

BUSINESS ADVISORY COUNCIL
Hot Springs, Virginia

10 May 1958

I. Subject given -- "World situation" too expansive. Shall cut
down to size and discuss.

A. Nature of challenge of Communist Bloc.

B. Resources of the Bloc movement; military, economic,
subversive, etc.

C. Likely Soviet tactics and strategy for the near future.

D. Prospects and prospective.

II. Nature of the Challenge.

A. International Communist movement has set as its goal
conversion by force or guile of the entire world to its
way of thinking.

B. I. C. believes and preaches other type of social organizations
incompatible with its aims; believes that in time Capitalist
governments will disappear and Socialism will prevail. In

own camp Permits no heresies. (Y. S. and Mao's many flowers doctrine.) Abandoned "many roads to Socialism".

- C. In Leninist-Stalinist days, tactics portrayed as ruthless struggle admitting tactical retreats, but coexistence not preached.
- D. In today's nuclear age goals remain the same, now stressing possibility periods of coexistence between the two systems. War too dangerous a weapon. Nuclear thrown them off stride.
- E. Interim agreements possible but viewed by Soviet as mere temporary truces to consolidate gains and furnish springboard for future program. (Austria, Viet Nam)
- F. Prospect of permanent settlement with Communist ideology as represented by Kremlin leaders is mirage. Have stated their aims; best to believe them (Hitler - Mein Kampf). Disengagement takes two - Neutral zones - If stand on own feet OK. Don't deceive ourselves can "buy" quick and easy peace.

III. Great world movements of the past: Greek, Roman, Moslem, European religious wars; Napoleon, Hitler, etc.

A. All these had high ambitions, periods of great power. None had combination of a secure land mass, great population

base and economic and military power of I. C. None the universality of goal. The incompatibility of a way of life.

B. In face of military force or through the erosion of conquering and pioneering spirit, all earlier movements eventually contained. (Though brought Dark Ages)

C. What will be fate of I. C.? (Leave to end - speculation)

IV. Resources. (Basis of power and strategy).

A. Military.

Soviet military machine now thoroughly reorganized, and

based on nuclear weapons and means of delivery, while

maintaining large conventional arms.

Nuclear strength is sophisticated -- with variety nuclear type

weapons from lowest yield to megaton range with war-heads for

ballistic missiles, inferior to us in ^{quantity} ~~quality~~ and quality

but sufficient to wreak great damage. We had head start.

(1) Delivery vehicles.

(a) Aircraft. Heavy long-range bombers -- Bisons

and Bears. Modest potential and probably cutting

back. Probably not equal to USA B-52's in quality

and quantity. Medium bombers about as good as

our B-47's and nearly as many but range insufficient

to reach US except on desperate one-way missions.

(b) Guided missiles -- long testing program in short

and intermediate ranges and presumably in

production of weapons with ranges sufficient to

cover European target from USSR and satellites.

Have apparently successfully tested several ICBM's

ICBM Horse Race.

(Give general comparison)

What needed 10 years ago. Bill Mitchell for Ballistic
Missiles.

(c) Submarines -- (475). Change-over to new program

(d) Stressing defensive capabilities against air attack
due decade of nuclear inferiority.

(e) Maintains foot soldiers, tanks, conventional

weapons, far in excess of free world. Though

have cut back considerably from peak strength

reached at end of Korean war. (also Chinese army

and Bloc - refer China)

Approaching military statements - Each destroy the

other.

B. Economic Base - (Douglas Dillon)

While Soviet GNP only about 40 percent of the USA annual
growth of industrial sector over 10 percent. Percentage of
GNP devoted to defense expenditures about double that of USA,
and total defense effort in amount of goods and service about

equal to our own. (Explain)

As a corollary, Soviet consumer received less than one-half of the total production as compared with over two-thirds of the total in the U.S. While means individual new receiver 4-5 times in value of consumer goods.

Discuss consequences.

Even though consumer "short changed" Soviet has aggressive foreign economic aid program. (\$2 Billion in 3 years, etc.)

Large numbers of technicians particularly aircraft personnel which appearing Egypt, Syria, Indonesia, Yemen for training and support purposes. (Using Czechoslovak arms and technicians at least "offensive" to free world). More likely use technicians and trainers than actual volunteers.

Trade - increasing - manipulative by great Socialist State - its dangers.

C. Subversion.

Through Communist parties and front organizations, maintains nucleus for subversive action in large part of free world.

7.

Particular targets: Europe, France, Italy, Middle East, Egypt, Syria, Yemen, South Asia, India, Burma, Laos, South Vietnam, (In countries from Burma east, Chicoms play the larger role.) (Constitutions built by Communists proportional representation Types)

Indonesia today major Soviet Chicom target, (but view unpopularity of Chinese generally in Indonesia latter playing minor role here.)

Japan an obvious target particularly through Communist dominated labor union.

Emphasis on "legality" as opposed to revolutionary and violent underground activities that characterized Stalin's era. Kerala -- 13 million people "voted" for Communist government. Laotian election as illustration new tactics.

New Commie Parties fight each other.

Use and abuse our democratic processes to undermine us and destroy these processes.

V. Soviet Techniques

A. Soviets will avoid initiating war or get into a situation where war inevitable. Accidents always possible from chain reactions and miscalculations. Mutual nuclear threat has changed Soviet time-table and techniques. Present leaders aghast at risk that Stalin took as clearly expressed in Khrushchev's denunciation of Stalin. Will not repeat this error in near future.

B. IC will use weapons of subversion. Try to wreck structure of democratic governments through use of the Communist Parties, penetrating labor unions and employing their massive front organizations, trying to make democracy fail in France, Italy. Also, Indonesia, Japan, etc. Evidenced in South America of penetration of student and youth groups by Vice President's trip. Getting foothold in Venezuela where in S. A. they can hurt us most.

C. By developing own production, oil, aluminum, other metals; by purchasing from time to time surpluses, agricultural

products, cotton, rice, grain, etc. Attempt to bring single crop countries - Brazil with its coffee, Egypt with its cotton, Burma with its rice, under increasing control.

D. By military aid to the trouble spots of the Middle East, Indonesia, etc., will promote internal and external wars.

Will have engineering and technical skills for export on a larger scale and promote help in industrialization for the newly developing states.

E. Such in general are the techniques we will have to meet in the years immediately ahead.

VI. Prospects and Prospectives.

Free world still has predominant industrial economic position and trained manpower and we developing mighty military deterrent^R.

The challenge is not unbeatable but free world is badly divided; insufficiently coordinated; lacks the ability for quick connected decision and prompt and continuing action. Each budgetary year

with us is a new struggle for the tools to meet the Communist threat.

But the Communist world itself has critical problems.

Keeping subject nations in line. Maintaining the ideological

fervor which slowly dying out at the center. The problem

of leadership and the succession (Khrushchev). To continue

to maintain their vast military establishment and their

world-wide efforts - trade and aid - will mean denial to the

people of the Soviet Union in terms of living standards

their fair share of production.

There are signs of some internal uneasiness as the managerial class gains power, as the educated classes become much more numerous and as knowledge of the outside world reaches down to the people of the Soviet Union and the people of China. If we can have a period of peace, these factors will grow in importance and the Russian people may ask with insistence, "Why the sacrifice - for what?" Must disabuse people of encirclement idea.

If we maintain strength of economy and the will to meet the challenge, the future not discouraging. But there is

no trick formula; disengagement unreal; alluring but meaningless.

Toynbee, "Challenge and response"

For the immediate future great share of the response will be

in the Economic and Industrial field - in which you must and

will play a highly decisive role.