

DRAFT
15 April 1954

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DCI'S SPEECH FOR STATE GOVERNORS
27 April 1954

INTRODUCTION

At this meeting a year ago, we reviewed the Communist Orbit from various aspects - its military strength, its economic war-making potential and its political and psychological warfare tactics against the free world.

But at the time - only two months after Stalin's death - the Malenkov regime was just beginning its so-called "new look." The big question that naturally arose was: Would this "new look" have any real effect on basic Communist attitudes and ambitions? Did new leadership in the Kremlin mean new policies, or only new faces?

We now have had 12 more months' experience with this Malenkov regime, and have seen the Kremlin in action under various circumstances - the East German riots of June, the Beria purge in July, the thermonuclear experiments in August, the new agricultural policy in September, the Berlin Conference this ^{February} March. So I think we can answer this question about the Communist "new look" with more certainty today. Therefore, I would like again to go over with you these military, economic and political factors and see what effect the "new" has had, and what of the "old" still remains.

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MILITARY

1. Atomic Weapons.* In the military field, the principal and most ominous development of the past year was the explosion last August of a Soviet atomic device employing thermonuclear principles - the principle of the H-bomb. You may have seen the films of "Operation Ivy" showing the first of our own thermonuclear explosions. With the results of our own tests still fresh in mind, I hardly need emphasize the significance of developments in this field in the Soviet Union.

The Soviet Union has been developing and stockpiling atomic weapons since 1949. With the addition of the thermonuclear principle to their atomic armament, they have significantly increased the potential destruction that can be unleashed against the West and the United States. This Soviet nuclear energy program will probably continue to expand. However, the total destructive power which such a program can produce will continue to be smaller than that which can be unleashed by the free world as retaliation to aggression.

2. Present Long-range Bombers. The question that inevitably arises is: Can the Soviet Union deliver this weapon if the Kremlin should so choose? The answer is that it can. While, as the Director of the FBI recently pointed out,

*This section was cleared by the Nuclear Energy Division, OSI, with the Atomic Energy Commission on 14 April 1954.

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it is possible for an atomic weapon to be delivered by agents and other similar means, the more conventional method at this time, of course, would be by bombing attacks from long-range aircraft.

The present Soviet long-range air force is adequate to conduct such attacks on a limited scale. They have about a thousand TU-4 medium bombers (similar to the American B-29). On two-way missions, these aircraft could deliver atomic weapons to most points on the Eurasian land mass, to Canada, and, if stripped down, to the extreme northwestern United States. By using aerial refueling or by flying one-way missions, TU-4s could make bombing attacks against any point in the United States.

One-way missions would, of course, mean a great sacrifice in aircraft and in well-trained crews, even though the Russians might hope to save some crews by such means as recovery by submarine. But the fact that a single aircraft can unleash such massive destruction on an American city probably would make the Soviets more willing to accept such losses. Nevertheless, the TU-4 is still not really an ideal intercontinental carrier.

3. New Bomber Development. We know, however, that a bigger, longer-range bomber is already in an advanced stage of development.

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We have seen occasional test and exhibition flights of their type-31 bomber, a four-engine aircraft whose capabilities fall between those of the TU-4 and our own B-36. Other large aircraft are probably also under development, but none is yet known to be in operational units. (In this connection, I must warn you not to believe all the reports on Russian aircraft development that appear in the press, even when they are accompanied by convincing pictures.) The best way to characterize the present stage of Soviet bomber development might be to say that they are on the threshold of having an operational intercontinental bomber.

4. Ground Forces. While the most spectacular Soviet advances during the past year have been in atomic armaments, the Communists have not neglected their vast array of conventional weapons of war. Here I might just briefly summarize the statistics, which rather eloquently remind us that we are faced with a formidable adversary: The Soviet Bloc continues to maintain the largest armed forces in the world, now estimated to total 10 million men, of whom at least four million are under arms in the USSR alone. The Soviet Union alone could probably mobilize 13 million men within a year. The ground forces of the USSR have available a supply of battle-proved armored vehicles estimated to total more than 40 thousand.

5. Air Forces. Soviet operational air forces have an authorized total of about 20 thousand planes, including about

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10 thousand jet fighters and about three thousand twin-jet light bombers. Both these aircraft types are excellent for the mission for which they are intended.

6. Naval Forces. Russia's naval threat continues to come mainly from its approximately 360 submarines, many of them long-range, and from its growing fleet of modern cruisers, readily adaptable as fast surface raiders. We know that the Soviets have been making extensive efforts in the field of guided missiles, but we seem to have beat them to the punch in developing actual operational units equipped with these weapons.

7. Offensive Capabilities. With this array of armed strength, now trained and ready, the Communist Bloc as a whole possesses preponderant military power in Europe and the Far East, and can launch direct attacks on the western hemisphere as well. The forces of the Soviet Union alone are judged capable of waging major campaigns - all at the same time - in Western Europe, the Middle East and mainland Asia.

8. Summary. In short, the "new look" of the Malenkov regime has not in any sense diminished the naked military capability of the Soviet Union. In the field of atomic armaments, in fact, the past year has seen a substantial increase in the potential of their atomic weapons stockpile. At the same time, their conventional military power - ground, naval and air - remains the most formidable on the Eurasian land mass.

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ECONOMIC

I wish to emphasize this point of a sustained military potential because one of the most common interpretations of the "new look" in the Soviet economy - the much-publicized consumer goods program with which you are familiar - is that somehow the Soviet military capability has been diminished. This is not true, as we shall see in a moment.

It is true, however, that in the field of internal economics the Malenkov regime has introduced some changes which can be described as "new." Hence I would like to deal with these economic aspects in a little more detail to see what these changes do - and do not - mean.

1. The Stalin Era. During the Stalin era, the rapid build-up of heavy industry and armaments plants was accomplished at the expense of a rise in the standard of living. In fact, the Russian standard of living - already incredibly low - probably deteriorated under the successive five-year plans begun in 1928. It is well for us to remember this lesson of how much the Soviet people can endure, and how swift was the transformation of their country from the complete collapse following the First World War. The mighty industrial power which today can challenge the combined strength of the Western world was created in less than 30 years.

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2. Consumer Goods Program. But now, say the present Soviet leaders, it is time to do something for the people. It is time they had more to eat, more clothing, better houses. This decision has given a "new look" to the Soviet economy and has caused the planned goal for consumer goods to be raised several times during the past year. Premier Malenkov explains the new program in typical Marxist terms. The economy, he states, has reached a stage at which there is a sufficiently large base in heavy industry to permit a rapid expansion in the output of consumer goods.

So there is a new department store on Moscow's Red Square, where Muscovite ladies can buy perfumes with such exotic names as "Fisherman's Fairy Tale"; and such capitalist innovations as whiskey are being offered for sale in Soviet markets. (Remarkably, the Russians have not claimed the invention of this particular beverage.) The "new look" has been given great fanfare in the Soviet press, and the leaders claim that it shows their great interest in the welfare of their people and is a proof of the peacefulness of their intentions.

3. Efforts and Prospects of Achievement. There is no doubt that they attach great importance to the success of the program. Agriculture and consumer goods industries are being allocated more resources and are receiving more attention

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than they ever enjoyed under Stalin. Food is being imported - not in great quantity, but with great urgency. They would even like to import some of our surplus butter, but so far they have had more success in trade with other countries than with US. In its haste to import foodstuffs, the USSR has expanded its imports more rapidly than its exports. As a result, it has been forced to ship larger quantities of gold than in recent years to several European countries in order to replenish its exchange balances. This unusual move has received quite a bit of publicity in the West, but the gold shipments are simply a part of the urgent program to get more consumer goods.

Actually, the goals which the Soviet leaders have set for themselves in this program are quite modest. The advertising campaign has created a picture considerably more glowing than the small size of the plan deserves. Nevertheless, limited as are the real objectives, it is not likely that the program will be fulfilled in all its aspects.

4. The Agricultural Program. Agriculture is the "Achilles' heel" of the Soviet economy. The leaders in the Kremlin know it and they are trying to do something about it. Some of the measures they are taking can only be described as desperate. Many of them will probably fail.

a. Land Reclamation. In February, the Soviet leaders announced an extensive land-reclamation program to

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expand wheat cultivation in Kazakhstan and parts of Siberia. A similar attempt in the 1930s failed - for the same reason that it will undoubtedly fail in the 1950s. Rainfall in these areas is considered by most geographers to be inadequate for permanent settlement and land cultivation. We may look for a new Dust Bowl in Central Asia.

Wrong

Grandiose agricultural schemes have become common in the USSR in recent years. Such programs as the construction of farm villages, the planting of vast forest shelter belts, crop-rotation schemes, mergers of collective farms, and various irrigation projects have been publicized as revolutionary events in Soviet agricultural development, but each one has either been abandoned or has accomplished virtually nothing.

b. Tax Policies. Last September the Soviet government passed several agricultural decrees which included measures to increase farm incomes and to reduce taxes, thus reversing the old policy which discouraged individual ownership of livestock. The principal purpose of the high agricultural taxes in past years was to force the peasants to give up what little livestock they had been allowed to keep and to transfer it to the state and collective farms. This program was extremely unpopular among the peasants, who treat their livestock like members of the household, and the Soviet

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leaders have admitted that it contributed to the decline in the total number of cows in the USSR. They have recently published data showing that there were fewer cows in 1953 than in 1928, before collectivization.

c. Machine Tractor Stations. The decrees also placed a greater emphasis on the role of the machine tractor stations, whose permanent staffs were considerably expanded with tractor drivers, mechanics, agronomists and other agricultural specialists. The stations are now to take a much more active part in directing and fulfilling the agricultural plans.

d. Prospects. A gradual improvement in agriculture may be achieved if sufficient fertilizer, farm machinery and skilled labor are provided. But the scarcity of natural resources and the organizational shortcomings of the huge collective farms probably will continue as almost ^{very difficult} insuperable barriers to any rapid rise in the standard of living.

5. Conclusions. What does all this mean in terms of our estimate of the Soviet threat? Unfortunately, we cannot take much comfort from the "new look" in the Soviet economy. The consumer goods program, even if 100 per cent fulfilled, would not seriously affect the more formidable aspects of the economy. According to the figures published by the government of the USSR, defense expenditures in 1953 were not reduced

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from the high levels of the Korean war period, although the rate of increase has dropped significantly. There is no decline in the growth of industrial output, which is so important to the Soviet defense effort. For example, in 1953, 52 million metric tons of crude petroleum were produced, as compared with 44 million in 1952; and raw steel production for 1953 shows an increase of nearly 4 million metric tons over 1952. In the light of these facts, the small-scale program to expand the output of consumer goods cannot be regarded as striking proof of long-term peaceful intentions.

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FOREIGN POLICY

Turning now to the field of foreign politics, we come to a "new look" which I think has been rather aptly described in one phrase. Ambassador Bohlen, who from his post in Moscow deals first-hand with the Kremlin's foreign maneuvers, calls it a policy of "peace at no price."

1. Korean POW Issue. In Korea, for instance, the Communists made perhaps their greatest concession - and swallowed their bitterest pill - in accepting the loss of 13,000 Chinese prisoners who would not return to their Communist-dominated homes. However, on the credit side of the Kremlin ledger, the resultant truce in Korea serves to lessen the military burden that Communist China poses to the Soviet Union and also minimizes the danger of expanding hostilities.

2. Trade Offensive. The Soviet Union has gained much at little cost from its recent maneuvers in the field of East-West trade. Actually, there has been little significant increase so far in the levels of this trade and only a small improvement in prospect this year. Yet the reaction of certain governments to these trade offers has weakened Western solidarity and is bringing about a major reduction in the scope of controls.

3. Other Gestures. A number of other Soviet moves have cost the Kremlin even less. It has lifted many of the heavy burdens of occupation in Germany and Austria which the West

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has never imposed or had long since removed. Diplomatic relations have been restored with several countries, notably Yugoslavia. Soviet diplomats have shown up at parties amiable and even smiling, and on New Year's Day showered surprised Western officials with gifts of caviar.

4. The Key Issues. These gestures, some of them obvious and transparent, have been for the most part the stuff out of which the Soviets have fashioned their "peace" campaign. But are they willing, when the chips are down, to pay the price for a real, lasting peace? President Eisenhower in his speech last year set forth certain issues which certainly must be solved if we are to achieve such a peace - the issues of Germany, Austria and Korea, and, I am certain the President would now add, Indochina. These problems, which have plagued the world for almost ten years, are the truest measure of intention, and, I believe, are so recognized by the great majority of the free world. Let us see what the Communist "new look" has been toward these issues.

5. Germany. On Germany, Molotov at the Berlin Conference presented proposals that he knew were unacceptable to the West. He insisted that Germany be prohibited from joining in Western defense efforts. In answering the Western plan for free elections, he suggested a scheme which would exclude anti-Communist parties and to avoid any outside supervision that might guarantee a free choice.

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6. Austria. On Austria, Molotov turned down that country's plea for independence by refusing to agree to a peace treaty unless it provided for an indefinite continuation of the military occupation and unless Austria was forbidden to join in any Western alliance or coalition.

7. Geneva Conference. The issues of Korea and Indochina, of course, are under discussion at this moment in Geneva. I certainly do not want to pre-judge this meeting, from which certain of our friends apparently hope for so much. Instead, I can only say that none of the information available to me in advance of this conference would indicate that the Communists have undergone any substantial change of heart on these two issues.

8. Korean Settlement. In fact, on the question of Korea, all of the intelligence would indicate exactly the opposite. Since the Korean truce last July, the Communists have exerted great efforts to rebuild North Korea as a member of the Orbit. Moscow and Peiping have signed aid agreements with North Korea and are sending an increased amount of heavy industrial equipment, consumer goods and technical assistance. Communist China continues to maintain over 700,000 troops in Korea, and large numbers of Soviet advisers are also on the scene. All the evidence leads us to believe, therefore, that the

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Communists are entrenching themselves in North Korea and have no intention of breaking the present stalemate.

9. Indochina

(To be written with latest available information.)

10. Summary. On the record to date, I believe we must say that Soviet foreign policy has shown greater flexibility over the past year, with tactical adjustments made to advertise Soviet "reasonableness" and to remove some of the minor irritants of East-West relations. The Kremlin has been willing to come to international conferences, but has preferred to talk on issues of its own choosing. At the same time, the Soviet Union has proved consistently unwilling to make any sacrifice in its power position or to reach substantial agreement on any of the truly key issues in international affairs.

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INTERNAL ORBIT

Finally, we come to the Orbit itself, and the "new look" on the home front.

Certainly one of its most conspicuous features is the marked effort of the Malenkov regime to disassociate itself from its Stalinist predecessor. The attack on the cult of the leader, the denunciation of police lawlessness and the expressions of concern for the welfare of the people all carry overtones of anti-Stalinism. Tactical as these measures may prove to be, they have probably served the new regime well by giving it a breathing space to consolidate its authority.

1. USSR Concessions. There have been some concessions in the Soviet Union. Nearly every major group appears to have received some economic benefits from the consumer goods program.

Last year's amnesty decree freeing certain nonpolitical prisoners has affected an estimated million people.

The morale of the managerial class has probably been bolstered by moves which give economic bureaucrats greater independence in production planning and in the manipulation of working capital and credit.

Then too, there is evidence of relaxation in the sphere of cultural policy, which might eventually bring to an end the harsh artistic regimen imposed since 1946. The more

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tolerant attitude recently shown toward Western music and painting, and recent appeals by leaders in the arts for less bureaucratic interference in their creative activity, are signs of such a development.

2. The Kremlin Succession. The big question behind these surface developments, however, is the political succession in the Kremlin. It is, of course, quite clear that since the Beria purge, Malenkov has emerged as chief spokesman of the new regime, with Khrushchev playing an increasingly strong role, particularly in the area of agricultural policy. The official theory, continually repeated, is that the leadership is collective - but it should be remembered that it was under the guise of this theory that Stalin consolidated his own power.

Then too, it is still unclear whether the Beria purge was the last act in resolving the crisis or just the first act in a continuing drama. Even if the redistribution of authority seems to be proceeding with relative smoothness, it must always be kept in mind that the external show of unity in a totalitarian system may conceal the most profound internal cleavages.

However, I think our earlier discussion has helped to put the question of a power struggle in better perspective. For certainly whatever else one may say about recent Soviet

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developments, it remains a fact that their new agricultural and consumer goods program, their consistent pattern in foreign relations and their impressive military developments all represent a well-coordinated course of action. Therefore, even if the men of the Kremlin are fighting among themselves, they are still able to present a strong and united front in facing the outside world.

3. Sino-Soviet Relations. We also see this united front and well-coordinated policy in the Kremlin's relations with the Orbit. Perhaps the most prominent feature of Moscow-Satellite relations is the conspicuous effort of the Malenkov regime to enhance the prestige of the Chinese Communists. This was evident in the unusual honors paid the Chinese in Stalin's funeral ceremonies, the frequent demands for Chinese admission to the UN, and, most recently, the strenuous efforts toward acceptance of Communist China as one of the Big Five powers.

Moscow and Peiping still appear to agree that the Soviet role in the Far East is to formulate the over-all program, to act as a deterrent to Western military action against China and to supply her with economic and military aid. Although Peiping may be dissatisfied with the level or terms of this aid, it has almost certainly been substantial enough to deter any Chinese thoughts of defection.

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Moscow appears to have accepted China's role in their joint control of North Korea, which until the Chinese intervention in late 1950 was strictly a Soviet satellite. Although Moscow still controls the Korean regime, it now shares the economic burden with China, which also bears the primary military responsibility. In brief, then, despite recurrent rumors of Sino-Soviet disputes, and the probability of some friction and compromise in their relationship, there is no reliable evidence of a quarrel on any major matter.

4. Eastern European Satellites. In Eastern Europe, Moscow apparently has weathered the most dramatic challenge to its control - the East German riots of last June. As with the power struggle in the Kremlin, we cannot say with certainty what deep and long-lasting effects this event may have. But present evidence, again, forces us to conclude that the Soviet Army has re-established the shaken puppet regime in East Germany and successfully exerts control over the rest of the Satellites.

Accordingly, these Satellites have followed Moscow in adopting new economic policies emphasizing consumer goods and agriculture.

This readjustment of their plans has created considerable confusion among the local Communist party members and has given rise to many serious economic problems. The

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modest relaxation of the program to collectivize agriculture resulted in an unexpected number of withdrawals from the cooperatives, particularly in Hungary and Czechoslovakia.

The relaxation of strict controls over the movement of workers in Czechoslovakia, Hungary and Poland, together with the attempt to shift industrial workers to the farms, has created what is theoretically impossible in a People's Democracy - unemployment. As a result, there have been dislocation of labor, distress and uneasiness, which in the case of Hungary have resulted in what the government terms a "real crime wave."

In a large measure, the success or failure of the "new course" in Eastern Europe will depend on its acceptance by the party membership and its support by the working population. This popular cooperation is being sought through party congresses currently being held throughout the Satellites.

On the longer term, however, present evidence suggests that the new course will be only marginally successful if it is limited to the relatively short time period (1956) now planned.

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CONCLUSIONS

In conclusion, let us briefly summarize the main outlines of the new look in the Communist world.

In military affairs, the Communists' thermonuclear capability has added significantly to their atomic arsenal. At the same time, they maintain, trained and ready, the largest body of armed forces in the world.

In both the Soviet Union and the Orbit, there are new economic policies which emphasize consumer goods and increased agricultural production. However, the industrial base of the Orbit, the production of its steel mills and oilfields, has not been materially affected. They can, and are, producing materials of war.

In foreign policy, the Kremlin has emphasized the appearance of peace, but in the major areas of East-West disagreement has shown no willingness to pay the price of a substantial settlement.

Within the Orbit there remain important long-range questions about the Kremlin power struggle and relations with the Satellite countries. However, at this time all evidence indicates that political control inside and outside the Soviet Union is effective and united in facing the Western world.

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I would say that the men in the Kremlin and their cohorts are clearly engaged in a long-haul armaments race with the West, but they are not making the short-term preparations we believe would be likely if they were planning general hostilities in the immediate future.

The new Soviet leadership, instead, seems to be trying to develop new weapons and new strategic concepts designed to pay off at some future date.

I wish I could tell you that this was good news. In the immediate future, however, there continues to be the very real danger that from their relative isolation the men in the Kremlin may miscalculate Western determination or misinterpret Western intentions, and thus plunge the world into war in spite of their own longer-range calculations.

There is also a danger that internal pressures in the Kremlin, in the USSR or in the wider reaches of the Soviet Orbit might cause Soviet leaders to take rash action in the international field, even in the face of their own better judgment.

Finally, we must never forget that today, as in the entire postwar era, the massive shadow of Soviet military force is the backdrop for Soviet diplomacy, Soviet propaganda, Soviet economic warfare and local Communist aggression. The Soviets

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operate from the old principle that power in being, coupled with an apparent willingness to use that power, is just as effective - sometimes more effective - than power in action.

Therefore, whatever may be our current calculations of Soviet intent, we must constantly strive to maintain the strength and vigilance of the free world. If we allow our moral and material defenses to deteriorate, we will run the grave risk of either inviting intensified Soviet aggression or of exposing ourselves and our allies to Soviet blackmail and intimidation.

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MEMORANDUM FOR: **Mr. Dulles**

Attached is a draft for your Governors' Briefing on 27 April. I believe you wanted to receive this preliminary version by today, 15 April.

Mr. Amory has a copy of it and, I believe, expects to comment on it shortly.

JH

15 April 1954

(DATE)