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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

30 January 1957

STAFF MEMORANDUM NO. 8-57

SUBJECT: ██████████ Consultants' Meetings 23-24 January 1957

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The Consultants taking part for both days were Messrs. ██████████

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██████████. Participating on 23 January only was ██████████. From
ONE, Messrs. ██████████ were present
for both days, and ██████████ for 24 January.

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The Consultants felt that the economic factor was particularly important in determining the prospects for national Communism, and that emphasis should be placed on the role of Yugoslavia and China in the current Soviet-Satellite crisis and on the broadened range of alternative possibilities in the present situation.

The Consultants felt the Soviet position was strong and would almost certainly grow stronger in the Middle East, and that Saudi Arabia was a critical focal point in the current situation.

The Consultants thought that emphasis should be placed on the growing strength of Communist China both internally and internationally although reservations were expressed about actual Chinese accomplishments in agriculture. They felt that greater allowance should be made for the possibility of a return to a hard line in Asia.

The Consultants considered the prospects of either neutralism or extremism in Western Europe not alarming at present. They thought that Europe was showing some signs of slowly moving toward a more unified and realistic position in world affairs, but agreed that the psychological and political problems of adjusting to new relationships would be formidable.

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STABILITY AND COHESION IN THE SOVIET SATELLITES: (NIE 12-57)

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1. In discussing the basic factors affecting stability and cohesion, [redacted] felt that the attitudes of the free world should be included, and that the demonstration of unwillingness to accept risks in aiding a UN member appealing for aid would have profound repercussions in the area. [redacted] suggested that the influence of nationalism and of anti-Communism should be separately considered, 25X1A5a1 it might be impossible to assign a relative weight to each. [redacted] felt that nationalism was only the garb and rallying banner for anti-Communism, and that this anti-Communism in Eastern Europe had remained undiminished. He considered the lack of a larger protest vote in the Polish election explainable only in terms of the regime's use of intimidation and repression. However, most of the Consultants agreed with [redacted] that the Poles simply thought Gomulka was the best they could get in the wake of the Hungarian experience. [redacted] thought that fear of Germany was an important factor in producing the rally behind Gomulka.
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2. Economic factor: [redacted] questioned the relative lack of emphasis in the paper on economic factor, which he considered the critical one in terms of future prospects for the area and possible US courses of action. 25X1A5a1 The Consultants generally agreed with the argument advanced by [redacted] that the degree to which a national Communist solution of the Polish type proves viable may depend on its ability to solve economic problems, and that solving these problems may require destruction of some of the guts of the Communist system. [redacted] and [redacted] felt that as the image of the Hungarian experience wanes, it will be a diminishing force for inducing stability and conformity in the area and that economic conditions will become increasingly determining. [redacted] thought that a special paper should be written analyzing the economic debate in Poland and the implications and political overtones of the reorganization of the Polish economy. [redacted] felt that attention should be paid to the non-Communist liberals and modernizers in some of the Satellites who might be able to work for a phased liberalization from within.
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3. [redacted] thought that the possibilities of improvements in Poland's economic situation were better than implied in the estimate. He thought that increased incentive to work for an independent regime among the workers and the substantial potential of Poland's managerial class might bring about considerable progress. He pointed out that Poland has a higher productivity in coal per worker than England and France, and that it had a basically rich and balanced national economy. Many of its

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problems might be solved by Western aid and lowering of military expenditures. [redacted] were more pessimistic about Polish economic prospects. [redacted] pointed to continued inability to increase production under Gomulka; [redacted] doubted that steps such as wage concessions would prove even as successful as Stalin's more repressive methods in effecting economic improvement.

4. Withdrawal prospects: Although the Consultants generally agreed with the basic estimate that the USSR is not now genuinely seeking a formula for pulling out of Eastern Europe, they felt that the paper ruled out too summarily the possibility that the USSR would give more serious consideration to some kind of offer. [redacted] suggested that the Soviets would probably pull out of Eastern Europe if we pulled out of Western Europe; [redacted] thought the USSR might even look with favor on Poland getting grants from the US to help it out of its current economic situation. [redacted] felt that the categorical estimate about Soviet determination to retain control in Eastern Europe (last sentence of paragraph 19) oversimplified the picture and gave insufficient weight to the tremendous costs the USSR faced in maintaining that control. He felt that although a flat withdrawal proposal would not be accepted, stress should be placed on the fact that a new context had been created in which the range of alternatives had necessarily broadened.

5. Yugoslavia and China: There was general agreement that more attention should be made of the role of Yugoslavia and Communist China. [redacted] thought that the political considerations which were paramount in inducing the USSR to reject, reaccept, and then re-reject Tito must also be operative in their policies toward Poland. [redacted] agreed that prestige was a critical Soviet consideration and thought it degrading for the East Europeans and unparalleled for the USSR to call in Chou En-lai to smooth things over in the Satellites. [redacted] felt the use of China as intercessor was not resented and was probably an effective way of convincing in the Satellites that despite temporary problems they are part of a much larger bloc which is still the wave of the future. [redacted] suggested Finland might prove a better example of an eventual outcome in some of the more troublesome Satellites than Yugoslavia. In some respects, a Finnish solution was preferable to a Titoist one since, despite its non-Communist government, Finland was more subject to Soviet dictation on foreign policy than Yugoslavia. [redacted] thought that Soviet relations with Communist China might be the pattern that the Soviets had in mind for future dealings with the East European Satellites.

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6. Permissible variation: On the question of what and how much variation the USSR will be able to tolerate in its Satellite empire, there were three positions put forward by the Consultants.

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a. [redacted] tended to think that Soviet policy had to be toward the area as a whole, and that the same considerations of prestige and political power will have to stiffen Soviet attitudes toward the region as a whole. [redacted] pointed out that the Bloc has been almost as uniform in its pattern of rehabilitation and partial reexcommunication of Tito as it was in its original denunciation and purges of 1948-49. [redacted] tended to support this position by suggesting that the Soviets suffered no real hesitation, only a necessary tactical pause waiting for reinforcements before crashing the Hungarian uprising. Most of the Consultants agreed with the estimate that any defection from the Bloc except by Albania would be unacceptable to the USSR.

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b. [redacted] felt that the USSR would have to continue to insist on uniform responses to the outside world, but can and will allow for considerable and increasing variations in domestic policy.

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c. [redacted] felt that the USSR would allow for general divergence between countries, wherever unavoidable, rather than attempt to distinguish between domestic and foreign policies, which [redacted] and [redacted] favored more discussion of the Satellites as individuals. [redacted] got little support for his idea that a soft neutral area to the South might be sanctioned by the USSR; but there was considerable sympathy for the idea that the USSR might feel that it could continue to sanction divergences in some of the Satellites, because of the national interest of countries like Bulgaria and Czechoslovakia in maintaining close contact with the USSR and the inability or disinclination of most Satellites to follow the Polish example at present.

7. Military Significance: On the military importance of the area to the Bloc, [redacted] thought that while the USSR continued to value Eastern Europe for defensive purposes, it must have written off the area for possible offensive use against Western Europe. [redacted] thought the area was still considered usable as a base even if local forces could not be trusted, and [redacted] thought the technological strength of Soviet forces had so increased that the Satellite forces had lost much of their importance in Soviet planning anyhow. [redacted] thought that the

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building up of Satellite military forces had probably contributed to nationalism in the area -- and would probably inevitably do so if (a) conscription was used and (b) high professional standards were attained.

8. Attraction of West: The Consultants thought some mention should be made of the attractive force of Western Europe in both the economic and cultural realms to many of the Eastern European Satellites. [redacted] 25X1A5a1 said that the Polish government has urged the Rockefeller and Ford foundations to open contact and that exploratory missions have already been sent to Poland by both foundations. (A fact still being kept secret.) He thought that the experience of Yugoslavia in 1950 (when 90% chose English and only 2% chose Russian as their second foreign language after the choice was made elective in Croatia) would probably be repeated in other Eastern European Satellites if a choice was permitted. There was general agreement not to expect much from the Czechs, however, who were thought to be faring well economically under the current arrangements and enjoy about as much contact with the West as they probably wanted.

MIDDLE EAST

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9. Soviet strengths: In answer to [redacted] introductory question on the strength and weaknesses of the Soviet position in the Middle East, the Consultants agreed that [redacted] 25X1A5a1 the Soviet position was strong and would probably become stronger. [redacted] 25X1A5a1 related Soviet strength in the area to the fact that they are interested at present in getting the West out rather than getting themselves in. He suggested that the USSR did not intend to send in volunteers, but that they were thrown off base by the US censure of the UK and France and felt they had to establish for future propaganda purposes the fact that [redacted] 25X1A5a1 they were willing to go even farther in supporting the victim. [redacted] 25X1A5a1 thought the situation was somewhat analogous to that of 1938 in Czechoslovakia where the Soviets built up much credit by implanting in the minds of the people that only [redacted] 25X1A5a1 the USSR was willing to help them militarily when the chips were down. [redacted] 25X1A5a1 agreed with [redacted] 25X1A5a1 that the USSR had succeeded in establishing this distinction in the eyes of the people of the area, and that in pressing for any kind of a reasonable settlement the US will necessarily become aligned even more with the UK, France, and Israel. Most Consultants agreed with [redacted] 25X1A5a1 that the USSR was not being strained economically by aid to the Middle East, and that they were getting disproportionate psychological returns for their obsolete arms and unsaleable surpluses.

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10. Against [redacted] suggestion that the Soviets might exploit the current Middle Eastern situation to better their position in the

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Turkish straits, [REDACTED] pointed out that Soviet acceptance of the principle of national sovereignty in the Suez crisis would handicap any such efforts. [REDACTED] thought the USSR would prefer bilateral dealings with the Turks in any case. He speculated that the USSR would probably fly large numbers of specialists to Syria if Jordan were attacked. [REDACTED] mentioned that Nuri was not urging US adherence to the Baghdad Pact in December, but rather increased US aid, particularly to Iran, which Nuri considered the weakest link in the Baghdad Alliance. [REDACTED] speculated that Nuri might have taken this position because the Baghdad powers preferred not to be inhibited by direct ties to the US if they decided to initiate action against Syria in collusion with the Turks.

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11. Saudi Arabia: There was general agreement to [REDACTED] assertion that Saudi Arabia was a critical focal point in the present situation. [REDACTED] commented that Saud was playing up to Nasser to check Iraq, but that he doesn't want to be completely committed to Nasser and has been hurt by the closure of the canal. Saud is dependent on opportunistic Palestinians for administration; and they support Saud because they feel that he alone has the financial potential to help them get Palestine back. Saud doesn't realize that he is building up a class that might eventually overthrow him; he seeks to solve everything by spreading his wealth around a little more thinly. In answer to [REDACTED] speculation that some groups in Saudi Arabia might eventually try to call in the Russians to run Aramco, [REDACTED] pointed out that the problem was marketing the oil; and that so long as petroleum was available from Iran and Kuwait a shut-off of Arabian oil would not seriously hurt the West.

12. Settlement Prospects: The Consultants agreed that there was no other practical way but through the UN to take the first steps toward an Arab-Israeli settlement. [REDACTED] thought that, with world attention focussed on the area, now was a good time to press for some sort of settlement, or at least to create a context in which final settlement could ultimately be worked out. [REDACTED] felt that a settlement could be achieved if the US was willing to apply pressure on all parties. [REDACTED] thought that the value of a settlement should not be exaggerated, since the Arabs would almost certainly believe they had been cheated and become further alienated from the US. [REDACTED] thought that a substantial quid pro quo would have to be arranged for the Arabs, since any settlement would seem to have improved the Israeli position as a result of their military action. [REDACTED] thought no solution to the problems of the area was feasible unless the focus and frame of reference for a solution were broadened and the impression countered in the area that the US was seeking to buy people off on a short-term basis.

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COMMUNIST CHINA (NIE 13-57)

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25X1A 13. International Posture: There was general concurrence with [redacted] suggestion that a five-year estimate should emphasize that the Chinese may suddenly revert to a hard line once they have neutralized international opposition, consolidated their position at home, and built up mass support abroad. [redacted] thought they might revive guerilla fighting in Southeast Asia, try setting up a Yunnan in India, or attempt to capitalize on political confusion in Indonesia. He felt that having switched to a soft line, the Chinese Communists have to hold it for a while to consolidate their gains, but that a straight push for power might take place in the Far East once a genuine atomic stalemate has been reached in Europe.

14. Taiwan and UN: There was a general desire for more and better intelligence on the situation in Taiwan. [redacted] thought the mainland population was largely reconciled to life in Taiwan and against a return to the mainland. [redacted] thought the Soviet pattern of playing on the Sino-American talks to show that Chiang was through and at the same time offering comfortable posts to nationalist officials was bound to have increasing effect, particularly in making the succession problem difficult. The Consultants agreed that the USSR did genuinely want Communist China in the UN at present, that admission to the UN was of great importance to the Chinese Communists, and that they could count on growing Afro-Asian support for admission. [redacted] thought the Chinese would make concessions on issues like the American prisoners and the status of the Chinese in Southeast Asia in order to gain admission, but [redacted] would make no concessions on Taiwan or the issue of renouncing force. [redacted] thought that the Chinese would make no important concessions, believing that the Afro-Asian bloc will eventually get them into the UN.

15. The Consultants agreed with [redacted] that the effect of the Hungarian situation has been to increase markedly the importance of Communist China to the USSR. [redacted] thought that the estimate should develop the line that the call for different roads to socialism and popular front tactics was primarily directed to Asia. Attention should be paid to the use of local Communist parties to influence non-Communist governments even without a popular front -- as in Japan where a small Communist party has forced the left socialists to accept issues popularized by the Communists and the left socialists in turn have created pressure on the conservative government over these issues. [redacted] felt that nationalism and socialism were being increasingly paired together in Asia, and that the constant prodding of the Communist Parties was combining with the surprisingly effective co-existence

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propaganda of China to induce increasingly favorable attitudes toward the Bloc. He considered the decline of Western-type socialists in India and Indonesia a serious development contributing to this outcome.

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16. Agriculture: ██████████ urged that the analysis of the Chinese agricultural situation be sharpened to explain (a) the degree to which productivity changes have been explainable solely by the weather, (b) the kinds of investment being made in agriculture, and (c) the effect of collectivization on productivity. ██████████ said that, except in the Northeast, farming methods had not changed much, and wondered if the displacement of small wholesalers has caused the inefficiencies that resulted from this step in Russia, and what the Chinese will be able to do to overcome the apparent decline in livestock production. He suspected that the increase in consumer goods referred to in para. 9 of the draft estimate did not take account of the decrease in handicraft industries. ██████████ thought there was frequently a tendency in the estimate to impart a "God-like quality to the decisions and purposes of the regime."

WESTERN EUROPE

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17. Neutrality: ██████████ began the discussion on the memorandum "Thoughts on Europe" by commenting that we appear to be at the beginning of the period of "atomic blackmail" and may expect a series of threats aimed at weakening our base structure. ██████████ felt that the European powers would increasingly insist on having their own atomic stockpiles to avoid the necessity of involvement in a US-USSR conflict. ██████████ said that the Germans are unlikely to press seriously for a position of neutrality which would practically rule them out as a great power; and ██████████ thought it even less likely that England and France would seek neutrality. ██████████ thought that the example of India which has become a great power without atomic weapons might have a seductive effect on Europeans reappraising their role in the world today. ██████████ also thought that, since Europe would presumably not be needed by the US to deliver nuclear weapons to the USSR in five or ten years, European countries might feel able to explore policies at some divergence from the US in the confidence that we would not let them collapse.

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18. Germany: The Consultants generally agreed that Germany was unlikely to give up much to attain reunification. ██████████ felt the West Germans were wrapped up in their own prosperity and anxious to avoid rocking the boat. He said that the socialists in private were surprisingly uninterested in the reunification issue and planned to concentrate on the rearmament question in the forthcoming elections,

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and that the political position of the CDU had not declined sharply although Adenauer's personal position had. He pointed out that the Germans might rely on developing intermediate range missiles for retaliatory power against the USSR, by-passing altogether the plane delivery stage. ██████ thought that the Germans, by developing a military establishment of highly trained specialists using missiles and atomic artillery, could do as well as they did after 1920.

19. Economic Prospects: The Consultants generally thought that economic problems would not be a major source of difficulty in Western Europe unless the Suez Canal stays closed. They agreed that the growth rate was flattening out, but that actual growth and expansion was surprisingly vigorous. ██████ suggested that in getting rid of over-extended obligations around the world, the economic position of western European countries could actually be placed on a sounder basis. ██████ cited Italy and Holland as examples of countries whose trading positions have actually improved with the loss of colonies. ██████ cited post World War II Germany as an example of economic prosperity without extensive political control. There was general agreement that the loss of political control would matter greatly psychologically, however, and that the problem of coming to terms with the new situation politically would be acute, particularly in the case of France. ██████ felt that the case of England, where wages are outstripping productivity, any government - administering the necessary economic corrective would be likely to fall. ██████ suggested that the Labor Party was not interested in coming to power at present. There was a general agreement that growth of extremism was unlikely in European politics, but ██████ were anxious that the possibility of some new form of nationalist extremism not be written off.

20. European integration: There was a general agreement that further steps toward European integration were likely, but that this would only be possible to the extent that colonial positions and policies were gracefully abandoned. ██████ suggested that Western Europe might in some degree recoup its economic position by cooperating in developing Africa; but it was thought that divisions among the European powers and the French position in Algeria would make any such development unfeasible. ██████ thought that the Africans would, in any case, prefer to deal unilaterally with the West European powers.

21. Against the general proposition that the peoples of Western Europe have run out of steam and lost their desire to find new answers and move toward integration, the following arguments were made:

██████████ The rising generation in Western Europe is non-nationalistic in focus, and its interest in efficiency and

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streamlining may lead it to desire to overhaul many divisive and out-
moded practices in Western Europe.

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██████████ Civil servants in their forties and fifties have now
begun for the first time to push integration.

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██████████ The recent choice for NATO secretary-general of
Spaak, who is known as a proponent of closer intra-European co-
operation willing to step on people's toes, may be an indication of
the way Western Europe may want to move.

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22. There was a general agreement that, in the words of ██████████
"the hankering after the old world will be the biggest obstacle in
the way of the new" in Europe. The Consultants agreed that individual
countries had lost much of the psychological incentive to continue
playing a big role, but felt that Europe as a whole could play a role
of great and increasing importance and would probably feel it had to
in the light of economic necessity and the political reminder of
Soviet hostility contained in the Hungarian experience.

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