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POLITICAL AND ECONOMIC SITUATION IN SELECTED AREAS AT OUTBREAK OF EAST-WEST HOSTILITIES PRIOR TO JULY 1949

24057

IM-51

19 August 1948

(Reference: Joint Intelligence Group DDM-46)

Copy no. 1a

CENTRAL INTELLIGENCE AGENCY

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FOREWORD

1. This report is in fulfillment of the request of the Joint Intelligence Group, The Joint Staff, set forth in memorandum JDM-46, dated 9 August 1948.

2. The outline proposed by the JIG has been substantially adhered to, deviations having been made only when available material was not adaptable to the prescribed form.

3. Section and paragraph numbers used throughout the paper refer to those used in the JIG outline.

4. The terms "eight allies" or the "eight designated allies" refer to the United Kingdom, Canada, Australia, New Zealand, Union of South Africa, France, Belgium (including Luxembourg), and the Netherlands.

5. In addition to the assumptions stated by the Joint Intelligence Group, it has been necessary to assume the following:

   a. The situation is estimated as of 30 June 1949 (D-day on 1 July 1949).

   b. The Soviet M-day and D-day for all practicable purposes coincide; hence war comes as a surprise to the West, but not as a surprise to the East.

   c. The US will meet its ERP commitments, and US aid will be efficiently utilized.

   d. The present general political and economic situation will continue, as will the present political and economic division of Germany and Austria.

   e. No substantial disruption to European trade will occur from Soviet policy or action.

   f. A normal crop year will be had throughout the world.

6. Where pertinent to the treatment given the political factors, material has been included on Germany, Austria, Switzerland, Italy, Spain, and Portugal.

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7. The 1949 expected uranium production and requirements of the eight designated allied countries is information which is covered by the Atomic Energy Act of 1946 and cannot be reported by CIA without special permission of the Atomic Energy Commission. It is suggested, therefore, that this request be referred to them for their judgment on release of the requested information.

8. While certain military information was obtained from the Departments of the Army, Navy, and the Air Force (particularly information used in preparation of paragraphs 2 a and b (3) (p), (q), (r), (t), and 2 a and b (6) (b), this paper has not been coordinated with the departmental intelligence organizations.

CENTRAL INTELLIGENCE AGENCY
19 August 1948

POLITICAL AND ECONOMIC SITUATION IN SELECTED AREAS AT OUTBREAK OF EAST-WEST HOSTILITIES PRIOR TO JULY 1949

CONCLUSIONS

SOVIET UNION AND SATELLITE STATES

1. Political.

a. The political aims of the USSR will be to check the threat to the Soviet orbit inherent in the growing stabilization of the non-Communist world, to eliminate possible bridgeheads from which the Western Powers might launch an attack on the Soviet sphere, and to establish Soviet-dominated governments in areas occupied by Soviet forces. The political instruments used in the attainment of these objectives would be:

(1) Intensification of the propaganda program which will be designed particularly to undermine the united front of the Western Allies, to portray the Soviet Union as the defender of all "true democracies" and "Peace loving" peoples of the world and to convince the peoples of the world that was has been forced on the USSR by the imperialistic design of the US.

(2) Maximum exploitation of the Communist Parties in the allied countries for subversion and sabotage.

(3) Exploitation of dissatisfied minority groups in the allied countries.

b. The Satellite States, with the possible exception of Finland and Yugoslavia, would firmly support the USSR in all these efforts. The

strong police control maintained by the Soviet Government and the military successes and booty that probably would be obtained in the early stages of the war would for a time assure the Soviet Government of strong popular support. As the war progressed, however, with increasing hardships accompanying Soviet military reverses, the Soviet position could be seriously affected by the following basic weaknesses, particularly if properly exploited by the allies:

(1) The strong native nationalism of the Satellite nations and certain ethnic groups within the USSR.

(2) The natural friendship of the Russian people for the American people and the healthy respect of the Russian people for American technical and industrial ingenuity.

(3) The susceptibility of the Soviet people and the Soviet Army to psychological warfare. The Army would be particularly vulnerable after an extended period of occupational duty outside the USSR.

(4) The popular disillusionment and embitterment that would develop among the masses throughout the areas under Soviet control as a result of ruthless Soviet and Communist suppression and exploitation.

(5) The instinctive fear invading all elements in the Soviet and Satellite societies which tends to destroy independent thinking and initiative.

(6) The influence of religious groups.

The forces of resistance inherent in these weaknesses, however, would not assert themselves effectively unless they received guidance and material support from the West and until the Soviet orbit were subjected to prolonged and effective aerial bombardment and the prospect for ultimate

victory seriously diminished or invasion of the Soviet orbit by Western forces became imminent.

2. Economic.

The combined wartime productive ability of the USSR and Satellites by 1 July 1949 will be below that of 1940. While their industrial and agricultural capacity will then be considerably advanced over the 1945 level, deficiencies will continue in certain key fields primarily in transportation, skilled manpower, high-grade gasoline and lubricants, special types of machine tools, some precision equipment, industrial diamonds, certain ferro-alloys, tin, natural rubber and certain types of finished steel. Stocks of most vital commodities will probably be below the prewar level.

Despite these deficiencies there is no doubt that the Soviet bloc would be able to mobilize its economy for a major war in 1949. The extreme flexibility of the Soviet war economy, as evidenced in World II in the short run would permit the necessary adjustments to overcome most of the above weaknesses.

ALLIED NATIONS

1. Political.

a. Political Aims, Objectives, Trends, and Methods.

(1) The political aims and objectives of the UK during the period prior to the presumed outbreak of war will be to attain the maximum degree of international stability in the interest of achieving as rapidly as possible its own economic recovery, and to protect its remaining imperial possessions and its strategic positions in the Middle East from Soviet encroachment. To these ends it will strongly support US policy and will

encourage the development of the Western Union, encourage increasing five-power military cooperation and invite increased US participation to insure the security of threatened areas which the UK deems strategically and economically important. It will proceed cautiously with respect to implementing Western union in order not to alienate the dominions but its objective will be ultimately to harness the entire commonwealth to Western Union. It will continue to employ a firm but patient policy towards the USSR and, while not appeasing, may be inclined to exercise a "moderating" influence on the US.

(2) With the possible exception of South Africa all the British dominions will actively support the UK and the US in their aims to restore world economic stability and to contain the USSR. France and the Benelux countries will show increasing economic stability recovery, rely increasingly upon cooperation with the US and actively promote Western union. France at the same time will attempt within the framework of the above procedure to restore its lost prestige and to establish its independence of the US.

(3) The present rightist dictatorships of Spain and Portugal, the conservative regime in Switzerland and the democratic government in Italy probably will continue in power. In spite of some probable improvement, neither Spain nor Italy will escape discontent from economic causes. Switzerland, Spain, and Portugal will undertake to maintain their neutrality but Italy, while showing some disposition to maintain a position of neutrality, will probably be increasingly disposed to a military alignment with the Western Union, at the same time developing increasing resentment toward the UK over the colonial issue and toward Yugoslavia over Trieste.

(4) Austria will continue its strong Western orientation but in Germany hostility toward Western occupation policies and increasing nationalism will lead to antagonism toward the Western Powers and a strengthening within the country of the political forces on the extreme Left and Right at the expense of the center.

b. Attitude and Morale of Native Populations.

(1) British morale is high and the country will react with customary resolution in the event of hostilities. The population is practically impervious to psychological warfare. In Canada both the Anglo-Saxon and the French elements are equally devoted to the traditions of liberty and democracy and may be expected to support the UK and US in the struggle against Communism. The susceptibility of the Anglo-Saxon elements to psychological warfare is negligible. The French element is vulnerable in to Communist propaganda, but with its strong racial consciousness might be susceptible to certain types of psychological warfare. The loyalty of certain Slavic minority groups in Canada, located frequently in industrial areas, however, is subject to question and will continue to be a particular target of Soviet propaganda. Neither the Australians nor New Zealanders would be susceptible to psychological warfare under wartime conditions in spite of appreciable Communist influence in the Australian labor movement. South Africa, while hostile to the USSR, would probably not approve full participation in a war overseas. Its white population, with its intensive anti-British feeling, would be vulnerable to certain types of psychological warfare and its non-white population would be highly vulnerable to Communist propaganda. Both the French and the Italians, who are largely cynical, selfish and disillusioned, would be extremely susceptible to psychological warfare, particularly under conditions in which they might see little hope for a Western victory. The

Dutch and the Swiss are unsusceptible to psychological warfare but the Belgians, although in most respects similar to the Dutch, could be more easily influenced. Spain, because of its low standard of living, would be a fertile field for Communist doctrine and Portugal would likewise be extremely susceptible to psychological warfare. The Germans, although not strongly oriented toward the West, fear the USSR more than the Western allies. They are not easily deluded by propaganda. The Austrians, on the other hand, are strongly oriented toward the West but exhibit a stronger sense of expediency.

c. Subversive Organizations.

(1) Subversive organizations in the UK can have no more than a nuisance value. In Canada a substantial Communist influence in the labor unions, particularly on the Pacific Coast and in the industrialized province of Ontario, could interfere with industrial operations, but strong, popularly supported government action should be able to prevent serious political or physical sabotage. Widespread Communist control of important labor unions in Australia could temporarily disrupt an initial Australian war effort but the inherent loyalty of the rank and file would probably soon restore unity to such war effort. In New Zealand the small number of Communists, through their influence in labor organizations, could initially cause some industrial stoppage but the government could quickly get control of the situation. The small number of South African Communists cannot seriously disrupt the economy in the face of firm government action. While the Communist parties in France and the Benelux countries are well organized and disciplined, they cannot seize power by force in the absence of foreign intervention, but they are capable of retarding economic recovery. Their influence and capabilities are less in Holland than in any other of these countries. The Italian Communist

Party is the most powerful and influential in Western Europe. It has the capability of temporarily seizing control in northern Italy by insurrection but could not maintain this control without outside assistance. As in France and the Benelux countries, they retain the capability of retarding economic recovery but cannot carry out a general strike. In Spain there is a small group of trained militant Communists which has the capability of fomenting labor unrest and carrying on guerrilla action but has not the capability of overthrowing the Franco regime; on the other hand, the unorganized non-Communist opposition to the Franco regime in Spain has a potential strength of more than 50% of the population. There is no potential Communist threat in either Portugal or Switzerland. In Western Germany and Austria the Communists number about 5% of the population, and, while capable of considerable sabotage in both government and industry, could not carry out an armed insurrection or large-scale guerrilla action.

d. Factors of Strength and Weakness Affecting War Potential.

(1) The UK is the strongest ally of the US in the political sense. Its propaganda directed toward Eastern Europe is believed to be relatively effective owing to its long experience in this field and to the fact that its socialist government renders British propaganda less suspect to the socialist-minded Eastern Europeans. If Western Europe were occupied by the enemy, competent British support of resistance movements and British influence and prestige in numerous countries outside the Commonwealth and the Empire would be beneficial to the US. Although the British Government and people are firmly united, and morale is high, in war this morale might eventually tend to weaken under the following conditions:((a) a prolonged intensive bombardment against which counter-measures were ineffective, particularly if allied strategy excluded the defense of the UK as a matter of priority;

or (b) if the Western sea approaches were not kept open sufficiently to maintain a viable diet and a substantial measure of economic activity. Prior to the outbreak of war, any appreciable diversion of the UK industrial plant for military production would be feasible only if US economic aid were increased to fill the gap; in wartime the UK would require US economic support. In the event of war it might be politically impossible for the British Government to use mass destruction weapons before they were used by the enemy. The traditional opposition of the French in Canada to participate in military conflicts involving the British Empire might again dilute a Canadian war effort, but the French Canadians would probably be more inclined to support a war against the USSR than they have been to support previous wars. In view of Canada's exposed northern frontiers, also, the government might be reluctant to supply forces for other theaters. However, there is in Canada a strong sense of the unity between US and Canadian strategic interests which should mean full official collaboration in preparation for war and in industrial planning. Both Australia and New Zealand would strong support a war effort in spite of some initial difficulties from the Communists within. While South Africa would unquestionably cooperate in providing the US with bases and access to its strategic raw materials, the serious internal differences presently prevailing in the country would probably preclude the possibility of an all-out war effort. The lack of military strength in France, Italy and the Benelux countries will make them of little value to the US in the event of war. With the possible exception of the NE Indies and French Indochina, however, the colonial resources of these countries would probably be available to the allies. Because of their geographic location, Spain and Portugal might be of some temporary use in spite of the weakness of their armed forces and their economies. Switzerland, with its well trained army

and elaborate defenses would be able to delay for some time the total occupation of the country. Neither Western Germany nor Austria could be expected to play a part of any strategic significance.

2. Economic.

Data showing the degrees of self-sufficiency for the eight designated allies, taken collectively, are somewhat unrealistic; if not interpreted with caution, they might be seriously misleading. The areas of the eight respective countries are not contiguous, nor do their economies readily blend into a cohesive whole. Although, collectively, the eight countries may be nearly self-sufficient in a given commodity, their strategic position may be quite otherwise when one analyzes their ordinary and traditional channels of trade.

In the ordinary course of world commerce, even though these eight countries constitute markets or sources of supply for given products, frequently they do not constitute one another's usual markets and sources for such products. Canada's iron ore, for example, is not usually shipped to her "seven allies", but to the United States. Similarly, the eight countries are potentially about self-sufficient in nitrogenous fertilizers; but inasmuch as some of them customarily export to non-allied countries, others must depend heavily on "outside" sources of supply. Thus, only by substantial, and at times costly, reorientation of established trade channels may the degree of self-sufficiency calculated on the basis of the given assumptions be attained.

With some reorientation of their established patterns of trade, the eight countries could be self-sufficient in bread gaains, steel capacity, aluminum, sulphuric acid, nitrogenous fertilizers, soluble phosphates, synthetic rubber, motor trucks and most forest products. In a few instances, the eight allies are on a substantial export basis.

At the other extreme, the eight countries would have vital deficiencies in their supplies of certain items. Tin and natural rubber from the Far East and petroleum from the Caribbean region and the Middle East involve critical supply situations not only because of the strategic nature of the commodities themselves, but also because of the extreme deficiency of indigenous allied production, the lack of adequate alternate sources, the inherent difficulties of wartime transportation and political uncertainties in the producing areas.

The character of foreign dependence may be as important as the extent of the deficiency itself. Fortunately for many items, traditional sources of supply would not be immediately closed in the event of war. The importance of the various areas from which such supplies may be obtained are indicated below.

The United States would be able to furnish the allied countries their entire requirements of sulfur and cover their deficiencies of coal and coarse grains and could by control of the Caribbean probably contribute to the allied petroleum requirements. In addition, United States supplies of phosphate rock and fats and oils would supplement other foreign sources to satisfy allied deficiencies.

Africa would be the most important single foreign source of phosphate rock, copper, zinc, and lead. In addition, it could supplement other foreign sources as a supplier of bauxite, fats and oils, and iron ore.

The Far East is important as the supplier of 91% of the allied requirements of both tin and natural rubber and also as a source offfats and oils and phosphate rock.

Latin America would be able to satisfy allied deficiencies of sugar and meat.

Spain is important as a supplier of pyrites, potash, iron ore and zinc.

Sweden is ordinarily the allied countries' most important single foreign supplier of iron ore.

The Middle East usually supplies virtually all of the allied deficiency (96%) of petroleum.

The Allied Nations will enjoy in 1949 an element of strategic strength in their ability to organize transport operations by air. This long-range mobility, which cannot be matched by the USSR, is based in part on the availability of world-wide air bases. It would be of particular significance in gaining advantage through rapid initial moves at the outset of hostilities. The foregoing conclusions are true without regard to the dominant position of the US in air transport, and would apply to a far greater degree if the resources of the US were taken into consideration.

From the point of view of surface transportation, there is a strategic weakness in the Allied position, due to the dispersion of its component areas, which requires intercontinental transportation across vulnerable sea lanes,

and into narrow areas within effective range of Soviet air power. Moreover, much of the allied shipbuilding capacity would be likewise located within the range of enemy air attack. The entire surface transportation systems of Western Europe, in fact, would be vulnerable to this type of enemy action.

A contingent strategic weakness rests in the Allied tanker position. While the world tanker fleet, exclusive of Soviet-controlled vessels, is larger than it was at the end of World War II, losses of major oil-producing or refining areas might require changes in the distribution of oil which could seriously tax the capacity of the tanker fleet presently available to the Allies.

The surface transportation positions of the Soviet-Satellites and of the Allied Nations, as viewed along the iron curtain across Europe, seem to be balanced strategically in favor of the Allies. Important allied industrial areas are close at hand and are connected by highly organized surface facilities, with many alternate routes. The USSR, on the other hand, could not match the nearby industrial resources of the Allies, and would depend on sparser lines of supply to this area. Thus the resources for the maintenance of the rail systems themselves are also much more accesible to the Allies than they wou'd be to the Eastern Powers.

POLITICAL FACTORS

SOVIET UNION AND THE SATELLITE STATES

Soviet Political

1. a. Introduction.

While ultimate domination of the world continues to be the long-range objective of the Communists and the Kremlin, the USSR could embark on a global war by 1 July 1949. Such an undertaking, however, would by no means be assured of eventual success.

Unless it can obtain some voice in the control of Western Germany, the USSR will increase its efforts to force the Western Powers out of Berlin.

While the possibility of a miscalculation on the part of the Soviet bloc is ever present, it is estimated that by 1 July 1949, the Soviet Union would only commit an aggressive act, which would bring on a "defensive" war in Western Europe if the Kremlin decides that (1) the Western Powers are becoming so strong as to constitute a real threat to the Soviet orbit in the near future, or (2) because of successful Western solidification it can penetrate no further in Western Europe by present methods.

Soviet Political

1. a. (1) Political Aims and Objectives.

Soviet Union.

A war begun by the Soviet Union in the period prior to 1 July 1949 probably will have the objectives of (a) checking the threat to the Soviet orbit inherent in the growing stabilization of the non-Communist world; (b) eliminating possible bridgeheads from which the Western Powers might launch an attack on the Soviet sphere to give the USSR greater defense in depth; and (c) establishment of Soviet-dominated governments in areas occupied by Soviet forces.

The above war aims would be implemented by the following measures of a political nature already pursued by the USSR and which would be greatly augmented in time of war;(a) undermining the united front of the Western allies by exploiting their political and national differences and weaknesses; (b) imposing rigid Communist Party control and influence in the Soviet orbit through ruthless pursuit of party policies and objectives; (c) strengthening of Communist elements in the Western world to aid the Soviet cause by means of espionage, sabotage, and other fifth-column activities.

Satellite States.

In general, the governments of the Satellite states, being completely under Soviet domination and control, will have no political aims and objectives distinguishable from those of the USSR.

Two cases, however -- Finland and Yugoslavia -- call for special mention. In Finland, Soviet influence over the present government is by no means complete. In the event of hostilities, however, the USSR would move promptly

with political or military means, or both, to bring Finland under complete domination. In Yugoslavia, assuming present political conditions prevail at the time of the outbreak of hostilities three alternatives present themselves:

(a) As a result of pressure or promises from Moscow, Tito and the Yugoslav Government might be brought completely within the Soviet fold;

(b) The present Yugoslav Government might refuse voluntarily to accept Soviet domination, and the USSR might proceed with military force to occupy Yugoslavia and replace the present government with one completely subservient to the Kremlin;

(c) If the present Yugoslav Government stubbornly refused to support the Soviet war effort, the Kremlin might decide temporarily to by-pass and isolate Yugoslavia in the belief that it could be readily subjugated at a later date.

Soviet Political

1. a. (1) Methods and Trends.

The principal methods in the political and sociological fields on which the Soviets would rely after the outbreak of hostilities are:

(a) Propaganda - The Soviet propaganda policy now in use by the Kremlin would not be radically altered as a result of war. However, its intensity would be greatly strengthened and its methods considerably expanded to facilitate the realization of maximum propaganda objectives of a total war.

i. Every conceivable propaganda medium would be exploited by the Kremlin in support of Soviet political aims. Propaganda would be more openly and ruthlessly directed to sow doubt and confusion in the minds of the enemy and to undermine enemy morale and desire to contribute to the war effort. The dominating war propaganda theme probably would be that the Soviet Union was defending the interests of all "true democracies" and "peace loving" peoples throughout the world; and that the war had been forced upon the USSR by the imperialistic designs of the US.

ii. Communism - As a result of the war, Communist Parties in Western countries other than those overrun by the USSR, would immediately be forced to go underground. The effectiveness of Party control and organization would be further reduced as a result of arrest and internment of its leaders. It can be assumed, however, that in spite of these counter measures certain Communist elements would be able to continue to aid the Soviets in their total war effort through sabotage and subversion. Soviet leaders would attempt to re-establish and reinforce the channels of communications with

their underground groups and would continue to exercise Party control and direction. They would make strong efforts to infiltrate new leadership and extend their subversive operations to cover war industries, government organs, and the armed forces.

iii. Minority Groups - The Soviets would make strong efforts to exploit dissatisfied minority groups living in "enemy" countries for the purposes of creating political disunity, unrest, and sabotage of Western war efforts. The Kremlin, for example, may be expected to exploit the negro problem within the United States to its own advantage. By appealing to the Slav nationalism of the various Slav elements in the Western World, the USSR would further seek to use these people for subversive and propaganda activities.

Satellite States.

The methods and trends employed by the Satellite states in the pursuit of the above-mentioned objectives will in most cases be identical with those of the Soviet Union itself. In addition, however, they may be expected to seek to exploit, for purposes of sabotage, espionage, and propaganda, Satellite national elements residing abroad, especially in the Western hemisphere, through patriotic, religious, and cultural appeals.

Soviet Political

1. a. (2) Attitude and Morale of the Native Populations, Arising from their Traditions, National Characteristics, and Recent History.

Soviet Union.

The morale of the Soviet people would not become a decisive consideration to the Kremlin until such time as a drastic deterioration of the Soviet military position took place. While certain elements of the Soviet population, particularly ethnic groups in the Baltic States, Ukraine, the Caucasus and Central Asia, are dissatisfied with Soviet rule and hostile to domination by the Great Russians, the Soviet Government through its efficient security police network would be able to keep these groups under effective control in the early stages of the war. The more protracted the war, the more chance there would be for these subversive influences, already present in the Soviet Union, to manifest themselves and take a more active part in interfering with the Soviet war effort. Effective resistance or uprisings could be expected to occur only when the Western allies are able to give material support and leadership, and assure the dissident elements early liberation from the Soviet yoke.

Although the people of the USSR have not recovered from the privations and horrors of the last war, they can be expected to endure additional hardships, in the initial stages of the war. Russian patriotism, while less ardent in support of a foreign war than in defense of home territory, would not be greatly shaken as long as military victories and war booty were forthcoming. As hostilities progress, however, and if Soviet military reverses become known within the USSR, the increased hardships and suffering would magnify the already extensive popular dissatisfaction with the regime. The

natural friendship for the American people and the healthy respect for American technical and industrial ingenuity might also prove to be important factors in affecting the Soviet people's morale and their willingness to make seemingly useless sacrifices for a sustained war effort.

The people of the USSR are very susceptible to psychological warfare. The Soviet Union's most significant weakness in this regard is its policy of keeping its people in complete ignorance of the true conditions both inside and outside the USSR.

Psychological warfare, therefore, can be an extremely important weapon in promoting dissension and defection among the Soviet people, undermining their morale, and creating confusion and disorganization within the country. It could be particularly effective in subversive operations directed toward those ethnic nationalities which would welcome American liberation, as well as against the Soviet Army, especially those elements of it which would be stationed outside the borders of the USSR.

The most effective theme of a psychological warfare effort directed against the Soviet Union would be that the Western Powers are not fighting against the peoples of Russia, but only against the Soviet regime and its policies of enslavement and exploitation.

Satellite States.

The overwhelming majority of the native populations in the Satellite countries are intensely nationalistic, and bitterly resent Moscow domination and the present Communist regimes with which they are burdened. This attitude, however, while a source of great potential weakness to the Soviet bloc

if shrewdly exploited by the West, would not give rise to effective resistance movements immediately upon the outbreak of hostilities. Initially, the dominant attitude among the Satellite populations would be one of increased non-cooperation and passive resistance toward their Communist masters. This might result in impairing the agricultural, industrial, and military contribution of the Satellites to the Soviet war effort. More effective resistance, however, in the form of organized sabotage and guerrilla activity, would be unlikely to develop significantly until assured of guidance and support from the West. In view of these conditions, the peoples of the Satellite area will prove readily susceptible to psychological appeals, and will be particularly influenced by assurances that aid from the West, in support of their aspirations for national independence is forthcoming.

Soviet Political

1. g. (3) Subversive Organizations (collective potential).

Soviet Union.

With the exceptions of those in the Ukraine and the Baltic states, there are no known subversive organizations within the USSR borders. The Ukrainian Partisan Army (UPA) still retains some vestiges of its original organization, although since the end of World War II its effectiveness and numbers have been considerably reduced by Soviet counter-measures. Reports from the Baltic states indicate the existence there of anti-Soviet partisan movements consisting of a number of loosely organized groups which have little or no liaison with one another.

In the initial stages of hostilities these movements, or other subversive organizations which would spring up, would not materially affect Soviet war capabilities. As the war progressed, however, and allied material help and guidance were extended to these groups, they might be expected to assume more active roles in sabotage, propaganda, and resistance activities directed against the Soviet war effort.

Satellite States.

There are, in all of the Satellite states, underground groups organized for the purpose of resisting Communist domination. These groups have been the object of relentless campaigns by Soviet and Communist security forces, and it is doubtful if they are presently capable of more than isolated acts of sabotage and harassment. Despite their limited capabilities, however, their mere existence would, in the event of war, constitute an additional burden upon the already severely taxed resources of Communist security machinery.

Soviet Political

Furthermore, the psychological effect of the activities of these groups, however limited, would encourage anti-Communist elements among the general population.

Soviet Political

1. a. (4) Conclusions of Strategic Significance.

The significant political strengths and weaknesses of the Soviet orbit are estimated to be the following:

Strengths: (a) The native courage, stamina, and patriotism of the Russian population;

(b) The elaborate and ruthless machinery by which the Kremlin exercises centralized political control throughout the Soviet orbit, employing police forces, propaganda, and economic and political duress;

(c) The ideological appeal of theoretical Communism.

Weaknesses: (a) Popular disillusionment and embitterment among the masses throughout the Soviet orbit, resulting from ruthless Soviet and Communist oppression and exploitation;

(b) The instinctive fear, pervading all elements in Soviet and Satellite society, which tends to destroy independent thinking and paralyze initiative;

(c) The traditional admiration of many of the Soviet and Satellite peoples for Western democracy in general and the US in particular;

(d) Influence of religious groups, especially among the Satellites;

(e) The native nationalism of the Satellite populations and of certain ethnic groups in the USSR;

(f) Probable demoralization which would result from foreign military and occupation duties.

Soviet Political

It is estimated that the strengths noted above constitute an actual and present advantage to the USSR, while the weaknesses, in most cases, are potential rather than actual. During the early stages of conflict, the above-mentioned weaknesses would constitute a substantial burden upon the Soviet Union's machinery for political control, and would also impair the Kremlin's economic and administrative capabilities. These weaknesses, however, would not have an early and decisive effect upon the outcome of a Soviet military venture. During the early stages of war, native Soviet morale might somewhat improve with reports of spectacular victories and the prospects of booty from Western Europe. It is unlikely that the psychological weaknesses in the Soviet and Satellite structure would produce serious consequences unless (a) the Soviet orbit were subjected to prolonged and effective aerial attack from the West, and the prospect for ultimate victory seriously diminished; or (b) invasion of the Soviet orbit by Western forces became imminent.

Furthermore, it is extremely doubtful that the forces of resistance within the Soviet orbit would effectively assert themselves unless and until they received guidance and material support from the West, and saw hope for early liberation by Western forces.

POLITICAL FACTORS

ALLIED NATIONS

Allied Political

1 b (1) Political Aims and Objectives.

United Kingdom.

The UK desires a maximum of international stability in order to achieve economic recovery as rapidly as possible, but this aim is qualified by a determination to insure its own security, that of the dependent areas and imperial communications, and that of the Middle East from Soviet encroachment.

The UK intends, in concert with the US, firmly to check Soviet expansionism.

The UK intends to maintain its imperial position so far as possible. In the dependent empire it aims to encourage a reasonable rate of progress toward self-government, replacing political controls with economic, cultural, and security ties. With regard to the Dominions it aims to preserve and promote Commonwealth solidarity.

The UK intends to encourage Western Union and increasing unity in Western Europe, but at a pace which will not risk the estrangement of the Dominions.

While the UK will continue to support the UN, until the latter has the power to guarantee collective security the UK will continue to build power-political relationships whose cornerstone is an intimate association with the US and whose superstructure includes the Brussels pact and Commonwealth cooperation.

Canada.

Canada desires international peace and a high level of international trade as conditions prerequisite to the development of its territory and resources. Canada intends to maintain close relations with the US as the best guarantee of its security. Canada also intends to continue its membership in the British Commonwealth of Nations, seeing in the Commonwealth a major support of world order and its own participation as a vital link in a North Atlantic security system embracing the US and the UK. Canada desires political stability and economic recovery in Western Europe because of the area's importance to Canadian security and long-standing cultural and commercial ties.

Australia.

Australia desires international peace and a high level of world trade. It wishes to preserve the Australian Continent as an area of white settlement and secure against Asiatic imperialism. It desires friendly relations with the US and close contacts with the UK and other Commonwealth countries.

New Zealand.

New Zealand desires peace and a high level of world trade. It desires to guarantee the security of the Southwest Pacific area, and it wishes to obstruct any Asiatic imperialism.

South Africa.

South Africa desires to maintian its country free of external influence and internally secure for its dominant white minority. It

is interested in seeing as much of the African Continent as possible become a "white man's country" in which the Union would be the leading nation.

France and Benelux.

The primary concern of the Governments of France, Belgium, the Netherlands, and Luxemburg is peace in order to effect the political and economic security and stability of their respective peoples. These Governments also seek to restore the prestige of their nations to a pre-World War II level and to retain their colonial possessions with a minimum of reforms. All wish to participate in the formation of an economically stable but decentralized Western Germany.

Italy, Switzerland, Spain, and Portugal.

The basic aims and objectives of Italy, Switzerland, Spain, and Portugal are similar. All desire peace, internal and external security and the opportunity to establish or to maintain their political and economic independence; all hope to remain neutral in the event of a war. Italy wishes to regain a place in international councils.

Western Germany and Austria.

Although both Western Germany and Austria want peace and economic recovery their principal political objectives differ somewhat from those of the other Western European countries. Each desires restoration of complete sovereignty and the withdrawal of all occupation forces as well as the lifting of controls and restrictions. The Germans seek control of the Ruhr, elimination of reparations, restoration of their armed forces,

unification of the country including restoration of lost territory, and the recapture of their former position in foreign trade and international matters.

Allied Political

1 b (1) Trends.

United Kingdom.

The UK is politically stable. There are indications of a rightward trend within the Labor government. With regard to foreign policy, which is bi-partisan, the British people solidly support the government and will continue to do so. US leadership, particularly concerning the containment of the USSR, is tacitly conceded. Economic recovery has been slow, owing to factors both within and outside the nation's control, but some progress is apparent and should continue until industrial facilities must be diverted in any appreciable measure to military production. Such conversion will wreck the economic program.

The UK is encouraging joint military planning under the terms of the Brussels pact.

Canada.

Within the dominant Liberal Party leadership is being passed from W. L. Mackenzie King to Louis St. Laurent, but the change is not likely to have any appreciable effect upon Canada's external affairs.

Australia.

Australia is inclined to be assertive of its "rights" and to refuse to accept an ordering of international affairs by the Great Powers alone.

New Zealand.

Close cooperation with Australia in mutual security concerns will be maintained, and increased reliance on the US will be manifested.

South Africa.

With the advent of the Malan government the political trends are in the direction of less international and Commonwealth cooperation and the intensification of isolationism in foreign policy and authoritarian practices in domestic affairs.

France and Benelux.

The centrist coalition Governments of France and Belgium are tending increasingly toward the right, while the moderate left-right coalition which governs the Netherlands continues unchanged. All three nations are showing increasing economic stability and recovery. The Governments of Belgium and the Netherlands are attaching growing importance to international problems and their respective parts in solving them, and are laying greater emphasis on such regional groupings as the Western European Union and the Benelux Customs Union. The Government at Paris is exerting itself to restore the lost prestige of France and is seeking to emancipate the country from dependence on the US.

Italy, Switzerland, Spain, and Portugal.

The present rightist dictatorships of Spain and Portugal, and the conservative regime of Switzerland probably will continue in power as will the democratic Government of Italy. Spain, Portugal, and Italy will show some economic improvement although neither Spain nor Italy will escape considerable discontent from economic causes; in Switzerland both economic stability and prosperity will continue. Italy will show increased sympathy with the West and probably will be disposed to a military alignment with

the Western Union, at the same time developing increased resentment toward the UK over the colonial issue, and toward Yugoslavia because of Trieste; improved economic relations with France will lead to improved political understanding with that state. In Spain, the regime will intensify its Hispanidad program and collaborate more closely with Argentina in its program for an "International Third Position".

Western Germany and Austria.

Increased protests and resistance to occupation policies and continued economic dependence on the US can be expected in Western Germany and Austria. In the former area increased nationalism will lead to a weakening of the political center, and political unrest will prevent stability despite improved economic conditions resulting from ECA. The industrial potential will be increased, although labor will gradually be alienated from the West, as will political leaders. In Austria, the Western orientation will continue strong as will the cooperation between the coalition political parties. Increased economic stability will result from greater production, lowered prices, and a larger volume of exports.

Allied Political

1 b (1) Methods.

United Kingdom.

The UK will continue to employ firmness with patience to contain the USSR, accepting US leadership in agreed tactics and strategy but exerting as strong an influence as possible. The UK will not appease, but may be inclined to exercise a "moderating" influence on the US.

The UK will not risk offending the Dominions by sacrificing Commonwealth interests — or even appearing to do so — in favor of those of Western Union. Rather, the UK will proceed cautiously in regard to implementing Western Union, consulting the Dominions at each step, so as to avoid giving offense to the latter. While this may give rise to charges of "dragging its feet", the UK intends ultimately to harness the entire Commonwealth to Western Union.

The UK will continue to use UN forums to marshal world opinion to its views. It will support UN principles objectively when British principles deemed vital are not at stake. However, the UK will attempt to obstruct UN actions considered to be contrary to British interests. For the most part, in this connection, British interests will generally correspond to US interests.

The UK will continue to encourage increasing five-power military cooperation and integration according to the Brussels pact.

The UK will continue to invite increased US participation to insure the security of threatened areas which the British deem strategically or economically important.

Although the UK will strive to the utmost to forestall war, it will act with high resolution once war is forced upon it.

Canada.

Domestically, Canada will continue to adhere to democratic methods in the formulation and execution of policy. In the international field, Canada will participate actively in the UN, maintain close diplomatic and military liaison with the US, and continue customary methods of exchanging of views and developing policy with the UK and other Commonwealth countries. Because of the Canadian stake in world trade, the Dominion will be a willing participant in international programs designed to speed recovery from the last war.

Australia.

Australia will cooperate with the UK in matters of Commonwealth interest and with the US in policies to promote world peace and stability. It will actively participate in UN activities.

New Zealand.

New Zealand will employ the traditional machinery of British Commonwealth cooperation in promoting its aims. It will also actively participate in UN affairs.

South Africa.

South Africa will be generally cooperative with the US for security and commercial reasons. It will continue to use the consultative and cooperative machinery of the British Commonwealth insofar as it is in a narrow South African interest to do so. South Africa's support of the UN will be largely determined by UN action in causes of special interest to the Union, i.e., the mandated area of Southwest Africa and racial minorities.

France and Benelux.

The trends outlined in 1 b (1) Trends will proceed in France, Belgium, and the Netherlands from continued reliance upon the cooperation with the US, active promotion of the Western European Union, and the continued use of democratic methods in government. France will attempt to use the UN to promote its own interests and will delay implementation of the French Union program, while the Netherlands will attempt to remove consideration of colonial matters from the UN, and Belgium will promote the interests of smaller nations.

Italy, Switzerland, Spain, and Portugal.

In the so-called "neutral bloc", the regimes of Spain and Portugal will continue their machinations to remain in power, while Portugal will participate in the ECA, continue its traditional commercial ties with the UK and seek to improve such ties with the US, linking these efforts to its military cooperation with the US. Spain, while continuing to collaborate with Argentina and to make widespread trade agreements, will seek to obtain indirect benefits from ECA and direct economic and military assistance from the US, at the same time avoiding participation in the Western European Union and attacking democratic systems of government. Italy will seek its aims by reestablishing friendly diplomatic relations in both East and West, taking part in international organizations, and by emphasizing the dangers from Communism, and the need for continued US aid. The Swiss Government, while increasing its military readiness, will stress its neutrality and increase its economic cooperation with the West but still maintain its Eastern trade.

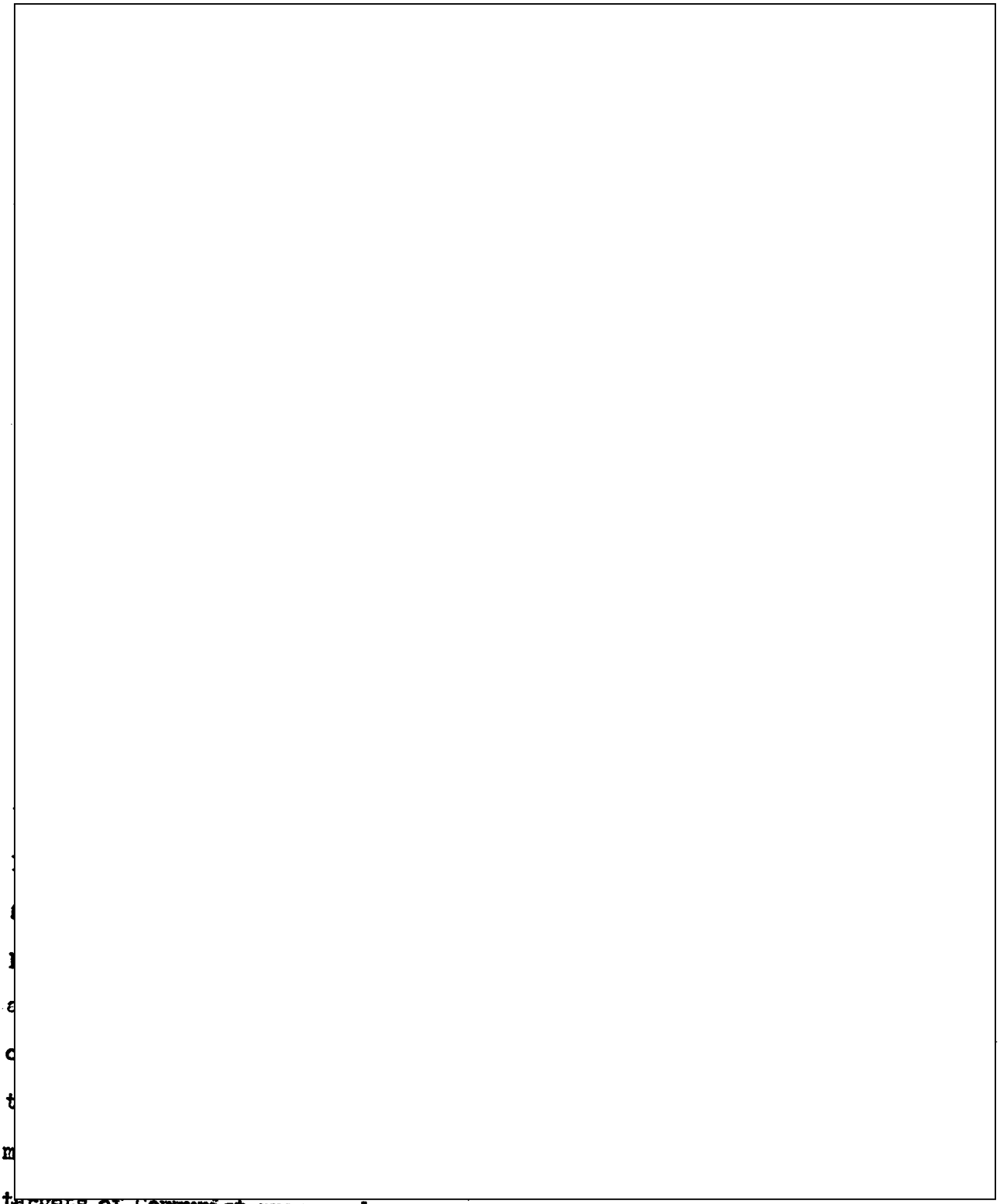
Western Germany and Austria.

The Germans may be expected to seek their objectives by reluctance to accept responsibility without increased authority, and where possible, by framing laws favorable to their purposes. They will employ strikes and industrial slowdowns, evasion of OMG laws, and concealment of economic data from OMG; and they will protest occupation costs. They will, in short, do everything within their power to show that a sovereign Germany can contribute more to Western security than an occupied Germany. The Austrians will continue to cooperate with the US, and to protest to the Allied Council undesirable occupation policies, at the same time urging the occupation powers to conclude a treaty which will, in so far as possible, insure Austrian sovereignty.

Allied Political

1 a (2) Attitude and Morale of the Native Populations, Arising from their Traditions, National Characteristics, and Recent History.

Allied Political



targets of Communist propaganda.

Allied Political

[redacted]

The New Zealanders are tensely loyal to the British Crown, and are traditionally the most pro-British of the peoples of the several Dominions.

They would not be vulnerable to psychological warfare. They would not be panicky. Although not completely recovered psychologically from extensive casualties during the last war, their morale would likely be high. They would, by and large, be characteristically resolute.

South African popular attitudes are dominated by the race question. Illiterate natives, plus smaller groups of half-breeds and Indians, make up the underprivileged and powerless four-fifths of the population; the whites, widely isolationist, are both habituated to a copious supply of cheap menial labor and obsessed by underlying fears of native revolt. Racial tensions have somewhat increased since World War II. The whites are accordingly quite absorbed in domestic concerns.

The electorate is anti-Soviet, but its hostility to the USSR would in most cases probably not go so far as to approve all-out participation in a war overseas, or any far-reaching austerity measures in the domestic economy unless South Africa was closely threatened. Although there would probably be substantial numbers of voluntary enlistments for overseas

service if war were imminent, conscription for that purpose would be opposed, as would industrial mobilization on a total war basis.

Although they could not be subverted or easily panicked, white South Africans might be specially vulnerable to psychological warfare which (1) emphasized the danger of a native uprising and urged the inadvisability of overseas participation in a war; and (2) tried to discredit South Africa's potential allies, particularly by appealing to the anti-British, anti-Catholic and anti-Semitic sentiment to be found among the rural Afrikaans element, and their puritanical disapprobation of American "high living."

Non-whites are extremely vulnerable to Communist propaganda against the whites; but their backwardness and high illiteracy (except for the Indians) would make them poor propaganda targets.

The French are fundamentally a democratic people with a strong military tradition, a great feeling of cultural superiority, who, because of their recent history, have a pathological fear of Germany and an inferiority complex which, coupled with defeatism, has developed a profoundly cynical selfishness. Properly led and equipped, the French make excellent offensive troops. The nation as a whole is susceptible to psychological warfare.

The Dutch, a self-satisfied, stolid people, comparatively unamenable to military discipline, have a long tradition of democracy and neutrality, and of international cooperation. They possess a marked intolerance of anything foreign. Unsusceptible to psychological warfare, they are developing a military tradition based on underground activities during World War II and the postwar conflict in the NEI, but are under no illusions as to their impotence in a major war.

Allied Political

The Belgians are in most respects similar to the Dutch, but have a more highly developed individualism and sense of expediency, and are more easily influenced by psychological warfare.

The Italians are an extremely flexible people militarily and diplomatically. They have a strong sense of their cultural superiority which normally orients them toward the West. They are presently surfeited with war, have abandoned their dreams of a new Roman Empire, and desire only a chance to eat and work. Discontented with the Government and resentful of a central administration, they have developed a cynicism toward their own rulers and toward other countries which includes the Vatican, although the Church still possesses considerable influence. The Italians are capable of sustained constructive effort when convinced of its desirability, and make good defensive troops when they believe in their cause and in their leaders. The people are, however, strongly and widely influenced by changes in fortune and are extremely susceptible to psychological warfare.

The Spaniards are traditionalists in religion and in everything else. They are a proud, arrogant, inefficient, impractical, and visionary people, capable of sustaining great hardships, but incapable of discipline. They are legalistic but possess no respect for the law. They are anti-Communist, but because of their low standard of living and the high incidence of extreme want, Spain would be a fertile field for the sowing of Communist doctrine were it not for the strong repressive measures of the Government. The people are highly susceptible to psychological warfare.

Allied Political

The Portuguese have a predominantly Western orientation based on traditions, the Catholic Church, and three centuries of political and economic dependence on the UK. In matters touching national pride, the Portuguese suffer from a sensitiveness which is pathological. The people are poor, illiterate, and passive; they are given to the fabrication of grandiose dreams which they cannot carry out. They do not make dependable troops and are extremely susceptible to psychological warfare, or any other kind for that matter.

The Swiss are a cold, smug, democratic, conservative people, unconcerned with the troubles of other nations, with the determination to defend their country at all costs. Although traditionally neutral, they are sympathetic toward the west. They are not susceptible to propaganda.

The Germans possess the strongest military tradition on the continent of Europe, and while not strongly oriented toward the west, their twelve years of anti-Communist teaching, the historic enmity toward Russia, and some experience with Soviet occupation has led them to fear the USSR more than they do the Western Allies. As a people, the Germans are egocentric, nationalistic, and authoritarian; they are industrious, legalistic, scornful of democracy and weakness, and arrogant or obsequious as serves their purpose. They make excellent soldiers, skillful, brave, and possessed of a high degree of technical ability in planning and waging war. They are great rumor mongers, but are not easily deluded by propaganda.

The Austrians are strongly oriented toward the west, and are generally an optimistic people, confident of their ability to manage their destiny,

with strong provincial loyalties and little nationalism. The people are industrious and individualistic, not easily given to hysteria and although possessed of a high degree of moral courage when their rights are involved, exhibit a strong sense of expediency.

Allied Political

1 b (3) Subversive organizations.

United Kingdom.

Communist and communist-influenced organizations have a political potential hardly exceeding nuisance value. No Communist line finds a very widely receptive audience. In event of war, persons suspected of seditious or treasonable agitation would be quickly arrested under emergency laws comparable to the "Defense of the Realm Act" under which Oswald Mosley, for example, was incarcerated during World War II. Although Communist influence in some trade unions is appreciable, it is presently on the wane and, in an emergency, top union leaders and the government would have the strength and the prestige to act quickly, forthrightly, and effectively. Internal British security and counter-intelligence, moreover, are believed to be excellent. British fascists have a negligible influence.

Canada.

Communist influence in Canada is centered in labor organizations, foreign language groups, the left-wing press, and the Labor Progressive Party (communist). It is estimated that the Communist Party membership in Canada numbers approximately 23,000. In addition, within the two largest trade union organizations claiming some 800,000 members, roughly 180,000 are under communist influence. A small number of active communists wield a powerful influence in ten major unions. Communist activity in unions is greatest in the Pacific Coast province of British Columbia and in the industrialized province of Ontario

bordering on the Great Lakes. Politically, the communists in the guise of the Labor Progressive Party have no real national strength. Industrially, however, the communists and their sympathizers through labor unions have certain capabilities to interfere with operations, but serious physical and political sabotage could be largely forestalled by government action and strong popular cooperation in case war became imminent.

Australia.

Widespread Communist control of important labor unions could temporarily disrupt an Australian war effort. Communist and communist-front social organizations would have some initial nuisance value. Rank-and-file union membership, however, is preponderantly loyal. The Government, moreover, would take drastic measures to eliminate subversive influences. At worst, communist capabilities for economic and political sabotage could only temporarily retard industrial mobilization, labor cooperation, and the development of unity within Australia regarding the prosecution of the war.

New Zealand

Although few in numbers, the Communists have virtual control of the waterside workers and other labor organizations. They might thus initially have some power which would amount to little more than nuisance value since the rank-and-file is loyal and could not long be led by enemies of the Government. It is to be expected that the government would quickly take control of the situation and eliminate subversive influence.

South Africa.

The South African Communist Party has approximately 1500 members and is led mainly by well-to-do white intellectuals without any appreciable following in the electorate and little labor support. It will probably be forced underground in the near future, in any event.

Natives and Indians belong to all levels of the Party, and it is here that the Communists would have some chance to disrupt South African preparation for war. Though confined largely to one province, the Indian minority would have nuisance value, since it is intelligent, well led, conscious of its grievances and reportedly 25% Communist already. The natives are potentially vulnerable to Communist anti-white propaganda. However, native backwardness, disunity and lack of leadership at this juncture prevent effective Communist exploitation. Although the Communists occasionally make minor trouble, they could not seriously disrupt the whole economy. The government would in emergency take quick, firm action against the leaders of any subversive actions.

France and Benelux.

Although the Communist Parties and their sympathizers in France and Belgium are a highly vocal, important, and disciplined voting bloc, the number of hard core militants is insufficient to seize power by force in the absence of foreign intervention. They are capable of retarding the economic recovery of both countries for short periods of time by isolated strikes and sabotage but do not

have the strength to carry out a general strike. Belgian Communists number approximately 40,000 militants, while the French party has about 160,000 members enrolled in para-military organizations. In the Netherlands, the Communist Party includes some 20,000 militants whom the Government is well able to control. The Dutch are increasingly anti-Communist and the political influence of the Party is small.

Italy, Switzerland, Spain, and Portugal.

The most powerful and influential Communist Party in Western Europe is in Italy where the para-military personnel numbers approximately 150,000, and where 8 million votes were cast in April 1948 for Communist candidates and their associates. A Communist insurrection in Italy would meet with initial success in the north where the large cities would probably be lost temporarily to the insurgents. Without considerable outside assistance, however, the Communists would be unable to retain their control. As in France, the Party can retard recovery by strikes and sabotage but cannot carry out a general strike.

Two potentially subversive groups exist in Spain, the Communists and the non-Communist groups opposed to Franco. Both are outlawed. The Communist Party probably has about 3,000 trained militants and more than 25,000 adherents, while the unorganized non-Communist opposition to the Franco regime has a potential strength of more than 50% of the population. Both groups lack power to overthrow the Government, although the Communists continue, by fomenting labor unrest, slowdowns, guerrilla action, and sabotage, to maintain a

small scale but widespread "permanent insurrection". In the event of political disorders the Communists possess the capability of assuming leadership of large numbers of the unorganized anti-Franco proletariat.

In Portugal and Switzerland the Communists, who number about 500 and 4,000 respectively, pose no actual or potential threat to the regimes.

Western Germany and Austria.

In Western Germany and in Austria, the Communists number about 5% of the population. In Germany they would be capable of considerable sabotage in both government and industry and could create some civil disorder. They could not, however, effect armed insurrection or large scale guerrilla action. Communist potentialities in Austria are similar to those in Germany but on a reduced scale except in the Soviet Zone where overt Soviet support could be expected.

Allied Political

1 b (4) Conclusions of Strategic Significance (including weakness and strength as effecting war potential).

United Kingdom

The United Kingdom is the strongest ally of the US in a political sense. Its propaganda directed toward Eastern Europe is believed to be relatively effective, owing to (1) breadth of experience in propaganda; and (2) the fact of its post-World War II moderate socialist government, which makes British propaganda least suspect among the socialist-minded Eastern Europeans. If Western Europe were occupied by the enemy, British encouragement of resistance groups would be competently managed. The United Kingdom enjoys — and exerts to British advantage — an influence, in greater or lesser degree, in numerous countries outside the Commonwealth and Empire. This is often beneficial to the US.

Internally the British Government and people are united on a firm policy vis-a-vis the USSR. Morale is this regard is high. In war it might eventually tend to weaken, however, (1) under prolonged, intensive bombardment against which counter-measures were ineffective, particularly if the assumption gained currency that allied strategy excluded the defense of the UK as a matter of priority; or (2) if the Western sea approaches were not kept open sufficiently to enable the maintenance of a viable diet and of a substantial measure of the economic life of the country. In war, the UK would require to be supported economically by the US. Likewise, any appreciable diversion of industrial plant to military production would be

Allied Political

feasible only if US economic aid were increased to fill the gap.

It might be politically impossible for the British Government to approve the use of mass-destruction weapons, unless the UK were first attacked by them or unless the UK became hard pressed by attacks employing conventional weapons.

Canada.

The most significant political factor adversely affecting Canada's war potential is (1) the traditional division of feeling between the French-Canadian and the British population elements with regard to participation in military conflicts involving the British Empire; and (2) the traditional French-Canadian stand against conscription and against military service except to defend home soil. These would tend to dilute a Canadian war effort, as in the past. However, for religious reasons and because Canada would appear more directly threatened, the French-Canadians would be more inclined to participate in and support a war against the USSR. Moreover, this schism would be further reduced by the government's own reluctance to supply forces for other theaters, owing to the exposed northern frontiers. The traditional stand of the French-Canadians provides an enemy with some grounds for psychological warfare and might retard Canadian mobilization at the outbreak of hostilities.

The principal political element of strength is the general recognition in the Dominion of the identity of US and Canadian strategic interests. This recognition would mean full official collaboration in preparation for war and in industrial planning. Canada would be a fully dependable ally.

Allied Political

Australia.

Australia would fully support the war, following a temporary period of confusion growing out of Communist influences.

The continent would be totally available for allied use.

The Australian people would be dependably resolute.

New Zealand.

New Zealand's war effort would parallel that of 1939-45, when the country mobilized on an all-out basis. Difficulties arising from Communist influence would be temporary. There would be no political objections to overseas employment of the services. The people and government would be united in an all-out effort to contribute to victory.

South Africa.

There is no question of South Africa's cooperation as regards US use of its bases and access to its strategic raw materials. It is doubtful, however, whether its willingness to put its economy on a full wartime basis and send troops overseas would in a new war, even go as far as in World War II, when South Africa sent some 80,000 men to serve outside the Union, primarily owing to Smut's leadership. There is a pronounced hostility towards the USSR; but the strategic value of this is offset to an appreciable degree by (1) deteriorating political relations and military cooperation between South Africa and the UK which might complicate the task of integrating South Africa in the common effort; (2) growing racial tensions (subject to some exploitation by Soviet efforts) which might convince the Government that internal security requires the retention of most South South African troops at home; and (3) a general popular disinclination to accept

economic austerities in a potential conflict against an antagonist which, no matter how disliked, is still regarded as essentially some one else's problem. If the Soviet army were established in North Africa, however, more active steps could be expected to support an Allied effort.

Non-white Allied troops would not be accepted into South Africa for any reason.

France and Benelux.

French, Belgian, and Dutch contributions as Allies of the US in a war against the Soviet Union are largely strategic, their weaknesses are largely tactical. France is potentially the best US base on the continent of Europe because of its transportation net, available airfields, port facilities, and its ease of access from the Mediterranean, the Atlantic Ocean, and the English Channel. The many and well developed harbors and ports of the Low Countries would be important military assets if they could be held or retaken before being badly damaged. All three nations possess a reserve of trained manpower, which in the case of France and Belgium is well adapted to mechanized warfare. In their colonies, all three possess, too, either strategically placed land masses, or important economic assets, although insecure Dutch control over the East Indies would jeopardize the availability of that region's resources. France and the Netherlands have many trained and competent scientists. The three nations, however, suffer from a severe lack of military materiel and from inability to produce enough arms and equipment to supply their armies. Finally, France and the Low

Allied Political

Countries are highly vulnerable to attack by land and air, a tactical disadvantage which goes far to outweigh their strategic assets.

Italy, Switzerland, Spain, and Portugal.

Although not so vulnerable to land or air attack as France, Belgium, and the Netherlands, Italy possesses most of the same tactical disadvantages and some of the same strategic assets. Its reserve of industrial manpower, including trained technicians, its position in the Mediterranean, and its potentially valuable naval and air bases in Italy as well as in Sardinia and Sicily would be important either in delaying an enemy advance or in the reconquest of the continent. The condition of the Italian armed forces and Italy's lack of industrial capacity are serious deficits.

With the exception of their geographic locations and those of their overseas and island possessions, Spain and Portugal would be of scant value to the Western Allies. The rugged terrain of the Iberian peninsula, the paucity of transportation facilities, the weakness of the armed forces and of the economies of the two nations make them poor potential Allies. The strategic location of Spain, in relation to the Mediterranean and North Africa, however, requires that it not be allowed to fall into hostile control.

The elaborate inner defenses of Switzerland, its well trained army, and the high morale of the individual soldier would serve to delay for sometime the total occupation of the country. Lack of industry to provide arms and munitions and inability to supply its people with food except by import, however, would prevent the Government from holding out for long even if manpower were available for a protracted struggle. Switzerland's chief value would be as a neutral center for espionage and clandestine operations.

Allied Political

Western Germany and Austria.

Both Western Germany and Austria are so vulnerable to attack from the east, and so disorganized by total defeat and occupation that even their potentially great strategic advantages are of little value. Western Germany has a large reserve of trained manpower and the greatest industrial complex in Europe; the life of the country, however, is dependent on imports of food and raw material as is the case with Austria. Neither has a national army. The strategic significance of both nations for the immediate future is nil.

ECONOMIC FACTORS

SOVIET UNION AND THE SATELLITE STATES

2. Economic Factors.

B. Soviet and Satellite (Including Soviet Zones of Germany and Austria.

(1) Industrial Efficiency.

The industrial efficiency of the USSR, as judged by Western standards, will remain at a comparatively low level through 1949 because of the shortage of skilled labor, low productivity of labor, backward technology, bureaucratic methods of management, industrial waste, insufficient capacity of rail transport and continued dislocation of industry and population.

The Satellite countries will not have regained their pre-war level of industrial efficiency by July 1949. A return to this level will be prevented by: war-time losses of skilled labor and engineers; the natural antagonism of many workers to Communist control; inept Soviet interference; shortages of certain machinery and materials; and lack of uniformity in Soviet and Satellite rail systems.

An integration of the Soviet and Satellite economies for a joint war effort will involve considerable economic adjustment and will temporarily retard an effective utilization of the Satellite economic potential.

2. a. (2) Manpower.

The total non-agricultural labor force in the USSR during the period considered is estimated at 50 million, which includes 33 million workers in industry. From the point of view of total numbers of industrial workers, the comparison with prewar is favorable, and is only 500,000 below the 1950 plan. However, the shortage of skilled workers is acute, and the hasty attempts of the Soviet authorities to fill these ranks is resulting in an output of ill-trained workers. While this situation may correct itself in the long-range point of view, the effects on industry in 1949 will not be favorable. The supply of unskilled workers will be sufficient.

The number of forced laborers is estimated at 15 million. While productivity per man of this group is low, the usefulness of such a large, mobile, and cheap labor force to the Soviet economy should not be discounted. Other favorable factors in the Soviet Union's manpower problem are the numbers of skilled and semi-skilled war prisoners and skilled foreign labor recruited from the Soviet Zone of Germany.

The farm labor situation is more favorable since so many women and children received several years experience during the war. In an emergency, the USSR can remove significant numbers of men from farms into industry or armed services without serious detriment to farm operations.

The Eastern European countries contain a non-agricultural labor force of about 22 million, many of whom are highly skilled. Czecho-Eastern Austria and slovakia,/Eastern Germany would be excellent sources of skilled labor for the Soviet Union; although shifts of skilled labor from Eastern Europe to strengthen the USSR would in turn weaken the economy of Eastern Europe.

Soviet Economic

2. a. (3) Estimated Production of Certain Key Commodities by 1 July 1949.

(a) Foodstuffs.

Bread Grains.

Production of bread grains in the USSR is estimated at 50.4 million metric tons which is 90% of the 1935-39 average. On a per capita production basis, estimated production of bread grains will be 257 kilograms or 87% of the 1935-39 average. While this may appear to be a weakness, it must be remembered that consumption can be adjusted quickly in order to conserve bread grains. While only bread grains are included here, it is known that certain coarse grains and even potatoes may be added to the bread mixture. This practice can be instituted when and if the bread supply is tight.

The total production of bread grains in the Satellite countries, is estimated at 23 million metric tons. On a per capita production basis, estimated production of bread grains will amount to 204 kilograms or 93% of the prewar average.

Coarse Grains.

Production of coarse grains in the USSR is estimated at 24.6 million metric tons which is 63% of the 1935-39 average. On the basis of amount of feed per head of livestock (excluding sheep and goats), the supply of coarse grain from the 1948 crop may become 291 kilograms per head which is 83% of the coarse grain available per head of livestock in 1935-39. Obviously, production of meat, dairy products and other livestock products in the USSR will be at a relatively lower level than in prewar.

Soviet Economic

Coarse grain production in the Satellite countries (excluding the Soviet Zone of Austria) for the 1948-49 crop year is estimated at 22 million metric tons, approximately 90% of the prewar average. On the basis of amount of feed per head of livestock (excluding sheep and goats), the supply of coarse grain from 1948-49 crop year will be 414 kilograms per head, a slight reduction from the 444 kilograms available for livestock in those countries prior to the war. Production in the Soviet Zone of Austria is estimated at 175,000 metric tons, which is 24% of prewar.

Meat.

Meat production (carcass weight) is estimated at 2,483,000 metric tons which is 73% of prewar. On a per capita production basis, 12.8 kilograms of meat will be produced, which is 71% of prewar per capita production.

Meat production (carcass weight) in the Satellite countries is estimated at 2,797,000 metric tons, or 24.6 kilograms per person. There are no figures immediately available on which to base a prewar comparison.

Fats and Oils.

Production of fats and oils (animal fats, butter, fat cuts, bacon, and vegetable oils) is estimated at 1,276,000 metric tons which is about 70% of the prewar production. On a per capita production basis, the 1949 production will be 6.57 kilograms or 68% of the prewar average.

The fats and oils situation, therefore, will be one of the tightest in the Soviet food picture but here again consumption can be regulated quickly in order to conserve the supply.

Production of fats and oils in the Satellite countries is estimated at 966,000 metric tons, or on a per capita basis of 8.6 kilograms. There

are no figures immediately available on which to base a prewar comparison.

Sugar.

Sugar production during the period considered is estimated at 2.1 million metric tons which is nearly up to the prewar level. On a production per capita basis, production is estimated at 10.8 kilograms which is 85% of the prewar average.

Sugar production for the Satellite countries is estimated at 2,245,000 metric tons. On a per capita basis, production is estimated at 20 kilograms. There are no figures immediately available on which to base a prewar comparison.

2. a. (3) (b) Electric Power.

Electric power output in USSR by 1 July 1949 may prove sufficient to meet all essential wartime requirements. Soviet self-sufficiency in electric power hinges basically on: (1) the amounts of power equipment produced domestically and procured from foreign sources; and (2) the time required for the installation of equipment.

In light of such favorable factors as (1) new wartime installations; (2) anticipated restoration during 1948 of all war-damaged plants; and (3) new construction and expansion of existing facilities, electric power output in the Soviet Union by 1 July 1949 is likely to reach an annual rate of 76 billion Kw hours with an estimated installed capacity of 17 to 18 million Kw. This represents a close approximation of the anticipated requirements. The maximum prewar capacity of 11.4 million Kw was surpassed in

1947 with a total of 12.5 million Kw.

The main problem that will face the Soviets is that high proportion of electric power is provided by a relatively few major stations. The destruction of these stations would severely reduce industrial output since there is no complete grid system to provide alternative supplies to main industrial areas.

The Satellite countries excluding the Soviet Zones of Germany and Austria will have an estimated capacity of 5 million Kw and in the aggregate they are expected to produce approximately 20 million Kw hours for the year. The bulk of this capacity will be utilized by Polish and Czech industry. Reliable data for the Eastern Zones of Germany and Austria are not available.

Soviet Economic

2. a. (3) (c) Coal.

The output of coal by 1 July 1949 is expected to exceed 200 million metric tons, which, it is estimated, will satisfy Soviet wartime consumption requirements. It is believed that this rate of production will be attained despite such present retarding factors as inadequate equipment, poor maintenance, and insufficient transportation. The eventual elimination of these inadequacies will steadily improve the annual rate of production. The maximum prewar level of production of 166 million metric tons has been surpassed by means of restoring war-damaged fields, development of new fields, and continuing increases in the rate of production in the new fields. The chief factor that would hinder Soviet war efforts would be the local shortages of coal that would occur because of difficulties of transporting coal from surplus to deficit areas.

A surplus coal production in the Satellite area is expected to total 26 million metric tons during the period considered. This will be sufficient to meet deficit in Soviet coal requirements should their indigenous coal production fail to reach the scheduled goal.

2. a. (3) (d) Petroleum.

Soviet petroleum production by 1 July 1949 will probably be sufficient to meet wartime civilian and military requirements. It is expected that the Soviets will accomplish this end by a continued policy of vigorous exploitation of indigenous reserves, stringent allocation of domestic production, utilization of synthetic fuel and importation of Satellite production.

Soviet crude oil production by 1 July 1949 is expected to reach and possibly surpass the 1940 level of 31.2 million metric tons; provided that the industry continues to expand at the annual rate of 3.2 million metric tons. Although Soviet refineries are old and outmoded, there presently exists an excess of refinery capacity over crude output. While some deficiencies of high-grade gasoline and lubricants will continue to be in prospect for the Soviets in 1949, in general it can be assumed that oil shortages will not be serious enough to effectively impair the Soviet War Economy. The primary limitations expected to hamper Soviet wartime production are (1) shortage of extraction and refining equipment; (2) an inadequate supply of technicians on the operational level; and (3) transportation bottlenecks.

Satellite output will total approximately 7 million metric tons and a surplus of about 4 million metric tons over Satellite requirements will probably be available for utilization in USSR proper.

Soviet Economic

2. a. (3) (e), (f), (g) Iron Ore, Pig Iron, and Steel.

By 1 July 1949, estimated production of iron ore, pig iron, and steel will be as follows:

Iron ore	28.7	million	metric	tons
Pig iron	14.1	"	"	"
Steel	18.3	"	"	"

Production of the above items will approximate 1940 production. Iron ore reserves are plentiful, even considering the low grade of much of the iron ore in the USSR, and therefore not likely to impede production of pig iron, although production methods and transportation are limiting factors. Pig iron output may be hindered somewhat by unavailability of enough good coking coal. Much of the coking coal must be hauled long distances, over 1000 kilometers, plus the fact that the total quantity of good coking coal is considered just adequate. However, the scrap position of the USSR is unusually good during this period due to warborn scrap, with possible stockpiling indicated. This supply of scrap will more than make up for a possible deficiency in pig iron that might occur. The large amounts of scrap available have resulted in the Soviets increasing the amount of scrap charged into the furnaces to an estimated 40% as compared with the prewar practice of charging 25%. To produce 18.3 million metric tons of steel in 1949 with a 40% charge, only 11 million metric tons of pig iron will be required. In 1940, 13.7 million metric tons of pig iron were used to produce 18.3 million metric tons of steel. Besides the possible shortage of coke in 1949, a bottleneck may exist in some

Soviet Economic

2. g. (3) (f) Ferro- Alloys.

The production of ferro-alloys by 1 July 1949 will be adequate for fulfilling normal industrial requirements as envisaged in 1949. For a Soviet war economy, however, serious problems would be presented. As any electric or open hearth furnace may be used in the production of ferro-alloys, furnace capacity is plentiful. The USSR is the world's largest producer of the two most important ferro-alloying elements, manganese and chromite. Of the other ferro-alloying elements, the Soviets will likely have an adequate supply of nickel, tungsten, and vanadium only for normal usage. They will have an inadequate supply of cobalt and molybdenum. The shortage of the latter two items, however, means only that the Soviets will not be able to take full advantage of technical advances in the field of ferro-alloy metallurgy.

The Soviets are dependent on foreign sources for all but very little of their cobalt and for much of their molybdenum. Within the Soviet orbit a small amount of cobalt can be obtained from Finland, and small quantities of molybdenum from Finland, Rumania, and Yugoslavia. Other sources of these two elements are not reported to be exporting them to the Soviets.

The Satellite countries produce sufficient quantities of manganese and chrome to meet their own requirements, but they are deficient in tungsten, nickel, and vanadium. The small quantities of molybdenum produced in Rumania and Yugoslavia will probably be exported to the USSR.

types of rolled steel because of lack of balance in facilities for producing certain finished rolled products such as cold rolled steel, sheet steel for tinplate, etc.

Production of steel in the Satellite area will probably total about 6.5 million metric tons; provided that shipments of iron ore from Sweden to Poland and Czechoslovakia are continued. A cessation of these imports would force a reliance on low-grade domestic ores and bring a reduction in output. Coke supplies are sufficient to meet all Satellite requirements and permit sizeable exports to the Soviet Union.

Soviet Economic

2. a. (3) (h), (i) Non-Ferrous Metals.

Aluminum.

The aluminum production program of the USSR is progressing at a better rate than that of any other non-ferrous metal. Production, including secondary metal, has increased from 135,000 metric tons in 1945 to approximately 195,000 tons in 1947. It is estimated that production of aluminum by July 1949, will exceed 200,000 metric tons. Satellite contributions will augment this by about 18,000 metric tons.

Bauxite.

Bauxite production was estimated at 400,000 tons in 1944 and it is believed it will reach approximately 550,000 tons by July 1949. With Hungary now a Satellite country, the Soviet Union controls the world's largest bauxite deposits, as well as those in Yugoslavia, also an important producer of bauxite.

Copper.

Primary copper production of the USSR during World War II was as high as 160,000 metric tons. Since consumption exceeded 310,000 tons annually, large amounts had to be imported to meet her war needs. By July 1949, USSR copper production, including secondary metal, is expected to reach 255,000 tons, which is still short of World War II consumption. Production in the Satellite countries of approximately 100,000 metric tons of copper is sufficient to meet their own requirements, but part of this output may be diverted towards the Soviet war needs.

Tin.

It is estimated that by 1 July 1949, Soviet tin production will be approximately 8,000 tons. This is considerably below her requirements which cannot be satisfied by the negligible production in Satellite countries.

Lead.

Lead production, including secondary metal, is estimated to reach 135,000 metric tons by July 1949. Productive capacity of lead in the Soviet Union could be increased with the use of modern equipment, improved transport facilities and practical experience in concentration of lead-zinc ores. Although some progress has been made since the war, production of primary lead is still inadequate and the USSR is obliged to use secondary metal from Yugoslavia and Poland to increase her supply. Total lead production in the Satellite areas, as of 1 July 1949, is expected to reach 72,000 metric tons.

Zinc.

Zinc production in the Soviet Union, which increased from 90,000 tons in 1943 to approximately 100,000 tons in 1948, is estimated to reach 125,000 tons, including secondary metal, by 1 July 1949. Requirements, estimated at 155,000 tons annually must be met by imports of secondary metal from Yugoslavia and Poland. Total zinc production in the Satellites will likely reach 120,000 metric tons by the above date.

Soviet Economic

2. a. (3) (j), (k), (l), (m) Chemicals.

Sulphuric Acid.

Sulphuric acid production for the fiscal year 1949 is expected to be in the neighborhood of 3,500,000 metric tons. Of this tonnage, however, it is believed that not more than 2,000,000 tons is of such quality that it can be converted or used for munitions or industrial use. The balance, or approximately 1,500,000 tons is used for the acidulation of phosphate rock for fertilizer.

Production of sulphuric acid in the Satellite countries will be slightly under 500,000 metric tons.

Sulphur.

The USSR has significant natural sulphur deposits in the Middle Volga, Crimea, Caucasus, Central Asia, and Kamchatka. Much of this supply lies in relatively inaccessible areas and transportation is a problem.

Satellite production is estimated at 15,000 metric tons.

Pyrites.

The USSR has enormous natural reserves of pyrites. The prewar supply of sulphur pyrite was about 1 million tons per year. There is no reason to believe that production in 1949 fiscal year will be below the prewar mark. The output of pyrites in the Satellite bloc will be about 350,000 metric tons.

Soviet Economic

Fertilizers.

Production of mineral fertilizers in the USSR during the 1949 fiscal year is estimated at 3,400,000 tons. This compares favorably with the 1940 supply of 3,100,000 tons. The estimated 1949 requirements will be larger due to the expanding agricultural program based on demand for greater crop yields.

Fertilizer output in the Satellite countries will be slightly under 450,000 metric tons.

Soviet Economic

2. a. (3) (n) Rubber.

USSR synthetic rubber production is estimated to reach the yearly rate of 150,000 tons by July 1, 1949. Basic raw materials for the production of rubber are available in plentiful supply, with the possible exception of alcohol. In an emergency, the non-industrial consumption of alcohol will be drastically reduced in order to provide alcohol for the rubber industry.

Production of natural rubber in the USSR from kok-sagyz, guayule, and other plants is estimated at below 1,000 tons for the 1949 fiscal year.

Reclaimed rubber production has made slow progress due to difficulty of reclaiming from synthetic rubber and production probably will not exceed 25,000 tons by 1949.

The Soviet Zone of Germany can produce about 48,000 metric tons of synthetic rubber which accounts for the entire rubber output in the Satellite bloc. This is sufficient to meet estimated requirements; however, the dependency on outside sources for natural rubber will seriously impair synthetic production in wartime.

Soviet Economic

2. a. (3) (o) Timber.

Total timber production in the USSR during the period considered is estimated at 230 million cubic meters which is 13% above the 1936-40 average. On a per capita production basis, 1949 fiscal year production will be 98% of prewar.

The production of industrial timber, however, is estimated at 112 million cubic meters or 97% of prewar. On a per capita production basis, production will be 84% of prewar.

Lumber production is estimated at 30 million cubic meters which will be 91% of prewar. On a per capita production basis, 1949 fiscal production will be 75% of prewar.

Comparisons with the prewar situation appear favorable because of the inclusion of Finnish, Baltic, and Polish production form these newly acquired areas. The situation in the more important industrial timbers is less favorable and is a weakness that will affect other Soviet industries.

Timber production in the Satellite countries will total roughly 110 million cubic meters, with over half of the production provided by Finland and Yugoslavia.

Soviet Economic

2 a. (3) (p) Aircraft.

It is estimated that the aircraft production of USSR and the Satellites during the period considered will be as follows:

Aircraft Production	Year 1948	Jan.-June 1949
USSR		
Number	12,500	7,500
Structural Weight (1000 lbs.)	66,250	41,250
Satellites		
Number	400	300
Structural Weight (1000 lbs.)	800	750

Soviet Economic

2 a. (3) (q) Motor Vehicles.

Motor vehicle production by 1 July 1949 is estimated at 274,000 units. This compares to the 1947 production of about 157,000 motor vehicles (mostly trucks) and to roughly 92,000 vehicles in 1945. However, the 1949 fiscal year production will be below anticipated rate of production since the 1950 calendar year plan calls for a total output of 500,000 motor vehicles, 428,000 of which are to be trucks. This failure to fulfill the 1949 anticipated motor vehicle production plan will make itself apparent in the fulfillment of other industrial plans.

The Satellite production of motor vehicles is insignificant.

Soviet Economic

2 a. (3) (r) Armored Combat Vehicles.

USSR and Czechoslovakia are the only countries expected to produce armored combat vehicles during the period considered. The following is the estimated rate of production between 1 July 1948 and 30 June 1949:

	Tanks and S.P. Guns	Armored Cars
USSR	6,150	850
Czechoslovakia	60	240

Soviet Economic

2 a. (3) (a) Merchant Shipping.

It is estimated that the combined Soviet-Satellite annual rate of merchant ship construction, as of 1 July 1949, will be 275,000 gross registered tons. This figure includes only ocean-going merchant vessels over 1,000 tons, and thus excludes river craft and naval auxiliary types on which Soviet yards are currently concentrating. Likewise, Caspian Sea vessels are excluded because they are not ocean-going. The foregoing estimates are somewhat higher than the rate at which Soviet and Satellite shipyards are believed to be currently producing merchant vessels.

Soviet Economic

2. a. (3) Submarines.

(t) Submarine production for the USSR in 1949 is estimated at 46 units, divided as follows:

Assemblage of Type XXI (ex-German)	8
Completion of "K" Class	4
Completion of "L-2" Class	2
Completion of "S" Class	5
Completion of "SHCH" Class	7
Completion of Coastal Types	20
Total	46

Satellite States: No indications of new submarine construction. Reports indicate that Yugoslavia is assembling pocket and midget submarines, from parts sent overland from Germany and USSR. These reports, however, have not been completely evaluated, pending further information, and in any event do not represent new construction.

Soviet Economic

2 a. (3) (u) Uranium.

The estimated annual production rate of USSR and Satellites as of July 1949, is 700 to 1000 tons of equivalent U_3O_8.

Soviet Economic

2 a. (4) Dependence on Foreign Sources for Key Commodities.

It is estimated that in July 1949, USSR and the Satellite countries will entirely or largely depend on foreign sources of supply for industrial diamonds, tungsten, tin, cobalt, molybdenum, special types of machine tools, and some precision equipment. The Satellites will be deficient in high-grade iron ore.

The dependence on outside sources for natural rubber will be temporarily relieved by current stockpiling.

Soviet Economic

2. g. (5) Transport Capabilities.

Railroads.

Transportation in the Soviet Union depends mainly on the railroads, which still account for about 90% of all inland freight traffic. Freight haulage, as reflected by average daily carloadings, is expected to approach the 1940 level by July 1949 . However, judging by reports of the first 2½ years of the postwar Five Year Plan, both construction and rehabilitation of railways are far behind planned levels because of the shortages of steel and poor management. Even if a sharp increase in steel output and a marked improvement in organization occur before July 1949, the plan for new construction is not expected to be more than 50% fulfilled at the time. Rehabilitation of war damaged lines and equipment will probably be accomplished but it is doubtful that the capacity of the reconstructed lines will have increased over the prewar level. The rolling stock position, though difficult to estimate, should be somewhat better by July 1949 than in 1940 but locomotives and rolling stock must still be used intensively to meet increased demands of industry.

The additional problems involved in transshipment between the USSR and Satellite area resulting from gauge differences cannot be over-emphasized. Cargo handling equipment required for transshipment is not available in sufficient quantities; and the time required for changing the gauge of only a few main Satellite lines will exclude the possibility of major improvements before July 1949. Although Satellite rail shipments

are approximately up to the 1940 level, rail transport would be a leading bottleneck in any combined war effort. Satellite construction of rails and engines have been negligible; production of rolling stock has been insufficient to meet current requirements; maintenance and replacement have been inadequate; intensive utilization of existing facilities has speeded deterioration; and wholesale Soviet removals from occupied areas, particularly from Soviet Zone Germany, have generally disrupted rail transport.

Motor Transport.

Motor transport is of little significance in peacetime USSR as it is used mainly for short freight hauls from farms and industries to railroad stations, ports, airports. It is believed that by July 1949 the road system will be in somewhat better conditions than prewar and that the general level of motor transport will be slightly improved. However, this will not relieve the strain on the railway system to any appreciable degree, as its total inland freight turnover will be little more than 2% of the total freight carried. In the event of hostilities, this lack of adequate motor transport will seriously impair the operation of the armed forces.

Movement of freight by motor transport is being pushed by the Satellites to supplement the overtaxed rail system and it is expected that motor freight will represent roughly 10% of total freight movement. Further utilization of motor transport will be limited by the number of vehicles and the highway network.

Inland Waterways.

Inland waterway transport is expected to almost regain its prewar level for handling about 8% of the total inland freight turnover. Lack

of adequate shipbuilding and repair facilities, low priority on improvements, wartime damage to the river fleet and to port facilities, improper utilization of existing, shipping and freezing over during the winter are bottlenecks for an increase in the level of river freight turnover.

Danube shipping will account for approximately 10% of Yugoslavia, Rumanian, and Hungarian freight shipments and will represent lesser amounts for Eastern Austria, Czechoslovakia, and Bulgaria. Roughly one-third of Polish freight and one-fifth of German shipments will move on inland water transport.

Strategic Significance.

The main point of strategic strength of the USSR and Satellite areas, with respect to transport conditions as affecting the war potential, lies in the geographic fact that the areas are contiguous, and possess interior connecting lines. In general, therefore, Soviet communications are not subject to the forms of attack which can be developed against sea communications. In many respects, on the other hand, Soviet and Satellite transportation suffers from inherent strategic weaknesses. The lack of a major merchant marine, for example, precludes the transportation of large bodies of troops to overseas areas, or their subsequent support.

Within the Soviet-Satellite land- mass, there is a strategic weakness in the poor communications between the areas west of the Urals, and the Maritime Provinces. The Trans-Siberian railroad is incapable of moving the quantities of freight which would be required for major continuing hostilities in the East. This deficiency cannot be eliminated by

the use of air transport, or alternate land routes. Furthermore, the Soviet Union does not control the necessary amount of large-size merchant vessels to permit extensive movements by sea from the Baltic and Black Seas to the Pacific, and the USSR could not protect the sea routes in any case.

An added strategic weakness results from poor distribution of land communications. North-South rail lines in the Balkans, for example, are too sparse to support large movements directed at the Bosporus. Another major weakness of the Soviet land transportation system is the problem of gauge difference, which has long plagued Soviet operations around the entire Soviet perimeter.

A localized strategic weakness exists in the war-damaged, dismantled and deteriorated rail system in the Soviet Zone of Germany. This system, on the verge of collapse, will be handling less than half its normal peacetime volume of traffic. There is at the most only one double-track line into Berlin. Under wartime conditions, the system might be organized on the basis of one-way lines, which could probably handle minimum military requirements for through traffic. The full exploitation of the industrial potential of the area by the USSR, however, would hardly be attainable under such conditions.

Soviet Economic

2 a. (6) Stockpiles.

(a) Raw Materials.

USSR.

Bread Grains.

The bread grain stockpile on June 30, 1948 is estimated at 13 million metric tons, or a 4-month supply based on current rate of consumption. However, 5.7 million metric tons could be added from the 1948 crop bringing the total to 18.7 million metric tons, or nearly a 6-month supply, if the USSR should decide not to export any grain from the 1948 crop.

Coarse Grain.

The coarse grain stockpile is estimated at 4 million metric tons or a 4-month stockpile of feed for livestock. Including coarse grain from the 1948 crop, a stockpile of 4.9 million metric tons, or nearly a 5-month supply, is indicated should the USSR decide not to export any grain from the 1948 crop.

Fats and Oils.

While stocks may be of minimum quantity, there is evidence that the USSR is building up its oilseed stockpile.

Sugar.

Sugar stocks on June 30, 1948 probably were about 200,000 metric tons which represents a 5-week supply. Adding to this sugar from the 1948 sugar beet crop could provide for a total stock of about 400,000 tons or a 10-week supply.

Soviet Economic

Coal.

Apart from possible strategic coal stockpiles, it is probable that every industrial enterprise of any importance attempts to maintain reserves equivalent to at least one month's requirements to compensate for seasonable fluctuations. However, the magnitude of these reserves is not known.

Rubber.

Rubber stockpiles estimated in 1945 at less than 27,000 tons, probably will have increased to somewhere near 100,000 tons by 1 July 1949. This increase is due to heavy buying of natural rubber, mostly from Malaya since 1946, with expectations of continued large purchases, and possibly some imports of synthetic rubber from the Soviet Zone in Germany.

Bauxite.

It is doubtful that the Soviet Union is stockpiling domestic bauxite since the new plants are all located near the deposits and increases in mine production are made to meet the demands. However, since the Soviets are demanding large increases in Hungary's bauxite output, this tonnage, plus Yugoslavian production may be for stockpile purposes.

Wool.

Recent heavy purchases of Australian and New Zealand wool may indicate a stockpiling program in this commodity.

Uranium.

The estimated stockpile available to USSR in 1949 is 2000

to 3000 tons of U_3O_8 equivalent.

Tungsten.

It is estimated that due to imports from Korea and China the Soviet Union will in 1949 be able to stockpile roughly 2,000 metric tons of tungsten above the normal consumption of 8,000 tons per year. This indicates that the Soviets by mid-1949 will have a stockpile which will under normal conditions last about one year.

Scrap Iron and Steel.

War-born iron and steel scrap in the USSR plus large shipments of scrap from Soviet Zone, Germany have resulted in the probability that extensive stockpiles will exist in mid-1949.

Satellite States.

Stockpiling within the Satellites in 1949 will be seriously limited due to the requirements of postwar reconstruction and development in the Satellite economies. Such stockpiling as does exist will amount to no more than normal industrial reserves, and, in most cases, will be less than normal industrial reserves.

(6) (b) Military Supplies

Military Equipment
USSR and Satellite States.

The attached estimates of major types of military equipment as of 1 July 1949 are derived as follows:

a. Estimation of present quantities on hand;

b. Subtraction of attrition between now and 30 June 1949;

c. Addition of estimated production between now and 30 June 1949.

No account has been taken of possible transfers of equip-

SOVIET GROUND FORCES

ESTIMATED EQUIPMENT ON HAND AS OF 1 JUL

COUNTRY	FINLAND		POLAND		GERMANY		AUSTRIA		HUNGAR
EQUIPMENT	w/Tps	Res	w/Tps	Res	w/Tps	Res	w/ Tps	Res	w/Tps
Tanks & SP Guns	—	—	1,700	200	4,650	650	320	100	225
Armored Cars	—	—	160	—	500	—	40	—	40
Mil.Trans.Veh	500	—	9,300	930	32,500	3,250	3,100	310	1,500
Guns, 100 mm and above	24	—	200	20	650	65	50	5	25
Guns, 75 mm - 99 mm	50	—	225	25	1,100	110	160	15	40
Mortars, 80 mm and above	50	—	1,100	220	3,000	600	300	60	150
Mortars, under 80 mm									

IN USSR PROPER

	WESTERN USSR		MIDDLE ASIA		FAR EAST		TOTALS - USS
	w/Tps	Res	w/Tps	Res	w/Tps	Res	w/Tps PROPER
Tanks & Sp Guns	5,850	29,300	1,150	1,755	2,000	3,450	9,000 34
Armored Cars	850	50	150	10	300	30	1,300
Mil. Trans Veh.*	91,500	1,020,000	13,000	57,520	30,000	120,000	139,500 1,197
Guns, 100 mm and above	2,576	11,190	500	755	900	1,330	3,976 13
Guns, 75 mm - 99 mm	4,950	63,700	900	4,195	1,600	7,500	7,450 75
Mortars, 80 mm & above	11,450	53,350	2,500	3,095	4,000	6,300	17,950 62
Mortars, under 80 mm							

*NOTE: Motor transport vehicles figure includes vehicles ... and military purposes tha

TOP SECRET

Estimated Equipment as of 1 July 1949

	Yugoslavia		Hungary		Rumania		Bulgaria		Albania	
	W/Tps	Res.	W/Tps	Res.	W/Tps	Res.	W/Tps	Res.	W/Tps	Res.
Tanks and SP Guns	550	50	75	0	160	0	560	0	30	0
Armored Cars	50	0	12	0	Unknown		25	0	Unknown	
Military Transport Vehicles	6000	5000	Unknown		Unknown		Unknown		Unknown	
Guns (except SP) 100 MM and above	375	25	36	36	525	25	190	0	15	0
Guns 75 MM to 99 MM	1000	125	62	0	580	400	590	0	60	0
Mortars 80 MM and above	850	100	200	50	550	400	450	0	30	0
Mortars Under 80 MM	350	50	100	25	Unknown		250	50	40	0

TOP SECRET

	Poland		Czechoslovakia		Finland	
	w/Troops	Reserve	w/Troops	Reserve	w/Troops	Reserve*
Tanks and SP Guns	300	0	180	0	60	140
Armored Cars			50	0	3	0
Military Transport Vehicles	7,000	0	5,000	0	1,800	0
Guns, 100MM and over	600	0	600	0	165	1,000
Guns, 75MM-99MM	500	0	1,200	0	150	550
Mortars, 80MM and over	700	0	1,000	0	250	1,000
Mortars, under 80MM	500	0	0	0	0	1,200

* It is assumed that Finland still retains her large stocks (reserves) held over from the War and due to be surrendered.

Stockpiles shown are those with troops and in reserve of military supplies belonging to Satellite armies.

TOP SECRET

ment from one country to another country. It should be noted that in some cases, e.g. Rumania, this may result in considerable change in the sale or purchase of equipment by the various nations.

Aircraft

USSR

As of the present there are an estimated 15,000 military aircraft in operational units, with a 100% reserve. In addition, an estimated 5000 transport type aircraft are presently operational within the Civil Air Fleet. Of this number, approximately 3000 could be utilized for military purposes.

Assuming normal attrition and no mobilization prior to 1 July 1949 the figures presented above will still apply as of that date.

Satellite States.

	Combat	Non-Combat	Total Operational & Reserve.
Albania	40	25	65
Bulgaria	225	20	245
Czechoslovakia	213	305	518
Hungary	-	-	-
Rumania	194	200	394
Yugoslavia	667	181	848

Soviet Economic

2. a. (6) Naval Supplies.

No statistical data is available on the type, locations, and quantities of naval supplies of the USSR and Satellites which will permit any reasonable projection to July 1949, nor is any data available to indicate what is on hand at present.

The Soviet Navy is believed to exist merely on current supplies and materials made available to them only as occasion demands. Adequate supplies of fuel oil are available in the Northern Baltic and Black Sea areas, but are in short supply in the Far East. Is is known that only a six months' supply is kept on hand in the Pacific area, and the Fleet has great difficulty securing this. There is no intelligence to indicate the extent of stockpiling in the European naval areas of fuel oil, but it is reasonable to assume that sufficient stockpiles are and can be maintained for any operations projected to July 1949. With respect to the Far East, there is some intelligence available to indicate that there is a small amount of fuel oil stockpiling, but there are no figures available.

With respect to Satellite countries, only small token forces are available, and there are no appreciable reserves of supplies or materials on hand. If the occasion arises, it is believed that they will rely upon the USSR for any such supplies or materials.

2. a. (7) Conclusions of Strategic Significance.

The combined wartime productive ability of the USSR and Satellites by 1 July 1949 will be below that of 1940. While their industrial and agricultural capacity will then be considerably advanced over the 1945 level, deficiencies will continue in certain key fields primarily in transportation, skilled manpower, high grade gasoline and lubricants, special types of machine tools, some precision equipment, industrial diamonds, certain ferro-alloys, tin, natural rubber and certain types of finished steel. Stocks of most vital commodities will probably be below the prewar level.

Despite these deficiencies there is no doubt that the Soviet bloc would be able to mobilize its economy for a major war in 1949. The extreme flexibility of the Soviet war economy, as evidenced in World War II in the short run would permit the necessary adjustments to overcome most of the above weaknesses.

ECONOMIC FACTORS

ALLIED NATIONS

Allied Economic

2. b. (1) Industrial Efficiency.

The total output of a country is largely the product of two factors: (a) the resources which the nation has at its disposal and (b) the efficiency with which those resources are employed. Industrial efficiency is a part of the second factor. Apparently no measures of industrial efficiency for the various nations are available. Any measure or index which might be employed to indicate the degree of industrial efficiency a given country has attained, such as a measure of labor productivity, inherently would reflect the effects of both factors rather than a portion of the second alone. The following data are presented, however, as having a bearing on the subject.

Comparison of relative production per man hour in manufacturing industries for specified countries.

Country	Year	Labor productivity index % of U.S. (U.S. 1937 = 100)
United States	1937	100
Germany	1936	41
Canada	1937	71
United Kingdom	1935	36

Data on production per man hour in manufacturing industries which reflect not only industrial efficiency but other factors are available for but a few of the countries concerned and only for prewar years. In the prewar years (see tabulation below) output per man hour in the United Kingdom amounted to only about a third that of the United States and slightly less than that of Germany. Production per man hour in Canada,

however, was more than two-thirds that of the United States and much greater than in Germany.

Data on per capita income (which are probably even less indicative of industrial efficiency than output per man hour) are available for a greater number of countries. In 1938 the per capita income of the designated countries ranged from 31 percent (Union of South Africa) to 98 percent (New Zealand) of that of the United States. The per capita income of the designated countries, on the other hand, was markedly higher than those of various Eastern European countries which averaged about 22 percent of United States per capita income.

Per capita income in specified countries, 1938
(in U.S. dollars)

Country	Per capita income	Country	Per capita income
United States	511	Belgium	257
		France	244
New Zealand	500	South Africa	161
United Kingdom	481	Czechoslovakia	137
Australia	423	Hungary	112
Canada	352	Bulgaria	110
Netherlands	322	Poland	94

The above information suggests only indirectly the relative industrial efficiency of the various countries, since among other factors the number of hours per work-year is left out of account. Statistical comparisons are not conclusive. In general, it is believed that the industrial efficiency of Canada under wartime conditions would probably be the highest of the eight countries (and would approach that of the United States), followed in order by the United Kingdom, Netherlands, Belgium, and France. That of New Zealand, Australia, and the Union of South Africa cannot be judged, even in

relative order of magnitude. On the average, the industrial efficiency of the eight designated allies probably is significantly higher than the average of the USSR and Eastern Europe.

Allied Economic

2. b. (2) Manpower.

The high degree of industrialization and the high level of industrial production attainable in the eight allied countries is reflected in the following figures on the composition of their labor force:

	Millions of Workers	Percentage of Total
Non-agricultural	49.6	75.9
Agricultural	14.9	24.1
Total	61.8	100.0

Since basic data used cover differing periods and inasmuch as worker categories are not identically defined in official reports of the various countries, these figures are only rough approximations. Unemployed employables are included; military personnel are not. It is probable that the wartime increase in military personnel would not materially reduce the size of the labor force as stated here. For some countries (e.g., Australia) accretions to the labor force in recent years have not been included. Moreover, losses to the military establishment in wartime would be partly balanced by the employment of persons who in peacetime are not classified as employable.

Estimates of the labor force that would be available to the Allies in 1949 should take into consideration two factors which supply an important complement to the figures given above: (1) the assistance that would be provided by Latin American and other areas and (2) the losses in available labor that a quick conquest of Western Europe would entail. The gains which would result from the addition of other possible allies probably would not compensate for the expected loss of European labor; they certainly would

not compensate the loss if the United Kingdom were neutralized. The loss of continental Europe's labor force would reduce the total Allied labor force by 30.2 million and if the United Kingdom were neutralized, by 50.4 million.

Allied Economic

2.b. (3) (a) Bread Grains.

	1000 Metric Tons	Percentage of Total
Total requirements	27,504	100
Production	28,023	102
Dependence on foreign sources 1/	(+519) 2/	---

1/ Other than the eight designated allies themselves.
2/ Shows net exportable surplus for allied regions taken collectively.

Production.

Production of bread grain within the eight countries and thus available for consumption during the year 1 July 1948 through 30 June 1949 is estimated (as of 16 August 1948) at 28,023,000 metric tons which is 102 percent of the total probable supply of 27,504,000 metric tons.

Dependence on Foreign Sources.

The foregoing total probable supply is predicated on improved production in the European group of countries and Canada. The balance between production and the total probable supply indicates that the designated allies may have a surplus of 519,000 metric tons in excess of total requirements."

The following considerations will be important in connection with import-export policy:

1) To conserve overseas shipping, parts of the Australian and Canadian excess (more than 8 million metric tons) may be allocated to neutral countries (Far East, for example). It is therefore anticipated that the United States and other Western Hemisphere countries, as well as certain other countries, may ship bread grains to the European group of countries.

Allied Economic

2) The dependent overseas territories are themselves deficit in bread grain production and probably will require imports of from 100 to 200,000 metric tons during 1948-49.

3) The Eastern Bloc is expected to have a considerable excess of bread grains during 1948-49 from which possibly 2,000,000 metric tons or more might be offered for export. Substantial quantities are currently being shipped to Western Europe in exchange for essential imports. The destination and quantity made available depend on Soviet policy.

4) In the event of war, possible supplies from the Eastern Bloc would be cut off. Other important sources of supply probably wou'd be unchanged.

Allied Economic

2. b. (3) (a) Coarse Grains.

	1000 Metric Tons	Percentage of Total
Total requirements	25,429	100
Production	21,771	85
Dependence on foreign sources 1/	3,658	15

1/ Other than the eight designated allies themselves.

Production.

Coarse grain production in the eight countries and thus available for consumption during the year 1 July 1948 through 30 June 1949 has been estimated (as of 16 August 1948) at 21,771,000 metric tons which is 85 percent of the total probable supply of 25,429,000 metric tons.

Dependence on Foreign Sources.

The foregoing production and probable supply situation indicates net imports of 3,658,000 metric tons which may be increased in view of prospective large crops of feed grains in the Western Hemisphere. Various factors including the following are pertinent to indicated imports:

1) Assuming the surplus production of Australia and Canada (about 600,000 metric tons) is made available to the other six countries, the uncovered balance of 3,658,000 metric tons may be supplied largely by shipments from other Western Hemisphere countries, the United States supplying nearly a third.

2) The dependent overseas territories will make no contribution of feed grains; certain of these will require 300-400,000 metric tons supplemental to indigenous production.

3) The Eastern Bloc is expected to have a considerable 1948-49 excess of feed grain from which possibly 1,000,000 metric tons might be offered for

export. The destination and any quantity made available for export will depend on Soviet policy.

4) In case of war, supplies from the Eastern Bloc would be cut off. Other important sources of supply probably would be unchanged.

Allied Economic

2. b.(3) (a) Fats and Oils.

	1000 1/ Metric tons	Percentage of Total
Total requirements	2,978	100
Production	1,444	48
Dependence on foreign sources 2/	1,534	52

1/ Pure basis.
2/ Other than the eight designated allies themselves.

Production.

Fats and oils produced within the eight countries and thus available for consumption during the year 1 July 1948 through 30 June 1949 is estimated at 1,444,000 metric tons (pure basis, i.e., edible): this is equivalent to 48 percent of the total probable supply of 2,978,000 metric tons.

Dependence on Foreign Sources.

In view of the shortage in the world supply and probable allocations, net imports are expected to be only 1,534,000 metric tons. In this connection, the following observations are important:

1) Assuming that the total surplus production of Australia and New Zealand (more than 6 percent of the combined probable supply) is made available to the other six countries, the uncovered balance of 1,534,000 could be supplied chiefly by shipments from dependent overseas territories amounting probably to more than 900,000 metric tons. The combined contributions by Norway, Denmark, and Iceland might supply an additional 200,000 metric tons. The United States and other Western Hemisphere countries are also expected to contribute appreciable additional quantities of fats and oils.

2) The Soviet Union is deficit in fats and oils while the Eastern Satellites are expected to require net imports of possibly 110,000 metric

tons during 1948-49.

3) In the event of war, Norway would possibly become undependable as a source of fish oils.

Allied Economic

2. b (3) (a) Sugar.

	1000 Metric Tons 1/	Percentage of Total
Total requirements	5,022	100
Production	2,672	53
Dependence on foreign sources 2/	2,350	47

1/ Raw sugar.
2/ Other than the eight designated allies themselves.

Production.

Sugar production in the eight countries and thus available for consumption during the year 1 July 1948 through 30 June 1949 is expected to be about 2,672,000 metric tons (raw sugar): this is equivalent to 53 percent of the total probable supply of 5,022,000 metric tons.

Dependence on Foreign Sources.

The total probable supply indicated above is predicated on possible shipments from outside the area of 2,350,000 metric tons which may be increased in view of the world sugar surplus situation. The following observations are pertinent with respect to possible imports:

1) Assuming the total excess production of Australia and South Africa (nearly 300,000 metric tons) is made available to the other six countries, the uncovered balance of 2,350,000 metric tons would be supplied chiefly by the Western Hemisphere - possibly Cuba. Denmark might make a small contribution.

2) The dependent overseas territories could make very considerable shipments, possibly 800,000 metric tons.

3) The Soviet Union is a sugar deficit country, but the Satellites are expected to have a considerable surplus of sugar during 1948-49, possibly more than half a million tons, the ultimate disposition of which will depend

Allied Economic

on Soviet policy.

4) War would cut off the possibility of shipments from the Satellite countries, but probably would not materially affect other sources of supply.

Allied Economic

2.b. (3) (a) Meat[1]

	1000 Metric tons [2]	Percentage of Total
Total requirements	6,754	100
Production	5,814	86
Dependence on foreign sources [3]	940	14

1/ Includes beef and veal, mutton and lamb, pork (ex-lard), horse meat, but not edible offals.
2/ Carcass weight.
3/ Other than the eight designated allies themselves.

Production.

Meat, as used in this statement, includes beef and veal, mutton and lamb, pork (excluding lard) and horse meat, but does not include edible offals. The total quantity of meat produced within the eight countries available for consumption during the year 1 July 1948 through 30 June 1949 is estimated at 5,814,000 metric tons; this is equivalent to 86 percent of their total probable supply of 6,754,000 metric tons.

Dependence on Foreign Sources.

In view of the shortage in the world meat supply and the probable resultant allocations, net imports by the eight-country group may be expected to be only 940,000 metric tons. In this connection, the following observations are important:

1) Assuming the total excess production of Canada, Australia, and New Zealand (more than 700,000 metric tons) is made available to the other five countries, the uncovered balance of 940,000 metric tons would originate chiefly in Argentina and other Western Hemisphere countries with small contributions by Denmark, Eire, and possibly Italy.

Allied Economic

2) No dependence can be placed on Dependent Overseas Territories as a source of meat supply.

3) The Soviet Union will have a deficit of meat in 1948-49 while the Satellites are expected to have a net surplus (possibly 200,000 metric tons), the ultimate disposition of which will depend on Soviet Policy.

4) In the event of war, the small Italian surplus (15,000 metric tons) may not be available; other sources would probably remain unchanged.

Allied Economic

2. b. (3) (b) Electricity.

	Kw capacity	Percentage of Total
		Percent
Total requirements	35,311	100.0
Production	34,389	99.0
Dependence on foreign sources 1/	484	1.0

1/ Other than the eight designated allies themselves.

Production.

For practical purposes the eight allied countries may be considered as self-sufficient in the production of electric power; some electricity is imported, however, and all of these countries have additional generating capacity under construction or projected. The combined generating capacity of the eight countries, amounting to 34 million Kw, is sufficient to supply about 99 per cent of total requirements.

Dependence on Foreign Sources.

Electric generating capacity is adequate in all of the eight countries except, France, Belgium-Luxemburg, and Netherlands which purchase small amounts of power from Germany. These three countries rely upon imports to provide the following percentages of their total consumption of electricity, France - 6%, Belgium-Luxemburg - 4%, and Netherlands - 1%.

Allied Economic

2. b. (3) (c) Coal.

	Thousand Metric Tons	Percentage of Total
		Percent
Total requirements	408,000	100
Production	370,400	90
Dependence on foreign sources 1/	42,600	10

1/ Other than the eight designated allies themselves.

Production.

Aggregate production of coal, estimated at 370 million metric tons in 1949, in the eight allied countries will probably approximate 90 percent of the current consumption. Output of coal in the United Kingdom, estimated at 220 million metric tons, will provide a surplus of 16 million tons for export and bunkers; similarly, the production in the Union of South Africa exceeds its needs by nearly 2½ million tons. Domestic production in the remaining allied countries falls short of requirements. Their relative degrees of self-sufficiency are as follows: Canada - 38%, France - 71%, Belgium-Luxemburg - 84%, Netherlands - 76%, Australia - 91%, and New Zealand - 93%.

Dependence on Foreign Sources.

Except for France, Belgium-Luxemburg, and the Netherlands, adequate supplies of coal could be assured. Australia and New Zealand are virtually self-sufficient and Canada's deficit could be met by the United States. About half the deficiency of France, Belgium-Luxemburg, and the Netherlands could be supplied by the United Kingdom, provided transportation is available.

Allied Economic

It is not practicable for coal deficit countries to build up stockpiles sufficient to meet their large industrial requirements. Accumulation of large supplies would tie up transportation and storage space otherwise needed and lower the fuel's value inasmuch as coal deteriorates in open storage.

Allied Economic

2. b. (3) (d) Petroleum.

	Thousand metric tons	Percentage of Total
Total requirements	45,916	100
Production	2,250	4
Dependence on foreign sources 1/	43,666	96

1/ Other than the eight designated allies themselves.

Production.

It is estimated that during the year ending 1 July 1949 the production of petroleum in the eight countries will be 2,250 thousand metric tons, equivalent to less than 5 percent of their total requirements. Canada and the Netherlands (not including its dependencies) each produce roughly a tenth of their petroleum needs. Output in the other allied countries is negligible.

Dependence on Foreign Sources.

Considered collectively, the eight allies are dependent on sources outside their national boundaries for about 96 percent of their petroleum requirements.

In case of hostilities, Canada, in view of its proximity to the United States and its sizeable domestic production, would be reasonably certain of adequate supplies. The position of the other allied countries is less secure. The United Kingdom, Netherlands, and France, through their dependencies and capital holdings, control respectively approximately 41,500,000, 19,500,000, and 1,200,000 metric tons of annual crude oil output concentrated largely in the Western Hemisphere and the Middle East - enough to cover annual aggregate

allied requirements one and one-half times. In event of war, however, the petroleum resources of the Middle East probably would be subject to early enemy capture while those of the Caribbean would probably be employed first to meet United States needs; the remainder, allocated to the allies, would risk seizure and sinking en route to destination. Australia, New Zealand, and the Union of South Africa could obtain some of their requirements from the East Indies. Production in that part of the world, however, is far from adequate to meet Far East demands.

Storage facilities suitable for petroleum are costly to build, particularly if placed underground. It would be feasible perhaps for small oil consumers such as New Zealand, Belgium-Luxembourg, and the Union of South Africa to depend substantially on stockpiles of petroleum; countries like the United Kingdom and France would find it extremely difficult to provide sufficient storage.

Allied Economic

2. b. (3) (e) (f) (g) Iron Ore, Pig Iron, Ferro-Alloys, and Steel.

	1000 Metric Tons	Percentage of Total
Iron Ore		
Total requirements	48,500	100
Production	42,500	88
Dependence on foreign sources 1/	6,000	12
Pig iron and ferro-alloys		
Total requirements	25,500	100
Production	25,500	100
Dependence on foreign sources 1/	---	---
Steel (ingots and castings)		
Total requirements	33,000	100
Production	34,000	103
Dependence on foreign sources 1/	(+1,000) 2/	---

1/ Other than the eight designated allies themselves.
2/ Shows net exportable surplus for allied regions taken collectively.

Production.

Of the eight countries under review, New Zealand produces practically no iron and steel and only a very minor quantity of iron ore; Australia and Canada produce iron and steel in quantities adequate for most of their ordinary needs; the Netherlands produces only a small amount of steel and exports pig iron to neighboring steel-producing countries. In the United Kingdom, France, and Belgium-Luxembourg, however, iron and steel production is a major element in the national economy. These eight countries, taken as a whole, export large amounts of iron and steel, principally finished and semi-finished products.

Allied Economic

The probable annual rate of production of ingot steel and steel for castings at mid-1949, in these countries, will be as follows (thousands of metric tons):

United Kingdom	15,250
France	8,000
Belgium-Luxembourg	5,800
Australia and New Zealand	1,600
Canada	3,000
Netherlands	350
Total	34,000

Dependence upon Foreign Sources.

It is expected that demand for iron and steel during 1948-49 will continue to exceed supply and that all of the countries concerned will produce the maximum possible, Canada, France, and Belgium-Luxembourg may find it expedient to export steel ingots and castings to neighboring countries, but such shipments will be small. On the whole, the eight countries will be self-sufficient in regard to iron and steel and will tend to be on an export rather than an import basis.

Iron ore and other raw materials.- Supplies of raw materials, particularly high-grade iron ore, coke and coking coal, are not sufficient in the eight countries as a whole to maintain iron and steel production at the projected levels. The United Kingdom and the Benelux countries will need high-grade iron ores from Sweden, Algeria, Spain and elsewhere. On the over-all basis it is estimated that 12 to 14 percent of the total requirements of ore must be met through imports.

Allied Economic

A more pressing raw material deficiency, however, is that of coking coal. Projected levels of iron and steel production in France and the Benelux countries will be attained only with substantial imports of coke or coking coal, principally from the Ruhr.

The supply of scrap presents a similar problem. The United Kingdom, the Benelux countries and France are currently receiving German and Austrian scrap which is convertible into steel almost on a ton for ton basis. Should this supply be cut off, steel production would fall at least five percent.

Furnace capacity to produce ferro-alloys is probably adequate, but the area under review is, on the whole, heavily dependent on outside sources for supply of alloying elements such as chromite and manganese, tungsten, cobalt, molybdenum, etc.

The eight countries are not stockpiling either raw materials or iron and steel as such beyond the ordinary demands of industry.

Allied Economic

2. b. (3) (h) Bauxite.

	Metric Tons	Percentage of Total
		Percent
Total requirements	1,700,000 1/	100
Production	750,000	44
Dependence on foreign sources 2/	950,000	56

1/ Roughly, 1,600,000 tons will be required for aluminum production; the remainder for the aluminous cement, chemical, and abrasive industries.

2/ Other than the eight designated allies themselves.

Production.

The total annual requirements of bauxite for the eight designated countries are estimated at 1,700,000 metric tons, while their domestic production is expected to be about 750,000 metric tons. Thus a deficit of about 950,000 tons will have to be made up by imports during the period under consideration. Approximately 1,600,000 tons will be required for the aluminum industry, with the remainder being consumed in the aluminous cement, chemical, and abrasive industries. Practically all the estimated production of 750,000 tons will be mined in France, the only current producer in the eight countries.

Dependence on Foreign Sources.

Canada, with an estimated consumption of 1,200,000 metric tons, is by far the principal consumer, ordinarily importing its supply from British Guiana. The United Kingdom could import all its requirements from France, and if France were occupied, from the Gold Coast. Bauxite requirements of Belgium-Luxembourg, South Africa, New Zealand, and Australia are relatively small. Australia has important deposits which have yet to be exploited.

There is no evidence of stockpiling in these countries. The only stocks currently held are those necessary to maintain normal production.

Allied Economic

2 b (3) (i) Aluminum

	Metric tons	Percentage of total Percent
Total requirements	290,000	100
Production	400,000	138
Dependence on foreign sources 1/	(+ 110,000) 2/	-

1/ Other than the eight designated allies themselves.

2/ Shows net exportable surplus for the eight designated allies taken collectively.

Production.

The annual requirements of primary aluminum for the eight countries are estimated at 290,000 metric tons, and production at 400,000 metric tons; thus a surplus of 110,000 metric tons will probably be available to meet shortages in the United States. Canada is expected to produce over 300,000 metric tons while France may produce virtually all of its estimated requirements of 70,000 metric tons.

Dependence on foreign sources.

The designated countries could be independent of other areas for aluminum and, as indicated, may be able to export approximately 110,000 tons to meet the United States deficiency. Substantial tonnages are now being shipped to the United States to alleviate the present shortage, which is expected to continue during 1949. The United Kingdom may require 180,000 metric tons, of which 30,000 tons will be produced within the country and 150,000 tons

imported from Canada, its usual supplier. Belgium-Luxemburg, Netherlands, New Zealand, South Africa, and Australia could import virtually all their requirements from Canada, although Norway is now an important source of supply for Western Europe.

After World War II large stocks of secondary aluminum existed in these countries, but, due to increased demands, these stocks are nearing exhaustion.

Allied Economic

2 b (3) (Additional) Tin

	Long tons	Percentage of total Percent
Total requirements	55,000	100.0
Production	5,000	9.1
Dependence on foreign sources 1/	50,000	90.9

1/ Other than the eight designated allies themselves.

Production.

For the period under consideration, the annual production of tin from domestic ores in the eight countries is estimated at 5,000 long tons, and requirements at 55,000 tons, indicating a deficit of 50,000 tons. Among these countries the principal producer is Australia, accounting for about half their total tin production; the principal consumer is the United Kingdom, which is expected to have an estimated consumption of about 30,000 tons.

Dependence on foreign sources.

Owing to the small production of tin in the designated allied countries, the deficit of 50,000 long tons must be made up by imports in the form of concentrates and metal from foreign sources. Ordinarily, the principal foreign sources are the Malayan Union and the Netherlands East Indies in the Far East, with a combined production of about 80,000 tons (assuming that political disturbances do not substantially affect their production); Nigeria and the

Belgian Congo in Africa, which should have a combined production of about 25,000 tons; and Bolivia producing about 36,000 tons. Although relatively small quantities of tin are produced in Portugal and Spain, their output is of minor importance. Under the present allocation system (by the Combined Tin Committee), tin metal is allocated and exported in quantities of a few hundred tons annually to meet essential requirements of the Satellite countries; such shipments, of course, would be discontinued in case of an emergency.

Owing to the world shortage, tin metal is under allocation. There is thus little likelihood of stockpiling in the designated countries except the United Kingdom, which has maintained stocks at an average of about 18,500 long tons during the past year, and could probably increase its tin stocks to 20,000 tons or more by 1 July 1949.

Allied Economic

2 b (3) (Additional) Lead

	Metric tons	Percentage Of total
		Percent
Total requirements	445,000	100.0
Production	385,000	86.5
Dependence on foreign sources 1/	60,000	13.5

1/ Other than the eight designated allies themselves.

Production.

For the period under consideration, the annual production of primary lead from domestic ores in the countries included in this analysis is estimated at 385,000 metric tons, and requirements at 445,000 tons, indicating a deficit of 60,000 tons. Of these countries, Australia and Canada are the principal producers, with an estimated combined production of 374,000 metric tons.

Dependence on foreign sources.

The indicated deficit of 60,000 metric tons of primary lead has to be made up by imports in the form of concentrates and metal. Ordinarily, the principal foreign sources are Morocco, French Equatorial Africa, Northern Rhodesia, and Tunis, in Africa, and, in the Western Hemisphere, Mexico, and Peru. Some imports of lead are being received from Western European countries, whereas imports from the Eastern Bloc are negligible.

Allied Economic

Owing to the present world shortage of and heavy demand for lead, stockpiling in the various countries is believed to be insignificant.

Allied Economic

2 b (3) (Additional) Zinc

	Metric tons	Percentage of total
		Percent
Total requirements	475,000	100
Production	385,000	81
Dependence on foreign sources 1/	90,000	19

1/ Other than the eight designated allies themselves.

Production.

For the period under consideration, the annual production of primary zinc from domestic ores in the countries included in this analysis is estimated at 385,000 metric tons, and requirements at 475,000 tons, indicating a deficit of 90,000 tons. Of these countries, Canada and Australia are the principal producers with an estimated combined annual production of 379,000 tons.

Dependence on foreign sources.

The indicated deficit of 90,000 metric tons of primary zinc has to be made up by imports in the form of concentrates and metal from foreign sources. Ordinarily, the principal foreign sources are the dependencies of Northern Rhodesia, Morocco, and Tunis in Africa, and, in the Western Hemisphere, the United States. Both zinc concentrates and zinc metal are imported from Norway, although not in large quantities, whereas imports from the Eastern Bloc are negligible.

No information is available to indicate stockpiling of zinc in the designated countries.

Allied Economic

2 b (3) (Additional) Copper

	Metric tons	Percentage of total
		Percent
Total requirements	710,000	100.0
Production	267,000	37.6
Dependence on foreign sources 1/	443,000	62.4

1/ Other than the eight designated allies themselves.

Production.

The annual requirements of primary copper for the countries included in this analysis are estimated at 710,000 metric tons and their production from domestic ores at 267,000 tons, indicating a deficit of 443,000 tons for the period under consideration. Of these countries Canada is the principal producer with a possible annual production of 225,000 tons, the balance of 42,000 tons coming principally from Australia and the Union of South Africa.

Dependence on foreign sources.

Inasmuch as the mine production of copper from the United Kingdom, France, and Benelux countries is negligible, practically all their requirements of primary copper have to be imported, either in the form of concentrates or metal. The principal foreign sources are the colonies in Africa, such as Northern Rhodesia and the Belgian Congo, and in the Western Hemisphere, the United States, Chile, and Mexico. The countries included in this analysis

Allied Economic

are not dependent on the Eastern Bloc for sources of copper.

No information is available to indicate stockpiling of copper supplies; at the moment world demand for copper exceeds supply.

Allied Economic

2 b (3) (i) Sulfur

	Metric tons	Percentage of total Percent
Total requirements	991,000	100.0
Production	11,000	0.1
Dependence on foreign sources 1/	980,000	99.9

1/ Other than the eight designated allies themselves.

Production.

In 1948-49 the eight designated allies will produce an estimated 11,000 metric tons of sulfur or only 0.1 percent of the 991,000 tons which they will probably require.

Dependence on foreign sources.

Almost the entire supply of this sulfur comes from the United States; Italy, once a substantial producer, is finding it increasingly difficult to compete. Among other sources of sulfur are Mexico, Chile, and Japan, whose combined output, however, is small compared with that of the United States.

The principal use of both sulfur and pyrites is in the manufacture of sulfuric acid, followed by manufacture of sulfite pulp. Sulfuric acid, discussed elsewhere, is of great strategic importance and sulfite pulp of high purity is used in the manufacture of smokeless powder, rayon, plastics, and lacquers.

Although sulfur can easily be stockpiled, there is no evidence of such activity by any nation. In the United States mine stocks in recent years have ranged from 9 to 18 months of the required supply including export demand.

TOP SECRET

Allied Economic

present, on a world basis, pyrites provides less than half the supply of sulfur accounted for by native sulfur.

Dependence on foreign sources.

The world's largest exporter of pyrites is Spain, which ordinarily supplies most of the United Kingdom's

Allied Economic

2 b (3) (k) Pyrites

	Metric Tons	Percentage of total
		Percent
Total requirements	2,670,000	100.0
Production	870,000	32.5
Dependence on foreign sources 1/	1,800,000	67.5

1/ Other than the eight designated allies themselves.

Production.

In 1948-49 the pyrites requirements of the eight designated allies are estimated at 2,670,000 metric tons, only 870,000 or 32.5 percent of which will be produced by the allies themselves. This production occurs principally in France, Canada, and Australia, none of which is self-sufficient either in pyrites or sulfur.

Estimates of production, and particularly of requirements, of both pyrites and sulfur are subject to a wide margin of error inasmuch as the two products are competitive in their principal uses. The relative proportions of each which are consumed from year to year are influenced by many economic and other factors. Moreover, data are not sufficiently complete to permit accurate estimates of consumption of these two items by the respective allies. There are little data as to the quantities of sulfuric acid produced in Europe from smelter gases of non-ferrous sulfide ores, although large quantities are so produced in England, France, Belgium, and the Netherlands. At

TOP SECRET

present, on a world basis, pyrites provides less than half the supply of sulfur accounted for by native sulfur.

Dependence on foreign sources.

The world's largest exporter of pyrites is Spain, which ordinarily supplies most of the United Kingdom's requirements, as well as part of the requirements of the other non-producing allies. Portugal, Italy, and Cyprus have supplied much of the continental allies' requirements. Norway and Sweden have not only helped to fill Germany's deficit but also shipped some quantities to the USSR. Although most of the pyrites requirements of the Western European allies come from sources which may be considered normally dependable, mine stocks of sulfur in the United States can be counted upon for some months should these sources of pyrites be curtailed. The strategic importance of both pyrites and sulfur arises from the fact that both are a source of sulfur for the manufacture of sulfuric acid, and less importantly for the manufacture of sulfite pulp.

Allied Economic

2 b (3) (1) Sulfuric Acid

	Metric tons	Percentage of total Percent
Total requirements	5,445,000	100
Production	5,451,000	100
Dependence on foreign sources 1/	(+6,000) 2/	0

1/ Other than the eight designated allies themselves.

2/ Shows a very small net exportable surplus for allied regions taken collectively.

Production.

In 1948-49 it is estimated that the eight designated allies will require 5,445,000 metric tons of sulfuric acid, an amount roughly equivalent to their total domestic production. Sulfuric acid does not enter notably into international trade. The industrial nations produce enough for their own requirements plus small quantities for export to non-producing nations.

Dependence on foreign sources.

These allies produce most of their sulfuric acid from imported sulfur and pyrites and obtain the balance as a by-product of non-ferrous metal smelters. France, Canada, and Australia have substantial indigenous supplies of pyrites, but are mostly dependent on imports of pyrites and sulfur.

Strategically, sulfuric acid is essential for the production of most explosives (being mixed with nitric acid for the nitrating operations),

in pickling (cleansing) of iron and steel, petroleum refining, manufacture of rayon, superphosphates, and many chemicals of direct and indirect military application. In the event of war the necessary quantities of sulfuric acid would be diverted from the manufacture of fertilizers to explosives. Adequate fertilizers for maintaining crop yields, however, would be vital.

Sulfuric acid does not lend itself to stockpiling because of the necessity of building storage tanks.

Allied Economic

2 b (3) (m) Soluble Phosphates

	Metric tons (P_2O_5 content)	Percentage of total Percent
Total requirements	1,767,000	100.0
Production	1,921,000	108.6
Dependence on foreign sources 1/	(+154,000) 2/	-

1/ Other than the eight designated allies themselves.
2/ Shows small net exportable surplus for allied regions taken collectively.

Production.

Production of soluble phosphates (superphosphates) by the eight designated allies is estimated at 1,921,000 metric tons (P_2O_5 content) in 1948-49, or 154,000 tons (8.6 percent) in excess of their requirements. Belgium, Denmark, and the Netherlands, each of which is on an export basis, ship their surpluses principally to deficit European countries and dependencies. The United States supplies the Canadian and some of the Australian deficits. There have been some shipments of superphosphates from continental countries to the USSR, which has huge phosphate ore reserves but insufficient processing facilities.

Allied Economic

2 b (3) (m) Potash

	Metric Tons (K_2O Content)	Percentage of total
		Percent
Total requirements	1,074,000	100.0
Production	800,000	74.0
Dependence on foreign sources 1/	274,000	26.0

1/ Other than the eight designated allies themselves.

Production.

The 1948-49 estimate of potash requirements for the eight designated allies is 1,074,000 metric tons (K_2O content), 800,000 tons or 74 percent of which is the estimated production of these countries, themselves.

Dependence on foreign sources.

The deficit in the allied group is supplied principally by Spain, although the British Zone of Germany, and the USSR and Palestine furnish small quantities. The only other producing countries are the United States, which is little more than self-sufficient, Poland, which has not exported potash to Western Europe since the war, and the Soviet and American Zones of Germany. Exports from the Soviet Zone have gone principally to the USSR; the American Zone is on an import basis. Canada plans to exploit recently discovered potash deposits.

As with other fertilizer materials, the strategic value of potash is its role in increasing crop yields. Certain potash compounds are important in direct and indirect military uses.

There is no evidence of stockpiling by any of the eight allies.

Allied Economic

2 b (3) (m) Nitrogenous Fertilizers

	Metric tons (N content)	Percentage of total
		Percent
Total requirements	890,000	100.0
Production	886,000	99.5
Dependence on foreign sources 1/	4,000	0.5

1/ Other than the eight designated allies themselves.

Production.

In the fiscal year 1948-49 the eight designated allies are expected to produce 890,000 metric tons of contained nitrogen for fertilizers, thus supplying 99.5 percent of their total requirements.

Although the United Kingdom, Belgium, and Canada are net exporters of nitrogen, the other allies variously import substantial quantities not only from these three countries but also from Chile, the United States, and to a lesser extent from Norway. The United States, however, is on a net import basis.

Dependence on foreign sources.

No nitrogen comes from the dependencies except Canada whose production, of course, is included in the above totals, and none from the Eastern Bloc, Germany (all zones), formerly the world's largest exporter of nitrogen, is now on a substantial import basis. No other countries are sources of nitrogen to the eight allies.

Allied Economic

The world as a whole, and Europe in particular, is extremely short of nitrogen and will continue to be so for several years until repairs to war-damaged plants, increased supplies to coal, and new facilities in non-producing countries relieve the shortage.

Inasmuch as nitrogen, in the form of nitric acid, is essential for the manufacture of most explosives, supplies ordinarily consumed in fertilizers can be diverted largely to manufacture of explosives in the event of war. Adequate fertilizer nitrogen for increasing crop yields, however, is important.

There is no evidence that nitrogen fertilizers are being stockpiled.

TOP SECRET

Allied Economic

2 b (3) (m) Phosphate Rock

	Metric Tons (P_2O_5 Content)	Percentage of total
		Percent
Total requirements	1,791,000	100.0
Production	35,000	1.4
Dependence on foreign sources 1/	1,756,000	98.6

1/. Other than the eight designated allies themselves.

Production.

In 1948-49 estimated requirements of the eight designated allies will be 1,791,000 metric tons (P_2O_5 content), all but 1.4 percent of which or 35,000 tons will have to be imported.

Dependence on foreign supplies.

The imported phosphate rock comes principally from French North Africa and the United States; the Pacific Islands, however, largely supply Australia and New Zealand, and British West Africa is the chief source of supply for the Union of South Africa. Spanish Morocco and Spain are small producers of phosphate rock, and Sweden and Chile of apatite (a phosphate mineral), but ordinarily these countries do not export to the allies.

Phosphate rock is the raw material for producing superphosphate fertilizers which are strategically important in maintaining crop yields, and as a source of phosphorous for certain munitions.

There is no evidence of stockpiling of phosphate rock by the designated allies.

Allied Economic

2 b (3) (n) Synthetic Rubber

	Long tons	Percentage of total Percent
Total requirements	35,700	100.0
Production	42,000	117.6
Dependence on foreign sources 1/	(+6,300) 2/	-

1/ Other than the eight designated allies themselves.
2/ Shows a net exportable surplus for allied regions taken collectively.

Production.

The estimated requirements of the eight designated allies for synthetic rubber in 1948-49 is 35,700 long tons. The only production of synthetic rubber by this group is in Canada which is expected to manufacture 42,000 tons in 1948-49, or 17.6 percent more than the requirements of the group.

Synthetic rubber is not produced commercially in Europe except in the Soviet Zone of Germany and in the USSR. Output of the Soviet Zone in Germany does not go to Western European countries; production in the Western Zones stopped on 1 July 1948.

Dependence on foreign sources.

Taken as a unit the designated allied countries would be more than self-sufficient in synthetic rubber. In the event of curtailment of supplies of natural rubber because of political instability in Malaya, however, the demand for synthetic rubber would increase. In the United States recent legislation requires that 665,000 long tons of synthetic rubber capacity be kept in standby

or operating condition and makes mandatory the consumption of one-third of this quantity in the transportation field. An additional 100,000 tons of capacity could be made available within a year.

The strategic importance of synthetic rubber rests mainly on its use as a substitute for natural rubber in the event the flow of supplies of the latter is interrupted. For some purposes, however, synthetic rubber is superior to the natural product, as for example, in oil-resistant uses and in inner tubes. In the manufacture of tires from synthetic rubber a small proportion of natural rubber is still desirable, especially for truck tires; technical advances, however, are expected to develop a superior product entirely of synthetic rubber.

There is no evidence of stockpiling of synthetic rubber by any of the designated allies.

Allied Economic

2 b (3) (n) Natural Rubber

	Long Tons	Percentage of Total Percent
Total requirements	238,000	100.0
Production	0	0.0
Dependence on foreign sources 1/	238,000	100.0

1/ Other than the eight designated allies themselves.

Production.

In 1948-49 the requirements of natural rubber by the eight designated allies are estimated at 238,000 long tons (exclusive of requirements of synthetic rubber; estimated at 35,700 long tons). Although these countries produce no natural rubber, their dependencies produce over 80% of the world output.

Dependence on foreign regions.

Because of Communist-instigated disturbances in Malaya, which produces about half of the world's natural rubber, the supply of rubber from that region may decline. Indonesia accounts for about a fourth of world output; political instability in that region, however, renders uncertain a continuing flow of rubber from the area in the event of war. Less important but undependable sources of natural rubber are Siam, Burma, and Indo-China, which, combined, produce less than 10 percent of the world total. Should the flow of natural rubber to the designated countries be interrupted, the large synthetic rubber capacity of the United States and Canada would contribute sub-

stantially to meeting their rubber requirements. Some additional natural rubber would be available from Ceylon and Africa; Bolivian and Brazilian production, which is more expensive, could be increased. Total supplies of natural rubber in 1948-49 are expected to be slightly in excess of demand, exclusive of stockpile purchases.

The USSR has greatly increased its purchases of crude rubber, reportedly having bought 80,000 tons in Malaya this year, compared with 35,000 tons in 1947. The Soviets have also made inquiries for rubber in Indonesia and Siam.

Stocks of natural rubber in the hands of the eight designated allies are currently estimated to be about 209,000 long tons, equivalent to about 9 months supply at normal rates of consumption. In view of the lengthy transit from producing to consuming countries, this reserve is no more than would be expected in normal commercial operations, and thus indicates no unusual stockpiling of the commodity. The United States stockpiling objective, however, is 600,000 tons; the rapid building up of this reserve would create somewhat of a shortage of natural rubber.

Allied Economic

2 b (3) (0) Forest Products

	1000 1/ Cubic Meters	Percentage of total
Total requirements	121,500	100
Production	123,600	102
Dependence on foreign sources 2/	(+2,100) 3/	-

1/ Expressed as roundwood equivalent.
2/ Other than the eight designated allies themselves.
3/ Net exportable surplus for allied regions taken collectively.

Production.

The total requirements of forest products for the eight allied countries taken collectively during 1948-49 is estimated at 121,500 thousand cubic meters (expressed as roundwood equivalent). Production during the same period is estimated at approximately 123,600 thousand cubic meters, thus providing a net exportable surplus from the combined areas of about 2,100 thousand cubic meters.

Canada alone accounts for between 60 and 65 percent of the total production and for more than 90 percent of the exports of forest products of the combined areas. The estimate of a net exportable surplus from the eight countries is based on the assumption that the surpluses of Canada will be at the disposal of the seven other allied countries. This assumption is somewhat unrealistic since it presupposes a drastic change in the pattern of Canadian foreign trade; in 1947 approximately 75 percent of the exports

of forest products from Canada were sold to the United States. In view of its dollar shortage, it is improbable that Canada would readily relinquish or even reduce substantially this ready source of foreign exchange.

Dependence on foreign sources.

Although there is a net exportable surplus of total forest products in the combined areas, there are deficits of some items, particularly softwood lumber and various wood pulp products. Important sources of forest products, outside the eight countries themselves, include Sweden, Norway, the United States, and Finland and Czechoslovakia in the Eastern Bloc; relatively small quantities are obtained from dependent overseas territories. Supplies from the Eastern Bloc and from Scandinavia could not be depended upon in time of war.

In view of general world shortages, there is virtually no stockpiling of forest products in the eight-country group. Surpluses produced or imported since the end of World War II have been used to fill accumulated deficits.

Allied Economic

2. b. (3) (p) Allies of U.S.A.

Aircraft Production	Year 1948	Jan.-June 1949
Number	3,699	2,591
Structural Weight (1000 lbs.)	13,309	9,517

Allied Economic

2 b (3) (a) Motor Trucks

	Units	Percent of Total
Total requirements	329,000	100
Production	343,000	104
Dependence on foreign sources 1/	(+14,000) 2/	-

1/ Other than the eight designated allies themselves.
2/ Shows small net exportable surplus for allied regions takencollectively.

Production.

Estimated production of 343,000 trucks for the eight countries in 1949 is based on an expected 10 percent increase over that of 1947. Combined production in the eight countries may thus be about 28 percent of that in the United States. Estimated minimum requirements for the year are 329,000 units, leaving an exportable surplus for the combined areas of 14,000.

Dependence on foreign sources.

In the normal course of trade the United States is the only important supplier. Imports from the United States are estimated at 48,000 units as compared with allied exports to outside areas of 62,000 units. The trucks exported for the most part have special features and would not serve in an emergency to replace those imported from the United States.

Allied Economic

2 b (3) (g) Tractors

	Units	Percentage of total Percent
Total requirements	224,000	100
Production	177,000	79
Dependence on foreign sources 1/	47,000	21

1/ Other than the eight designated allies themselves.

Production.

Production of tractors in the eight allied countries during the year 1948-49 is expected to be 177,000 units; minimum requirements will approximate 224,000 units, resulting in a net dependence on foreign sources for 47,000 units. Combined production of the eight countries is about 30 percent of estimated 1948 production in the United States.

Dependence on foreign sources.

The United States is the only important foreign supplier. Estimated imports from the United States for the year 1948-49 are 73,000 units, while allied exports to neutral countries and to dependencies will be 10,000 and 16,000 units respectively, leaving a net deficit of 47,000 units. Certain of the larger track-laying types of tractors now obtained from the United States are not being produced by the allied countries.

Stockpiles are virtually non-existent.

Allied Economic

No account has been taken of possible transfer of equipment from one country to another. Likewise no account has been taken of the sale or purchase of equipment by the various nations.

Army weapons, vehicles and equipment employed by the eight countries are in the main of British types; lesser quantities produced in the United States and Canada as well as some of indigenous production in the allied countries are also in use.

Allied Economic

2. b. (3) (s) Merchant Shipping.

The extimated production of merchant tonnage of the designated Allied Nations for the fiscal year 1949 is 2,200,000 G.R.T.

Allied Economic

2. b. (3) (t) Submarines.

Under present circumstances and conditions, the designated Allied Nations will produce no submarines during the fiscal year of 1949.

United Kingdom and Commonwealth.

Naval Appropriations provide for the construction of only 2 units, which will not be operational but experimental, and it is not expected that these will be completed by 1949. Submarine construction program, representing residue of World War II construction completed in 1948.

Australia, New Zealand, Canada, and South Africa do not build submarines, and there are no indications that they intend to.

France and Benelux.

No new construction contemplated for 1949. One unit about 55-60% complete is not expected to complete during 1949.

Belgium and Luxembourg do not build submarines. Netherlands is concerned with refitting submarines now in their possession, but no new construction contemplated.

Allied Economic

2. b. (3) (u) Uranium.

The 1949 expected uranium production and requirements of the eight designated allied countries is information which is covered by the Atomic Energy Act of 1946 and cannot be reported by CIA without special permission of the Atomic Energy Commission. It is suggested, therefore, that this request be referred to them for their judgment on release of the requested information.

Allied Economic

2. b. (5) Transport Capabilities.

Merchant Shipping.

The combined merchant fleet of the designated Allied Nations is estimated as of 1 July 1949, at 26,791,000 Gross Registered Tons, about 95% of world tonnage. In September 1939, the same nations had 22,617,000 G.R.T. The problem excludes the US fleet, which slightly exceeds the above combined fleet. It also excludes consideration of additional world tonnage which could probably be chartered by the Allied Nations. Taking into consideration the tonnage now controlled by the US and other Allied Nations, plus tonnage which would probably be available under charter or operate indirectly to the benefit of the Allied war effort, the conclusion appears justified that the Western Powers in July 1949 will control somewhat more tonnage than the Allies controlled at the end of World War II.

Land Transportation.

In general, the land transportation systems of the designated Allied Nations will be carrying in July 1949 nearly as much traffic as they were before the outbreak of World War II. On the other hand the condition of equipment, while superior to that of Soviet-controlled systems, will not be as good as it was in 1939, and reserve capabilities are lower. As a result, the capabilities of these systems for added wartime commitments will be somewhat less in 1949 than they were before World War II.

2.b. (7) Conclusions of Strategic Significance.

Data showing the degrees of self-sufficiency for the eight designated allies, taken collectively, are somewhat unrealistic; if not interpreted with caution, they might be seriously misleading. The areas of the eight respective countries are not contiguous, nor do their economies readily blend into a cohesive whole. Although, collectively, the eight countries may be nearly self-sufficient in a given commodity, their strategic position may be quite otherwise when one analyzes their ordinary and traditional channels of trade.

In the ordinary course of world commerce, even though these eight countries constitute markets of sources of supply for given products, frequently they do not constitute one another's usual markets and sources for such products. Canada's iron ore, for example, is not usually shipped to her "seven allies", but to the United States. Similarly, the eight countries are potentially about self-sufficient in nitrogenous fertilizers; but inasmuch as some of them customarily export to non-allied countries, others must depend heavily on "outside" sources of supply. Thus, only by substantial, and at times costly, reorientation of established trade channels may the full self-sufficiency indicated be attained.

The following tabulation presents estimates of the extent to which the eight designated allies, taken collectively, depend on foreign sources for certain items.

Allied Economic

Dependence of the designated allied countries on foreign sources for supplies of designated commodities, year ending 30 July 1949.

Commodity	Foreign dependence[1] (% of requirements)	Chief foreign sources of supply
Natural rubber	100	Far East[2]
Sulfur	100	United States
Phosphate rock	99	French North Africa, United States and Pacific Islands
Petroleum	96	Middle East, Caribbean region
Tin	91	Malaya, Netherlands East Indies
Pyrites	67	Spain[3]
Copper	62	Northern Rhodesia, Belgian Congo
Bauxite	56	British Guiana, Gold Coast
Fats and Oils	52	Philippines, Africa, United States and Argentina
Sugar	47	Cuba
Potash	26	Spain
Tractors	21	United States
Zinc	19	Africa, Mexico, and Peru
Coarse grains	15	United States, Argentina
Meat	14	Argentina
Lead	13	Africa
Iron ore	12	Sweden, Algeria, Spain
Coal	10	United States, Ruhr, and Poland
Electricity	1	
Bread grains	0[4]	
Pig iron and ferro-alloys	0	
Steel (ingots and castings)	0[4]	
Aluminum	0[4]	
Sulfuric acid	0[4][5]	
Nitrogenous fertilizers	0	
Soluble phosphates	0[4][5]	
Synthetic rubber	0[4]	
Forest products	0[4]	
Motor trucks	0[4]	

[1] Includes dependence on the respective colonies, etc.
[2] To a substantial extent, synthetic rubber from Canada and the United States could be substituted for the natural product. In addition, Ceylon, and Latin American countries, and Africa produce small quantities of natural rubber.
[3] For strategic uses, natural sulfur from the United States can be substituted for pyrites.
[4] Indicates net exportable surplus for allied regions taken collectively.
[5] Considerable dependence on foreign sources for raw materials, see text.

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With some reorientation of their established patterns of trade, the eight countries could be self-sufficient in bread grains, steel capacity, aluminum, sulphuric acid, nitrogenous fertilizers, soluble phosphates, synthetic rubber, motor trucks and most forest products. In a few instances, the eight allies are on a substantial export basis.

At the other extreme, the eight countries would have vital deficiencies in their supplies of certain items. It is apparent that tin and natural rubber from the Far East and petroleum from the Caribbean region and the Middle East involve critical supply situations not only because of the strategic nature of the commodities themselves, but also because of the extreme deficiency of indigenous allied production, the lack of adequate alternate sources, the inherent difficulties of wartime transportation and political uncertainties in the producing areas.

The character of foreign dependence may be as important as the extent of the deficiency itself. Fortunately for many items, traditional sources of supply would not be immediately closed in the event of war. The importance of the various areas from which such supplies may be obtained are indicated below.

The United States would be able to furnish the allied countries their entire requirements of sulfur and cover their deficiencies of coal and coarse grains and could by control of the Caribbean probably contribute to the allied petroleum requirements. In addition, United States supplies of phosphate rock and fats and oils would supplement other foreign sources to satisfy allied deficiencies.

Africa would be the most important single foreign source of phosphate rock, copper, zinc, and lead. In addition, it could supplement other foreign sources as a supplier of bauxite, fats and oils, and iron ore.

The Far East is important as the supplier of 91% of the allied requirements of both tin and natural rubber and also as a source of fats and oils and phosphate rock.

Latin America would be able to satisfy allied deficiencies of sugar and meat.

Spain is important as a supplier of pyrites, potash, iron ore and zinc.

Sweden is ordinarily the allied countries' most important single foreign supplier of iron ore.

The Middle East usually supplies virtually all of the allied deficiency (96%) of petroleum.

The Allied Nations will enjoy in 1949 an element of strategic strength in their ability to organize transport operations by air. This long-range mobility, which cannot be matched by the USSR, is based in part on the availability of world-wide air bases. It would be of particular significance in gaining advantage through rapid initial moves at the outset of hostilities. The foregoing conclusions are true without regard to the dominant position of the US in air transport, and would apply to a far greater degree if the resources of the US were taken into consideration.

From the point of view of surface transportation, there is a strategic weakness in the Allied position, due to the dispersion of its component areas, which requires intercontinental transportation across vulnerable sea lanes,

Allied economic

[redacted] into narrow areas within effective range of Soviet air power. Moreover, [redacted] of the Allied shipbuilding capacity would be likewise located within [redacted] range of [redacted] The entire surface transportation systems [redacted] Western [redacted] would be vulnerable to this type of enemy action.

A contingent strategic weakness rests in the Allied tanker position. While the world tanker fleet, exclusive of Soviet-controlled vessels, is larger than it was at the end of World War II, losses of major oil-producing or refining areas might require changes in the distribution of oil which could seriously tax the capacity of the tanker fleet presently available to the Allies.

The surface transportation positions of the Soviet-Satellites and of the Allied Nations, as viewed along the iron curtain across Europe, seem to be balanced strategically in favor of the Allies. Important allied industrial areas are close at hand and are connected by highly organized surface facilities, with many alternate routes. The USSR, on the other hand, could not match the nearby industrial resources of the Allies, and would depend on sparser lines of supply to this area. Thus the resources for the maintenance of the rail systems themselves are also much more accessible to the Allies than they would be to the Eastern Powers.