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The impact of Soviet post-Stalin policies on economic and estimative intelligence.

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It is the object of this paper to examine the impact upon our work in economic intelligence of those changes in the world situation and in Soviet policy which are suggested by the Soviet term "coexistence." There is, of course, room for a good deal of argument as to the nature of these changes and there will accordingly be some temptation to discuss Soviet policy rather than the ways in which it has affected our work. In order to keep our attention focussed as much as possible on the latter I shall ask you to accept as a point of departure a broad and somewhat oversimplified characterisation of the post-Stalin period. For the purposes of this paper we are using the term coexistence to mean the Soviet pursuit of their national interests by means short of nuclear war; and of these means we are concerned here with the study of the external economic activities and relationships of the Communist countries with the West, with the underdeveloped countries, and with one another.

Features of the New Era

The Khrushchovian concept of coexistence was to some extent a reaction to changing world conditions as well as against the bankruptcy of Stalinism. During this period we have witnessed a diffusion of power, and this has perhaps been the most important single development since the death of Stalin. Within the Bloc it has been apparent in the Sino-Soviet dispute, the defection of Albania, and the increasing consideration shown by the Soviet Union to the European Satellites, particularly in economic matters. In the non-Communist world it has been apparent in the rapid economic development of Western Europe and the emergence

¹ Adapted from a paper presented [redacted] in October 1962 in Washington.

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of a group of politically influential states in Africa and Asia. These developments have carried important implications for economic intelligence, but for the moment it is sufficient to note that the general pattern has moved from centers of power in the direction of more complex systems of power.

The second main feature of this period is suggested by the United Nations slogan for the sixties—"decade of development." The idea that the outcome of the struggle between the Communist and the non-Communist worlds is ultimately dependent on comparative rates of economic development, both in the industrial and in the underdeveloped countries, has been widely accepted. The decision of the Soviet Union not only to engage in a development race with the United States and the industrial West but also to seek an important role in the economic development of the ex-colonial world has thus become a major preoccupation of economic intelligence specialists.

Thirdly, there has in these years been a new Communist emphasis on trade, in keeping with Khrushchev's "We declare war on you in the peaceful field of trade." In spite of large percentage increases, however, the trade of the Sino-Soviet Bloc with the non-Communist world has remained marginal. None of the non-Communist industrial countries conducts a significant portion of its trade with the Bloc, and only a few of the underdeveloped countries have more than 10 percent of their trade with it. Nevertheless, the Bloc's foreign economic activities have drawn increasing attention because of their concentration in particular commodities and areas and because of the importance of discerning Communist objectives and capabilities in this field.

New Burdens

With this, as I warned you, rather oversimplified picture of the period, let us now turn to the consideration of its general impact on intelligence. First, there has been a multiplication of commitments, along with changes in their relative importance. This has resulted in increased difficulty in assigning priorities and resources. There has been no decrease in the demand for intelligence on the Soviet defence establishment of the kind needed when Stalin was at his most aggres-

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sive; on the contrary, the creation of new weapons systems and the increasing attention which has had to be given to the military power of China and various countries in the Middle East and Southeast Asia have made the task of all those concerned with military strategic intelligence increasingly difficult. Furthermore, there has been little or no decrease in the demand for economic intelligence related to strategic commodity and financial questions.

The Bloc's adoption of new non-military means of extending its influence and power have now added to these tasks. The resources devoted to these requirements have had to be commensurate with Khrushchev's repeated insistence on the importance of economic competition and with Western intelligence estimates that the Soviet Union will seek to attain its ends by means short of war. The extent to which intelligence resources should be concentrated on global nuclear war, the most devastating but least likely of possibilities, to the relative exclusion of more palatable and also more likely terms of struggle is a major question for intelligence administration. Since this is a question of balance and judgement it is unlikely to be solved except by a continuous process of adjustment.

The increasing complexity of the Communist Bloc and of its actions in the world at large have added to this problem of scale a problem of coordination. While we must divide up the study of complex situations for detailed analysis by specialists, their analyses must in turn be related to one another and added up before we can understand Soviet designs. Thus, in order to assess the progress of Communist foreign economic efforts correctly we have been obliged to adopt a broader interpretation of what economic intelligence means: Ambassador Galbraith has pointed out that economic affairs are after all largely non-economic. Although economic intelligence still has value as an administrative category and still has a role in analysis, a too isolated pursuit of the narrow category can have and has had an adverse effect on the soundness of some of our judgements.

Another and related general consequence of the increasing attention which has to be given to the impact of Communist non-military policies, particularly in the underdeveloped areas,

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has been the need for a much greater variety of area specialists who understand Latin Americans, Africans, and Asians as people. The Soviet government, which until the death of Stalin was largely confined to a Slavic empire, has not been free from this problem. One of the great shocks, not only to the government but to specialists like Professor Potekhin, has been the discovery that African attitudes do not fit neatly into the Soviet concept of the world, that there are more things in heaven and earth than are dreamt of in Marxist philosophy. We too sometimes have difficulty in looking at the world as from Accra, or Cairo, or Bangkok.

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Problems of Evaluation

To turn [redacted] to the evaluation process, we find a parallel record of solid achievement in evaluating in terms of hardware, roubles, and trade returns the progress of Sino-Soviet activities. The skill with which the larger agencies collate all the available detail and present it in convenient form is of great assistance to us all. I would, however, like to refer briefly to one or two problems of evaluation which seem to me important for the future.

The first is a problem of semantics. The new terms which have been invented to describe Soviet attempts to develop economic ties with the underdeveloped countries have tended to make the process of intelligence evaluation more difficult because the language itself has contained implied judgements. The most obvious example is the term "economic penetration." It was no doubt chosen to express a reasonable assumption about Soviet intentions, but unfortunately it has come to imply an inevitable effect of Soviet actions. As a result, the dollar values computed for Soviet economic aid in particular countries have often been taken as a direct measure of Soviet political influence there. The usage has had much to do with erroneous judgements about the extent to which particular

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recipients of Soviet aid are under the political thumb of Moscow. A more neutral terminology would be one step toward a more objective evaluation of the effect of Soviet actions. One intelligence paper went so far as to define "penetration activities" as those activities which would be acceptable if undertaken by a non-Communist state but harmful when undertaken by the Communists. Such a focus prejudices estimates as to the effect of Soviet actions, particularly the possibility that these effects might sometimes be beneficial to the West.

A second unfortunate tendency has been toward the use of Communist terminology and categories in the description of Soviet economic activities. For example, the Soviet aid program is generally measured by the total of Soviet promises, rather than actual expenditures. This is, of course, a Communist technique, and it is well understood among intelligence officers that Soviet aid actually reaching the underdeveloped countries has not been very great. Many intelligence officers also feel confident that this is generally understood by consumers of intelligence at the policy level. Nevertheless, it seems to me that it would be better to discard the Communist categories and devise new ones which would give the estimator and the policy maker an objective view of the Soviet program in Western terms.

Estimative Difficulties

At the output end of the intelligence process lies the estimate, which examines evaluated intelligence to produce the answers to the big questions. The less effective the collection and evaluation processes, the more difficult the task of estimating; but I think we can safely assume that no matter how efficient the rest of the process the estimate will always represent a substantial leap from the known facts to the required answers. In particular, the coexistence policies of the Soviet government have raised special problems for the estimating phase of our work.

First, there is no generally accepted theory of the relationship between economic action and political power. We are therefore more than usually on our own in assessing the impact of Soviet foreign economic efforts. For example, three divergent estimates of the Soviet impact in the UAR presum-

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ably exist, a hopeful Khrushchovian estimate, a confident one by Nasser, and a somewhat apprehensive Western one. None of these estimates has been made without benefit of facts and power of reason, but at least one of them must be wrong, and all of them may be partially right. We have gone a long way when we have realized that there are no automatic results from Soviet economic actions, and that the Soviet government's entry into a field of competition where it has limited capabilities and little experience may in the long run prove to have been a foolish decision.

When Khrushchev first began his programs of trade and aid we made what were at the time reasonable estimates of his intentions and of the considerations which had led him to adopt them. As a broad and perhaps unfair generalization I would say that we overestimated his capabilities in this field. The evidence suggests that Khrushchev himself had an unrealistic view of the extent to which the newly independent nations would rally behind him and that the Soviet government may now be placing less emphasis on these programs. In short, the major problem in estimating the impact of Soviet economic actions abroad lies less in outlining their scale and direction than in assessing their net long-term effect.

At least as important as an objective analysis of the external impact of Soviet activities is the task of gaining some insight into the Soviet government's view of its own objectives and success. This is important in many ways, not the least of which is the possibility that complete disillusionment with its foreign economic efforts might lead to policies even less to our liking. I have already referred to evidence that a reduced level of Soviet economic aid commitments is paralleled by an increased level of military assistance. The important question is what led to these changes—inability to provide aid, or dissatisfaction with the results.

The Soviet government's view of its progress in the underdeveloped countries is, however, only part and in some respects not the most important part of the total scene. There is reason to believe that the Soviet authorities are only now beginning to take the full measure of Western economic power. They appear to view with increasing dismay the growing economic solidarity of the Western world and the evolu-

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tion of more prosperous and larger non-Communist economic groupings. Certainly the recent Soviet attacks on the association of underdeveloped and neutral countries with the European Economic Community and the apparent dilemma of Soviet writers in attempting to fit EEC into the "continuing crisis of capitalism" seem to reflect Communist worries and confusion in this respect.

The recent attempts at the June meetings in Moscow to generate some energy in CEMA were in part clearly a response to developments in Western Europe. The success of Soviet efforts to coordinate Communist economic affairs in the face of strong centrifugal forces will be one of the basic factors defining the limits of Communist strength over the next few years. These two aspects of the problem—the relative economic strength of the industrial East and the industrial West, and the relative economic cohesion of the two blocs—are likely to prove as decisive as any actions in the underdeveloped world and will require the particular attention of intelligence.

The Soviet leaders have made clear that to them coexistence is a means of "burying" our system through peaceful competition. It follows, therefore, that our most important task is to determine the Soviet government's own assessment of its progress by its chosen means. It seems unlikely that they could be satisfied with their competitive position economically in the underdeveloped world and vis-à-vis the developed West. Agricultural failures in Communist countries contrast with Western surpluses; the difficulties encountered in CEMA contrast with the progress of the Common Market; and the aid programs of the Bloc are lagging behind those of the West. These shortcomings from their point of view must invite reappraisals within the Soviet hierarchy of the extent to which they should continue to depend upon their present methods of competitive coexistence. Such reappraisals could lead either to more aggressive or to more conciliatory forms of action. Our task in economic intelligence, therefore, is to play our part in ascertaining whether the Soviet will hold steady the course of coexistence, veer into more dangerous waters, or move towards less hostile ends and means.

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