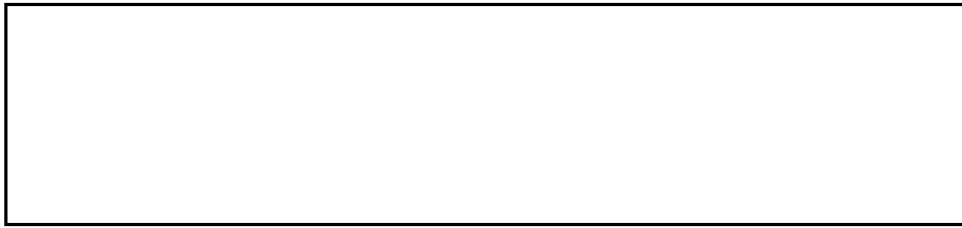


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- 4. USSR's industrial plant was brought back to normal prewar level by 1948, has since increased its output by 50 to 60 percent.
 - a. Steel production in 1952--34,000,000 tons-- equals combined output of Germany, Italy and Japan at individual peaks of World War II production. Rest of Orbit contributes 10,000,000 tons per year.
 - b. Gross national product by 1948 recovered to 1940 level. Growing at rate of 9 to 10 percent since, compared to our 4 to 5.
 - c. Emphasis in all expansion on military construction, which increased 90 percent. Production of capital goods increased about 66 percent and consumer goods only about 33 percent.

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5. USSR need not be our equal industrially to risk a test of strength.
 - a. Although in 1956 the gross national product will be only one third that of the US, the effort devoted to the military will be closer to two thirds. Ninety percent of value of electronics industry production goes to military; about 37.5 percent in US. With 1952 steel production of 35 percent of US, two thirds as much steel went into armaments in USSR as in US.
 - b. At present rate, by 1957 production of war goods will be one third higher than peak wartime production.
 - c. In case of war in latter 50's, 60 percent of resources could be devoted to war production, giving a total of four and a half times that of 1944.

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POLITICAL THREAT

1. Economic aspects arise from other countries' need for markets and their desire to obtain raw materials which Orbit has for export.
 - a. Clandestine trade. Difficulties in getting other nations to:
Embargo strategic goods to Communist China.
Forbid vessels flying their flags to engage in the China trade.
Take effective steps to control use of their free ports.
 - b. Overt transactions:
A Ceylon needs Chinese rice, but must export rubber.
A Finland, unable to find Western markets for its forest products, must turn to the USSR to survive.

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An Austria, requiring Polish coal, must exchange embargoed ball bearings.

France has been encouraged in its intransigence on the oil issue by Soviet offers over the past two years.

2. Main Political effort is to split the West.
 - a. Peace offensive, with its world peace conferences and organizations.
 - b. Hate America campaign, with its charges against the US of biological warfare and cruelty to civilians in Korea.
 - c. In France and Italy, among Western European countries, Communist parties are large and active.
 - d. There are special situations:

In India, Communism can color the thinking of an otherwise friendly government.

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In Guatemala, a nominally non-Communist government is susceptible to Red influence.

In Argentina, Peron is willing to play along with the Communists.

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PSYCHOLOGICAL THREAT

1. This is closely akin to the political.
 - a. Plays on world desire for peace and quiet.
 - b. Drop in tension produces pleas in Europe for arms cutbacks.
 - c. At its most effective, this threat might cause us to drop our guard again.

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EFFECTS OF STALIN'S DEATH

1. What will be the effects of Stalin's death?
 - a. Many have professed to see a willingness to negotiate displayed in the "softer" approach of recent weeks, and in such statements as the relatively moderate Pravda reply to Eisenhower.
 - b. On the basis of what we know, we cannot afford to accept that.
2. Whatever Moscow's present tone may be, its own statements have offered no grounds to believe it has any intention of reaching an overall settlement except on its own terms.
3. What happened when Stalin died?
 - a. Malenkov unquestionably had reached a new peak of prominence at the party congress in Moscow last October, when he was deliberately pushed into the forefront.

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- b. Malenkov may well have made a bid for pre-eminence in the days following Stalin's death.
- c. No one man, obviously, could hope to usurp immediately the power and prestige of a Stalin.
- d. Malenkov, however, seems to have failed even to establish himself as measurably more powerful than say, Molotov and Beria.
- e. Perhaps the "Old Bolsheviks" teamed against him.
- f. Perhaps Malenkov and Beria, between whom there is some evidence of a strong link, were not strong enough together to push to the fore.
- g. We do not know at this point.

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4. We do know that Pravda suddenly proclaimed the principle of collective leadership and collective responsibility, in contrast to rule by one man.
 - a. We know that experts in Soviet phraseology think the Pravda reply to Eisenhower bore the stamp of group authorship.
 - b. It had more of Molotov's doggedness than of Stalin's sheer venom.
5. We have then a collective regime which on the surface gives the appearance of harmony and effectiveness.
 - a. There may be great pressures, great uneasiness underneath, and there could be trouble.
6. That is no cause for rejoicing.
 - a. Stalin was a cautious man.

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- b. These, particularly Malenkov, are relatively unknown.
- c. An adventurer or group of adventurers would be dangerous, because:
- d. The end goal of Communism is unchanged.

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