

NSC BRIEFING

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17 JANUARY 1956

6TH "FIVE YEAR PLAN" M

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A. Plan continues Soviet emphasis on expansion heavy industry. We expect that industrial part of plan will be fulfilled by 1960--and will raise Soviet industrial production to about two-fifths^{4/5} that of the US (Chart I).

B. USSR's industrial output in '51 was about one-fifth of US, and now is somewhat over one-fourth^{2/5} of US. However, noteworthy that Soviet rise is not closing "absolute" gap between two countries' outputs.

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C. Contrast with US output evidently on Soviet planners' minds: new program states "main economic task of USSR (is) to overtake and surpass the most developed capitalist countries as regards per capita production."

II. Notable that new "Five Year Plan" calls for substantial development of nuclear power-plants, as well as other "peaceful" applications atomic energy.

A. Very ambitious Soviet program for construction nuclear power stations, with total capacity between 2 and 2½ million KW, will--in opinion our experts--require very high-priority effort to achieve. As comparison, UK power program (Free World's most ambitious) has 1964 goal of maximum two million KW, and US program envisions 800,000 KW by 1990.

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- B. USSR also plans to build atomic engines and, specifically, an atomic-powered ice-breaker.
- C. Remainder of "peaceful" atomic program is more commonplace: increased use of isotopes in medicine, agriculture and industrial research.

III. New "Five Year Plan" targets for 1960 are above those generally set by Stalin in '46 for attainment between '60 and '65 (Chart II).

- A. Compared with just-completed 5th "Five Year Plan," growth of "energy" (i.e., fuels, electric power portion of "heavy industry sector" of Soviet economy will continue at same rate, although growth of "heavy industry sector" as a whole will be somewhat reduced (rise of 70%, compared to 91% in '51- '55).

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- B. In light of budget figures for '56, evident that largest share of increased "investment" funds in new plan will go to heavy industry. Total 5 year investment for entire economy is 990 billion rubles, i.e.: US \$120 billion, a rise of 67% from '51-'55.
- C. Much of industry's share of new funds will be spent on improved new machinery large-scale plant modernization, in hopes of raising Soviet productivity.
- D. Emphasis on increased productivity (necessitated by USSR's tightening manpower supply) also shown by reduction in planned growth of labor force (up only 6.5 million, compared to 7.8 million in '51-'55).

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IV. Continued priority for industrial growth means that next five years will see improved Soviet military potential but only gradual rise in living standards. Soviet statistics indicate a planned slow-down in "real income" increases, while the "consumer's sector" of economy (agriculture, light industry) appears due for no more than modest gains.

A. New "Plan" is not as detailed on agricultural schemes as on industry-- Soviets are "sensitive" about such "sectors" of national economy in which they are not doing well.

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B. In general, however, plan will attempt to digest the great gulps of new acreage swallowed during "new lands" and corn programs of 1954-56. New efforts are also planned to achieve mechanization of most basic agricultural processes--example: combines being empha-

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sized to speed harvest, cut high harvesting losses.

- C. Further shifts of Party workers to countryside, planned expansion of State Farms, and new responsibilities for machine tractor stations also indicate increased political control over the laggard collectives.

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- A. Agricultural goals for '56-'60 are ambitious: meat production is to be increased 100% (from 4 million metric tons in '55 to 8 million in '60), and grain is to go up 50% (from '55's 90 million metric tons to 135 million in '60).

*37 hu =
1 metric ton*

- B. However, on basis past performance and in light of disappointing results to date from both land expansion and corn programs, we feel Soviets will miss

these goals by substantial margins.

C. Any lag in agriculture will also hit such parts of light industry as food processing--as Soviet planners now admit has been case in past.

D. Planned gains in widely-needed consumer goods--like textiles and shoes--are rather modest: only big increases will be luxury items, like washing machines, which still will be available only to favored few in 1960.

E. Brightest spot for consumers is plan to build double the amount of urban housing that was built in '51-'55. Planned total of over 200 million square yards of new floorspace, if sliced up among whole population, would raise average individual's space from 5 sq.yds. to 6 (about half the size of a 9x12 rug).

VI. Continuing Soviet emphasis on improved education (another key to increased labor

productivity) is also significantly underlined in new plan.

A. Minimum of 10-year course of education will be virtually universal by 1960-- this is fully as important to future industrial growth as high rate of investment, especially in view of increasing emphasis on polytechnical, rather than general, training at secondary level.

B. In training of specialists--i.e., graduates of colleges and specialized secondary schools, ranging from electricians to agronomists and surgeons--where Soviets are already quite advanced, pace is to accelerate further. Increase is 50% in new plans, against only 30-35% in '51-55. Heavy industry, construction

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and transport continue to be favored in distribution of specialists. Agriculture, which got priority in this field in 1954 retains it in the new plan

VII. Industrial growth, technological advance means that next five years will see improvement in Soviet weapons technology.

- A. For example, plan calls for tripling or quadrupling output of electronics (including automatic regulating instruments and radio measuring instruments).
- B. In field of special heat-resistant alloys, where Soviets have done much fundamental research and reached level of technology comparable to our own, new "Five Year Plan" calls for sixfold increase in production.

C. Advances in these fields could go a long way toward breaking major economic bottlenecks in Soviet guided missile program.

SOVIETS IN AFRICA, LATIN AMERICA

- I. Soviet advances into vulnerable under-developed areas increasing in momentum and scope.
 - A. Although greatest progress has been in south Asia, Middle East, Soviets see same opportunities in Africa, Latin America, and are now actively laying groundwork for exploitation.
- II. Soviet salesmen now moving deeper into Africa, where anti-colonial pitch pays big dividends.
 - A. First wheel was Pravda chief editor Shepilov--to Egypt in July '55: since then, professional glad-hander Volkov (whose position is roughly equivalent to "Speaker of the House") has visited the Tubman inaugural in Liberia, and Ambassador to Belgium, Avilov, has wangled reluctant invitation to tour Belgian Congo.

B. In addition, new Soviet overtures have been made to Libya, Ethiopia and the Sudan.

III. Libya - On 25 Sep '55, USSR recognized new Libyan state: Soviet ambassador and sizeable diplomatic delegation arrived 6 January.

A. Worth remembering that USSR bid for trusteeship over Tripolitania in '45.

B. Recognition brings Moscow closer to scene of turmoil in North Africa.

C. USSR has already made opening bids for Libyan oil concession, use of abandoned airstrip for courier flights.

IV. Liberia - Volkov, chief delegate to Tubman inauguration, extremely anxious go home with solid evidence Soviet-Liberian relations.

- A. Proposed to Tubman that they immediately draft treaty of friendship, invited Liberian Parliamentary delegation to Moscow, proposed interim third-party arrangement until formal relations established, stated USSR ready to offer economic aid.
- B. Volkov, rebuffed by Tubman, returned to Moscow without concluding agreement.
- V. Congo - Ambassador to Belgium, Avilov, touring all major centers in Congo 11-28 January.
 - A. Belgian Foreign Minister Spaak had invited Latin American ambassadors to visit Congo, in hopes softening their anti-colonial attitudes in UN: Avilov asked to go along, and Spaak found it impossible to refuse.

B. Czechs, Hungarians have also requested permission to send trade missions to Congo but these turned down by Spaak, who deemed requests phony cover for other operations.

VI. Ethiopia - Bloc's economic interest in Ethiopia continues.

- A. Latest, although unconfirmed, report claims Czechs have concluded agreement for sale Soviet petroleum products in Ethiopia.
- B. USSR has maintained diplomatic mission in Addis Ababa since '44 and Russians have had hospital there since 1900.
- C. Soviet personnel relatively few, however, (some 35, including dependents, compared with US community of over 100).

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VII. Sudan - Within week of Sudanese independence (1 Jan) Bloc recognized Sudan, expressed hope for establishment diplomatic, trade relations.

- A. Bloc trade personnel have already made trips into Sudan.
- B. USSR hailed Sudanese decision to remain outside military pacts, beamed glowing account of trade possibilities to Sudan. Pravda editorial (6 Jan) welcomed arrival of Sudan on "road of independent development."

VIII. Latin America - Soviets have just made special press release out of Bulganin replies to questions from US-published Latin American magazine, Vision. Bulganin took occasion to boost "trade and aid" program for area.

- A. Increased effort in Latin America further foreshadowed by:

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1. Expansion existing Soviet, Satellite diplomatic missions.
2. Stepped-up propaganda broadcasting directed at area in '55--(50% more than '54, 200% more than '50)
3. Increased cultural exchanges.
4. Jump in Soviet Bloc--Latin American trade levels during '54 and '55.

B. Soviet trade drive in Latin America has been underway since Moscow Economic Conference in '52, but current activity reflects new decision to shoot works.

IX. Most recent activity:

A. Soviet ambassador to Mexico sent on trip *Classified?* to Ecuador (Dec '55) where he reportedly offered Soviet munitions and \$80-100 million long-term credit. Ecuador reportedly rejected both.

- B. Same ambassador tried to establish diplomatic post in Peru, but Peruvians refused to grant him more than transit visa.
- C. Rumors in Columbian gov't circles that Colombia and USSR will reestablish relations.
- D. Soviet offer (late '55) to sell assembly equipment for Mexican tractor plant.
- X. Soviet "trade and aid" offers tailored to local L.A. situations where critical economic problems and export surpluses made for easy sales.
- A. Stepped ^{-up} Soviet Bloc deliveries, especially to Argentina in return for agricultural surpluses, as well as competitive ^l pricing, appear to be stimulating greater LA interest in Bloc markets-- new Argentine ambassador has proposed strengthening relations with USSR.

B. Cuba has negotiated new ~~\$~~12 million sale of sugar to USSR--last year's Soviet purchases helped boost sugar prices in glutted world market.

C. Uruguay recently designated commercial representatives in Communist China, Poland, and East Germany to promote sales of agricultural surpluses, which would provide credits for essential imports.

XI. Total picture of Soviet trade and aid activity in Asia, Africa and Latin American represents long-term program of considerable magnitude.

A. Soviets have made no bones about political connotations this effort in Asia and Africa.

B. Moscow looks for dividend of political support for its policies on issues such as Formosa and Western-sponsored military alliances, expects to gain allies

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YUGOSLAVIA

- I. Although Yugoslav government continues to maintain position of balance between East and West, Yugoslav relations with Soviet bloc have recently been marked by increasing economic co-operation.
 - A. ~~Increased co-operation along political and party lines has remained negligible,~~ but since mid-Dec '55 Yugos have been busy formalizing agreements outlined in economic talks at Moscow in Sep '55, when Soviets offered credits to total \$220 million.
 - B. '56 trade with USSR is scheduled to total \$70 million--nearly double the level called for in '55-- and similar trade agreements for '56 have been concluded with Poland and Rumania.

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- C. Soviet bloc scheduled trade for 1956 may become 30% of total Yugoslav foreign trade, as compared to about 20% in 1955 and 50% in 1947 (when in Bloc).
- D. Nothing indicates the shipment of strategic goods.

II. A Yugo-Soviet agreement on scientific and technical co-operation (signed 19 Dec '55) provides for exchanging experts and experience in ^{various} ~~all~~ branches of economic activities.

- A. USSR will also finance two new Yugo fertilizer plants, one power station, help rehabilitate three small mines (type of ore undisclosed), out of \$220 million.
 - 1. One factory will produce nitrogen fertilizer--annual capacity: 100,000 tons of ammonia.
 - 2. Other is superphosphate factory--annual capacity: 250,000 tons superphosphate, 120,000 tons Sul-phuric acid.

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3. Thermal power station will produce 100,000 KW.
- B. Agreement on use of remainder of Soviet credit due this month.
1. Funds granted in ten-year credits at 2%.
 2. \$54 million (for raw materials) to be drawn in 2 to 3 years.
 3. ^(SAME FOR) \$30 million (in freely-convertible gold): with exception of \$20 million loaned to Finland, this is USSR's only freely - convertible credit to anyone.
 4. \$120 million (for agriculture investment) must be drawn before 1960.
- C. Draft agreement on Soviet construction of experimental atomic reactor has also been okayed.

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1. Although details have not been released, USSR apparently will supply technical assistance (including design, equipment, materials and fuel).
2. Yugos have delayed final signature on project, possibly as bargaining device for present atomic talks with West.

III. On political front, Tito's recent visits to Egypt and Ethiopia culminated a year marked by constant endeavors to expand Yugoslavia's influence among underdeveloped and uncommitted states, strengthen Yugo's "independent" position between East and West.

- A. Tito's strong denunciation of Baghdad pact, while consistent with longstanding Yugo views on big-power military groupings, clearly aimed to win Belgrade Arab friends.

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B. Tito had general discussion of Middle Eastern problems with Egyptians, but says he never sought to mediate Arab-Israeli conflict. US Embassy Cairo has heard that Egyptians found discussions "boring."

C. Final Tito-Nasr communique (on independence of both Yugo and Egypt in foreign affairs and economic programs) was evident double-barreled warning not only against alleged Anglo-American interference in Egypt, but also against any Soviet intent to influence policies of either country.

1. Yugoslavs feel particularly qualified to alert Egyptians to dangers inherent in too close relations with USSR.

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2. Tito, at Nasr's request, gave
latter a copy of Yugoslavia's White
Book (which treats in detail Soviet
efforts to infiltrate, overthrow
Tito regime).

IV. We still stand on our estimate that Tito's
dominant motivation is to maintain Yugoslav
independence.

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SOVIET PUSH FOR "SCANDINAVIAN FEDERATION"

I. In past six months--on their own initiative ~~Soviets~~ have reportedly indicated to the Finns they are willing to discuss return of Karelia. 25X1X4

A. 

latest hint came when the Soviet Ambassador to Finland (Lebedev) told Prime Minister Kekkonen on 3 Jan '56 that all problems between Finland and the USSR can be discussed, including Karelia (that portion of Finland, generally west of Lake Ladoga, ceded to the USSR after World War II--see map).

1. Ambassador added that Soviets would like to see a "pacified Scandinavia."
2. Other evidence--including Soviet propaganda--supports USSR interest in formation of "neutral" Nordic

[REDACTED] Soviets would not return Karelia to Finland unless they stood to make some big international gains in return.

- A. Finns believe that Soviets will try to use gesture on Karelia to get Norway out of NATO.
- B. Formation of a neutral Scandinavian "federation" would be one method to entice Norway (and Denmark) to leave NATO.

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III. Recently, [REDACTED]

Finnish President Paasikivi, Prime Minister Kekkonen and Defense Minister Skog have privately discussed their hope that a "Scandinavian Federation" (including Denmark, Finland, Norway and Sweden) could be formed.

- A. They feel that prospects for Finnish neutrality in an East-West war would be greatly increased by association with a neutral Scandinavian bloc.

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