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SECURITY INFORMATIONCENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

7 December 1953

STAFF MEMORANDUM NO. 413

SUBJECT: Princeton Consultants' Meeting on 19 and 20 November
1953Chairman of Consultants' Meeting
Abbot SmithConsultants to Board of National Estimates
Hamilton Fish Armstrong
Richard C. Bissell
Charles B. Fahs
Calvin B. Hoover
William L. Langer
Col. G. A. Lincoln
Philip Mosely
Lewis V. Thomas
T. Cuyler YoungBoard of National Estimates
Edgar M. Hoover (Friday)
Sherman Kent (Thursday)
Adm. R. E. Schuirmann (Thursday)Deputy Director/Intelligence
Robert A. Amory (Friday)Observer
Maj. Gen. John R. Deane (Thursday)Staff Members of Office of National Estimates
Chester L. Cooper
Charles Cremeans (Friday)

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~~TOP SECRET~~I. GENERAL TOPICS OF DISCUSSION

The formal agenda for the Consultants' Meeting at Princeton 19 and 20 November 1953 included NIE-100, Soviet Bloc Capabilities for Economic Warfare (1st draft); NIE-98, Communist Courses of Action in Asia through Mid-1954 (1st draft); NIE-63/1, Probable Short-Term Developments in French Policy (published 1 December 1953); and a memorandum for the Director of Central Intelligence entitled, The Short-Term Political Outlook in Italy (through 1955), dated 9 November 1953. This potpourri of topics was further augmented by discussion of several other timely issues, including present Soviet internal economic policy, and Israeli-Arab relations. The consultants expressed satisfaction with the procedure of discussing papers in rough draft form since greater freedom for individual comments was then possible.

II. COMMUNIST COURSES OF ACTION IN ASIA THROUGH MID-1954 (NIE-98)

1. Discussion of this paper provoked lively, and for the most part harmonious responses from the consultants. Led by Mr. Fahs and Mr. Langer, the group emphasized probable Soviet satisfaction with the status quo, and that Communist intentions in Asia are directed toward maintaining, not reducing, tensions in the Far East. Moreover, it was generally agreed that the Communists probably considered the risk of Western-US military counteraction as a lesser deterrent to their freedom of action than indicated in the draft. Specifically, it was agreed that Chinese entrance in the UN would not lead to a relaxation of tensions, nor would it necessarily indicate any desire by the USSR for a relaxation of tension. Only Mr. Bissell gave a modified dissent when he pointed out that the USSR had probably become somewhat less willing to risk war, and thus may be more accommodating in its general policy in the Far East toward the West.

2. Regarding Soviet-Sino relations, it was generally agreed that China is more an ally than a satellite. Moreover, they accepted a thesis propounded primarily by Mr. Bissell and Mr. Fahs that the Kremlin may consider a "loose federation" as the most practicable and profitable arrangement for the longer run, since such a relationship would deny resources to the West while requiring a minimum Soviet outlay.

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3. Other general conclusions reached were:

- a. No real change in Soviet-Sino relations has resulted since the death of Stalin;
- b. Major Communist policy decisions in the Far East are probably made only after consultation between Moscow and Peiping;
- c. The Kremlin will probably continue to strengthen the Chinese, but that the Chinese build-up will be slow and cause the Kremlin little alarm.

III. SOVIET BLOC CAPABILITIES FOR ECONOMIC WARFARE (not published) NIE-100

1. Despite the highly controversial, and in many respects speculative nature of the paper on East-West trade, the consultants (led by Messrs. Bissell, C. Hoover, Mosely, Lincoln) reached considerable agreement. By careful dissection of the main general conclusion of the paper (stated by the chairman as "limited Bloc economic capability against the free world as a whole"), and heavy emphasis upon individual cases of recent increases of Soviet-West trade and their political implications, especially the Icelandic herring situation, the following general conclusions were reached:

- a. Large-scale increase of East-West trade and/or disruption of Western trading patterns is unlikely.
The main limitations noted were:

- (1) Inflexibility of the Soviet economy and disinclination for establishing long-range trade patterns.
- (2) Lack of economic "fat," especially under present internal economic conditions. This virtually precludes grants and aid and seriously limits the USSR in providing commodities desired by the outside world, except at considerable economic cost.

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- (3) Western ability to counter Soviet attempts to manipulate world currencies or markets.

b. However, increased trade could still be dangerous without being large scale, primarily because of Western political vulnerability resulting from divergent views on East-West trade.

The main points raised in this connection were:

- (1) USSR could probably double present trade leads with the West (i.e., approximately back to prewar levels) without undue strain on its economy.
- (2) Some increase of East-West trade mutually profitable, i.e., avoid idea that on balance any increase of trade economically bad for the West.
- (3) Danger from increased East-West trade is political, not economic, stemming primarily from differences of "Western" views as to trade restriction, and occasioned primarily by US sensitivity to any relaxation of rigid controls.

c. The immediate problem is not the extent of over-all East-West trade but the possible political effects of Soviet economic inducements and/or threats upon certain vulnerable areas.

- (1) Countries which were mentioned most often in this context were: Finland, Iceland, Italy, Japan, Denmark, Indonesia, and Ceylon.
- (2) The consultants appeared to be in general agreement that the analysis could be made without specific country or area studies. However, there was considerable support for the view that such individual studies would improve considerably our understanding of Soviet economic warfare capabilities and intentions.

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2. For the most part the consultants limited their comments to the capability aspect of the problem and did not address themselves directly to the question of determining Soviet intent underlying present trade patterns. In general, however, it appeared that the consultants were disposed to consider the two as inexorably entwined, and that the political aspects were generally in the forefront of the Kremlin mind. Nevertheless, Mr. C. Hoover and Mr. Mossely did qualify this general attitude by pointing out respectively: (1) present trade trends probably derived primarily from economic causes, that is, the present stage of industrial development, and thus could be characterized as resulting more from "economic fluctuation" than "duplicity"; (2) if the Kremlin had intention of exploiting trade primarily for political purposes it probably had greater opportunity during the last 7-8 years, and favorable internal conditions will not reappear until about 1956, assuming implementation of the present economic program.

3. Mr. Lincoln suggested that a 5-year time limit be placed on the paper. Mr. Amory, arguing on the basis of present trade agreements, suggested that the time period be limited to 3 years.

IV. PROBABLE SHORT-TERM DEVELOPMENTS IN FRENCH POLICY (NIE-63/1)

A. Domestic Policy Developments

1. The consultants were in general agreement that political developments, whether to Right or Left, would not have marked effect on French economic growth.
2. Mr. Bissell thought that a paper on "What Ails France" should have more on what can be done - that the possibilities for amelioration of the situation by pressures (external) on the French environment should be examined. If the French can be driven off dead-center (on EDC for example) it would have a beneficial effect on French morale and might permit progress in other fields (economic). On the other hand, if EDC etc. are blocked and other environmental

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changes not made, the chances of a rightist coup will increase. However, Messrs. Lincoln, Armstrong, Mosely expressed doubt that the French military had enough vigor to bring off a coup.

3. In obvious response to the generally pessimistic picture of France which evolved from the discussion, Mr. Langer added an historical insight that even in the halcyon days before 1914, French governments were kicked around; but nevertheless, France survived.

B. EDC

1. The consultants were in general accord that present French tactics will continue to be motivated by desire to delay German rearmament. Mr. Langer noted, however, that the stalling period was drawing to a close.
2. A straw vote on the outlook for French EDC ratification within the next 6 months was taken of consultants willing to take a stand. Based on individual "knife edge" decisions, the results were 3 yes (Messrs. Langer, Armstrong and Bissell), and 3 no (Mr. Hoover, Col. Lincoln, and Mr. Thomas).
3. All agreed that continuing US pressures, "skillfully" applied, would be necessary to secure ratifications, but there was variation of judgment as to what pressures would be efficacious. Mr. Bissell thought that US threats of alternative means of rearming Germany would have a negative effect. Mr. Langer thought that, as a last-ditch effort, a threat to rearm Germany unilaterally might work. Mr. Armstrong thought that a threat of withdrawal of US forces (presumably threat of a peripheral strategy) might work.
4. Mr. Armstrong, though thinking that on balance EDC would be ratified, noted the strong opposition in the French Foreign Office (as well as elsewhere).

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He also noted the French emotional resistance to the disappearance of the French national army. Mr. Calvin Hoover also underlined the French fear that EDC would become dominated by the German military.

C. Indochina

(Indochina was also discussed in the context of MIE-98. Views of consultants then expressed are incorporated in the following.)

1. There was general agreement that Indochina probably represented the most difficult single problem with which the US policy maker was presently faced.
2. Concerning the various modes of negotiations of the issue, the consultants were generally agreed that for all practical purposes they came down to negotiations with Ho Chi Minh. They believed, furthermore, that whatever the outcome of such negotiations, it would probably, if not almost entirely, lead to Communist control of Indochina. Mr. Fahn believed that the French and the US probably recognized this and that such negotiations will probably never "come to a boil."
3. Regarding Chinese Communist latitude in Indochina, the consultants were in general agreement with Mr. Bissell's proposition that the CC's could go a long way in Indochina without grave risk of general war. Mr. Langer believed (and the consultants generally agreed) that MIE-98 underestimated the likelihood of the CC intervention in Indochina in the event the US entered in force, but that this intervention would probably be carried out in such manner as to require the US to decide whether or not to initiate open and direct opposition. However, Mr. Bissell later opined that, in view of the ambitious Communist Chinese economic program, possible US hostile action probably weighs increasingly heavy on Chinese Communist thinking. Col. Lincoln agreed and also noted that Indochina has a lower strategic importance for Communist China and USSR than did Korea.

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4. It was also noted that Indochina, favoring as it did guerrilla warfare in which the CC's had had considerable experience, was more suited to Communist Chinese capabilities than Korea, despite the greater logistical problems in Indochina. Mr. Armstrong suggested, and the others gave vigorous assent, that it would probably suit Soviet aims to have the US intervene in force in Indochina, i.e., be interpreted as "a new white invasion in Asia." He also noted that even if US forces cleaned up the Viet Minh (orthodox military forces) the CC's would probably finance extensive guerrilla operations in the area.
5. The consultants were unable to reach agreement on the impact the loss of Indochina would have on Southeast Asia, especially since the reaction would probably vary with the manner and timing of such loss. Mr. Mosely inclined to the view that Communist success would cause a frightened India to gravitate westward, and possibly lead to an India-Pakistan defense arrangement. Messrs. Fahs and Calvin Hoover agreed India would be frightened but more likely into a position of stricter neutrality.

V. THE SHORT-TERM POLITICAL OUTLOOK IN ITALY

The discussion on Italy centered primarily upon probable political developments and the present conflict between the "Luce" line and the stand taken in the present MEE and subject memo; the former holding that Pella's demise carries considerable risk of a Communist takeover, the latter that a collapse of Pella's government would not alter the general Rightist gravitation of Italian politics. No clear-cut formulation of opinion emerged from the discussion, although its general tone indicated support for the subject memo position. However, Mr. Armstrong, and to lesser degree Mr. Calvin Hoover, were inclined to believe that a Leftist orientation was at least a more serious possibility than presently expressed.

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Following Mr. Smith's introductory comment on present intelligence regarding the Soviet Union, particularly the divergence of views between OIR and ORR as to the extent and significance of recent economic changes, the consultants were asked to comment on the question. Mr. Calvin Hoover suggested that the export of Soviet gold could be a significant index as to the seriousness of the present internal situation and thus an area warranting special attention. Mr. Langer commented that the level of popular discontent in the USSR also warranted closer observation, and suggested that recent governmental action indicated that popular discontent may be presenting the Kremlin with serious problems. Mr. Bissell advised that a study of labor productivity be made the center of focus, and that the whole question of urban-rural relationships be more thoroughly examined. He suggested that present readjustments in the economy may have resulted from administrative limitations, and the need for a longer-range industrial urban planning to provide the necessary base for a viable industrial economy.

VII. COMMENTS ON ISRAEL-ARAB RELATIONS

The consultants were in general agreement that recent Arab-Israeli clashes have made the Near Eastern situation more volatile than indicated in recent estimates. It was suggested that a reappraisal of Israeli-Arab relations should be undertaken.

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