Communist~~
will remain
China closely allied, during the period of this estimate

~~The effect on the Free World of increasing Soviet nuclear capabilities will be dealt with in more detail in an estimate now under consideration.~~

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6. Bloc Capabilities. The build-up of Bloc basic industry and military capabilities will continue even though increased attention will be devoted to the correction of certain economic deficiencies in agriculture and consumer industries which recently have been specially emphasized. There are indications that the Soviet authorities intend to proceed along the lines laid out in the announced plans for these sectors of the economy. This would require an allocation of greater resources to agricultural and consumer goods production and, at least for the short run, would lead to a reduction in the rate of expansion of other sectors of the economy.

7. The most significant increase in Bloc military capabilities during the period of this estimate will arise from enlargement of the Bloc stockpile of nuclear weapons, and from an increase in the number of its jet aircraft and its submarines. The Bloc may, by mid-1955 have available a sufficient number of heavy bombers to increase greatly its long-range air offensive capabilities. The Bloc will probably increase its air defense capabilities, and may have a limited number of all-weather jet interceptors in operational units. We do not believe that marked changes in Bloc military strength and capabilities are likely to occur in other respects; however, there will be a general improvement in training and equipment of Bloc armed forces.

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8. Bloc political warfare capabilities, through exploitation of Western political and economic vulnerabilities, encouragement of anti-Westernism and nationalism in underdeveloped countries, and utilization of the world-wide network of Communist parties, will remain great.

9. Probable Bloc Policies.* We believe that the Communist rulers remain profoundly convinced that permanent hostility exists between the Communist and the free worlds. Their basic objectives, therefore, continue to be an expansion of their own sphere of power and the eventual domination of the non-Communist world.

10. We believe that during the period of this estimate Bloc leaders will try to avoid courses of action which in their judgment might involve substantial risk of general war. We also believe it unlikely that the Bloc will initiate new local aggressions with identifiable Bloc forces during the period of this estimate, since the Communist leaders probably estimate that virtually any new local military aggression would now entail substantial risk of general war or political consequences adverse to Bloc interests.

11. It is always possible, of course, that the Kremlin will deem some act of local armed aggression sufficiently advantageous to make

* The material in paragraphs 9 - 14 is taken from NIE-95, "Probable Soviet Bloc Courses of Action Through Mid-1955," 25 September 1953.

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the risk worth while. Moreover, despite its reluctance to run substantial risks of general war, the Kremlin might through miscalculation adopt some course of action involving such a risk. We also believe that the Kremlin would not be deterred by the risk of general war from taking counteraction against a Western action which it considered to present an imminent threat to Bloc security.

12. During the period of this estimate the Communist leaders will conduct a vigorous political warfare campaign to undermine the Western power position. At present the Kremlin seems to be trying to give the impression that it has adopted a more conciliatory policy than that followed in Stalin's later years. The Kremlin may hope by such tactics to relax the vigilance of some Western states, to encourage dissension between the US and its allies, and to delay the progress of Western rearmament. We cannot predict how long such comparatively conciliatory tactics will continue; we believe that harsh courses of action similar to those pursued by the Kremlin in the past will reappear whenever the Kremlin deems them advantageous.

13. We believe that Bloc leaders during the period of this estimate will probably be prepared to reach an accommodation on some minor questions, and may make plausible but unacceptable proposals on

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major matters. However, they will almost certainly be unwilling to settle any East-West differences at the cost of major concessions. We believe, moreover, that the Bloc leaders will be extremely cautious in pursuing conciliatory tactics, and may revert from time to time to demonstrations of toughness, especially when they consider that their vital interests are involved, or that their tactics are being construed abroad as a sign of weakness. Offers to negotiate may be accompanied by reminders that the USSR now has improved capabilities in the nuclear weapons field, and as these capabilities further increase, the Kremlin may become bolder in its dealings with the West.

14. There are recent indications that the Bloc intends to increase its trade with non-Communist states. The Bloc's volume of trade with the Free World will probably increase somewhat during the period of this estimate, but this trade will continue to be very small in proportion to intra-Bloc trade. New trade agreements will probably be intended not only to obtain desired imports but also to weaken the economic ties of non-Communist states with the US, and to make strategic trade controls a bone of contention between these states and the US. While the Bloc will not be able to bring about a major shift in present trade patterns, the Communists probably estimate that political dividends can be earned from even small increases in their current volumes of trade with individual non-Communist states.

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III. PROBABLE DEVELOPMENTS IN THE FREE WORLD

15. During the next two years the Free World will have difficulty in maintaining its strength in the face of Soviet divisive tactics and probable reduced apprehensions of East-West conflict. In contrast to the Kremlin's ability to control or influence the close-knit Soviet Bloc, the US, as leader of the anti-Soviet powers, faces the complex problems of dealing with the loose anti-Soviet coalition and the agglomeration of other nations of varying neutral tendencies which together make up the Free World. To many of this latter group, particularly the Middle and Far Eastern countries, the East-West struggle seems less important than the solution of their internal problems and the assertion of their independence of the chief Western Powers.

16. Differing views also exist between the US and its allies over the imminence of the Communist threat. The very fact of Communist aggression in Korea increased fears of general war and was a prime factor in stimulating Western rearmament. Now that many Free World countries believe that the threat of war has been reduced by a Korean armistice and by an ostensibly more conciliatory Soviet policy, the US will have greater difficulty holding together an anti-Soviet coalition and in securing increased Free World armed strength. The levelling off of the US's own rearmament effort and the decline in many of its foreign aid programs also lessens the sense of urgency abroad.

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17. The apparent decline of Free World confidence in US leadership is another problem facing the US. Influential groups in many Free World countries, including several US allies, doubt the stability, moderation, and maturity of US policy. On the one hand, there is fear the US will shift to a "go-it-alone" policy or even retreat to isolationism, on the other that the US will involve the Free World in war. These doubts and fears offer a fertile field for Soviet divisive tactics, and the new Soviet regime may be more successful than Stalin in exploiting them.

18. In a situation in which many Free World countries believe that the threat of war has been reduced, economic problems will also assume greater prominence and will test the strength and cohesion of the Free World. This reduced apprehension will weaken what has been a powerful incentive to cooperation and sacrifice. Moreover, some readjustment to a reduced rate of rearmament and declining US aid will be necessary. Much will depend on US economic policies and the US economic situation. Not only would US economic setbacks have a serious impact on the Free World, but US trade policy will directly affect the economic health of Free World countries, and US aid will remain in many cases an important element in their military build-up, economic stability and development, and political orientation. The problem of East-West trade is also likely to become more troublesome.

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19. Therefore, we believe that in the absence of renewed Soviet provocation, there may develop further serious rifts between the Free World nations which will weaken the Western position in the cold war. Such rifts may develop in any case as a result of economic developments or local nationalist pressures but reduced apprehensions of war, combined with skillful Soviet divisive efforts, would make them even more serious. The most troublesome differences may arise over policies to be pursued in the Far East. It is possible, therefore, that the next few years might see an increasing isolation of the US, not by its own desire but because of increasing policy differences between it and other countries of the Free World.

20. Even assuming the continuation of the Soviet courses of action projected in Part II above, there remains a serious danger of new or widening East-West clashes in such critical areas as Indochina, Korea, and Germany, which would again increase Free World apprehensions. Whether, if such clashes took place, the Free World would then rally to the support of the US and of expanded rearmament programs, as after the Korean aggression, would probably depend at least in part on the circumstances under which the clashes developed.

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Probable Developments within the NATO Coalition

21. Although we foresee no developments which will undermine the basic solidarity of the NATO alliance, we believe that, in view of reduced European apprehensions of East-West conflict, rifts may develop between the NATO partners, particularly between the European NATO countries and the US. The USSR will attempt to undermine popular support for the NATO alliance and for rearmament, in particular the program to rearm West Germany. These efforts, together with increased Soviet nuclear capabilities, continued intra-European differences, and European disagreements with the US over cold war policies, may lead to more nationalist and neutralist attitudes in Western Europe.

22. So long as apprehensions remain reduced there also will almost certainly be a further loss of momentum in the NATO build-up. The general feeling that the immediate Soviet threat has receded has already led most NATO countries to reduce their military outlays. While a further slow increase in NATO strength over the next two years is probable, only in event of renewed Soviet aggressiveness will it be as rapid as in 1950-1953. On the other hand this might allow many NATO countries to concentrate on domestic needs and to devote more resources to meeting their own social and economic problems. Such a trend might strengthen countries such as the UK, which remain highly vulnerable to adverse international economic developments.

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23. Significant increases in European NATO military strength over the coming period will probably depend upon the extent to which Spain, Yugoslavia, and above all West Germany can be directly or indirectly associated with NATO. The Trieste issue will remain an irritant in Italo-Yugoslav relations which will render the association of Yugoslavia with NATO difficult. Until a settlement of the Trieste issue is generally accepted, the usefulness to NATO of the Greek-Turkish-Yugoslav entente will be impaired.

24. But above all, the prospects for greater European NATO strength and cohesion will revolve increasingly around the interlocking problems of Germany's future and the attitude of France. As a result of Soviet failure to come forward with any acceptable reunification scheme and of Adenauer's overwhelming victory, the chances for integrating West Germany with the Western Powers and for initiating its rearmament have increased. The Kremlin may seek to avert or postpone these developments by renewed talk of German reunification, but it is unlikely to offer any terms which would jeopardize its control over East Germany. Adenauer's position is so strong and German disillusionment with Soviet unification offers is so great that any Soviet offers not involving abandonment of Soviet control over East Germany would be unlikely to have much impact on German opinion. The importance attached by the Soviet rulers to West German rearmament is such, however, that they might react to it by measures which would enhance the risk of an East-West clash in this area. A likely pressure point would be West Berlin.

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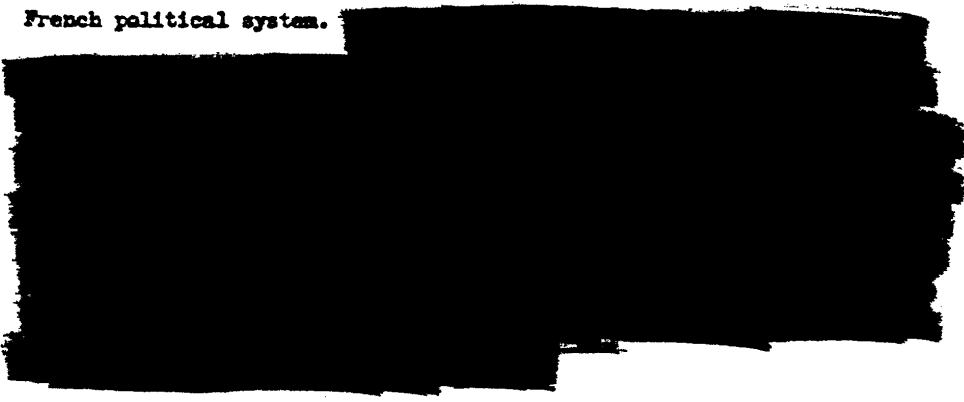
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25.



26. Though many in France are aware of the need for strong government, there is no evidence that this awareness will lead to a stronger French political system.



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Probable Trends in the Far East

27. In the last two years the most active theater in the East-West struggle has been in the Far East. There the Western Powers have kept the Communists from overrunning South Korea and Indochina while attempting to build up anti-Communist strength through US support of the non-Communist countries in this area. We believe it unlikely that the Communists will undertake new local aggression in the Far East with identifiable Bloc forces. The emphasis in Communist China over the next two years will probably be on building up industrial and military strength. However, we believe that the Communists would take counter-action against Western actions which they felt presented an imminent threat to their security, even at the risk of widening hostilities in the Far East.

28. It will be difficult to increase the strength, cohesion, and anti-Communist orientation of the non-Communist states of the Far East. The cessation of hostilities in Korea, together with Communist efforts to promote rifts among the anti-Communist powers, will add to this difficulty. During the next two years there is unlikely to be any significant improvement in the Western position in this area; moreover, there are possibilities of serious deterioration, particularly in Indochina, Indonesia, and Korea.

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29. ~~29. 29. 29.~~ A Korean political conference, if it takes place, is unlikely to result in any agreement which would alter the status quo. The Communists are unlikely to break the armistice by renewing hostilities, but they almost certainly will not agree to Korean reunification on terms which would endanger their control of North Korea. On the other hand, if President Rhee remains convinced that the US could neither prevent an ROK armed attack against the Communist nor disassociate itself from military support of such action, once undertaken, we believe that he will, ^{probably} at some time seek to disrupt the armistice by such an attack. If hostilities are renewed, the Communists will probably take, at a minimum, the military measures they consider necessary to maintain their position in Korea. Unless the ROK renews hostilities, we believe that there will be a continued armed truce in this area, with both the US and USSR engaged in reconstruction and in strengthening their respective Korean partners.

30. ~~30. 30. 30.~~ Any major change in the status of Taiwan is unlikely. The Communists probably will not attempt invasion so long as the US defends Taiwan; and unless the US decides to support Chiang's forces directly he in turn will be unable to undertake more than minor harassment of the mainland.

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31. Indochina. We believe that there will almost certainly be important developments in the Indochina situation during the period of this estimate. The steady deterioration of France's will to continue the struggle has been at least temporarily checked by French resumption of the initiative under the Laniel-Mavarre plan. We do not believe, however, that the French will achieve a complete military victory. The French objective is to reduce the drain of the Indochina war on France, while maintaining a position for France in the Far East. The outcome will depend on whether, by a combination of military victories and political concessions, the French can strengthen the Associated States to the point where these states will be able to maintain themselves against Communist pressures with greatly reduced French support. The French would hope in this way to create a situation which could serve as a basis for successful negotiations with the Communists. The Laniel-Mavarre plan may be the last French effort in Indochina. Should it fail to achieve its objectives we believe that, unless the US proves willing to contribute forces, the French will in time seek to negotiate directly with the Communists for the best possible terms.

32. For their part, the Chinese Communists will almost certainly continue their present type of support for Viet Minh. They are unlikely to intervene with organized units, at least in the absence of

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Western moves which in their opinion threatened the security of Communist China. At the same time, the Communists will probably talk of peace negotiations as part of their propaganda campaign and might raise the Indochina issue in high level political conferences. They are unlikely, however, to agree to any political settlement which they believe would lessen their chances of eventually gaining control of Indochina.

33. Other Countries of Southeast Asia. Problems facing the other Southeast Asian countries are those of attaining political stability, coping with local insurrections, and meeting their own serious economic problems. The outlook in the Philippines, and in the absence of serious deterioration in the Indochina situation, in Burma, Thailand, and Malaya, is for some improvement in stability, though these countries will by no means resolve their numerous internal problems. In Indonesia, however, the leftist character of the present government offers increased opportunities for Communist penetration.

34. Japan. Accumulating economic difficulties and the reluctance or inability of the Japanese Government to adopt energetic economic and rearmament policies are prolonging Japanese dependence on the US and delaying Japan's development as a counterweight to Communist power in the Far East. At the same time there is growing anti-American

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sentiment in Japan. Unless Japan can find the necessary foreign markets and take the necessary internal economic measures, the development of a sound defense structure as well as a sound economy will be endangered, the present dominance of the moderate conservatives will be weakened, and the whole pattern of US-Japanese cooperation will be threatened. We foresee no basic change in Japan's pro-Western orientation, but economic difficulties and growing nationalism will create increased US-Japanese frictions and postpone the development of a strong anti-Communist Japan.

Prospective Trends in the Middle East, Africa, and South Asia

35. In the underdeveloped areas of Asia and Africa the Western position has deteriorated since World War II. Local nationalism has proved a force against the West and the deep-seated revolutionary forces at work in these areas have created political instability. It is difficult to overcome the anti-Western sentiments of the newly independent Asian and African countries and convince them that Communist policies threaten their independence. Except in Iran, however, the internal Communist threat is small and is unlikely to grow greatly in the next two years.

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36. The Middle East and North Africa. Conflicts between native nationalists and the "colonial" powers will continue, but we believe that in certain areas there are prospects for improvements the West's position. The fall of Mossadegh in Iran has at least temporarily increased the opportunities for strengthening Iran's internal stability and settling the Anglo-Iranian oil dispute. Chances for settlement of the Anglo-Egyptian base controversy have improved, and if a settlement is reached it will probably have a favorable effect on both the stability of the Egyptian regime and on the Western position throughout the Arab World. On the other hand, an Anglo-Egyptian settlement may set the pattern for similar demands from Iraq. The Arab-Israeli dispute will continue, but a renewal of large-scale hostilities remains unlikely. *Occurs* The more favorable policy that the US has adopted toward the Arab States may contribute to better relations with them. However, there remain possibilities of markedly adverse developments in this volatile area. Although the deposition of the Sultan of Morocco has temporarily bolstered French control, it is likely to drive the nationalists to more extreme positions since France seems unlikely to implement very far-reaching reforms.

37. South Asia. India and Pakistan will probably remain pre-occupied with their own serious economic and social problems; they will also remain concerned with their dispute over Kashmir.

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India is unlikely to abandon its neutralist position in the cold war, but Pakistan, motivated largely by its desire to improve its position vis-a-vis India, will continue its efforts to secure some pact with the Western Powers, in return for extensive US aid. Some further improvement in the relations of this area with the West may occur over the next two years, but they will remain acutely sensitive both to anti-colonial disputes in other areas and to any indications that the West is pursuing aggressive cold war policies, particularly against Communist China.

Probable Trends in Latin America

38. There will probably be a continued trend in Latin America toward extremely nationalistic regimes based on demagogic appeals to sectors of new political importance -- organized labor, white-collar workers, and the lower middle class. This trend will be most evident in countries where rapid social and economic change is taking place. This change results from forced industrialization at the expense of agriculture, which is generally accompanied by severe inflation. Right or left extremism which poses potential threats to US security interests will probably be strongest in Argentina, Bolivia, Chile, Guatemala, and possibly Brazil. In these countries there will continue to be substantial Communist and demagogic nationalist influences, which will attempt to channel the resentment of the dislocated groups against

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the US. In Guatemala Communist influence over the government, already strong, may increase. Communist penetration of British Guiana has posed a new problem in the Caribbean area.

39. Most Latin American countries will probably continue to cooperate with the US in the UN on basic East-West issues, although they will tend increasingly to pursue an independent course on issues affecting underdeveloped countries. Latin America will be increasingly concerned about US trade and especially tariff policies. Regardless of the degree of Latin American cooperation with the US, there will probably be an increasing tendency to expand commercial and possibly diplomatic relations with the Soviet Bloc.

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