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THE USSR AND ITS ALLIANCES

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Introduction

At the present time new signs of ideological strain between the USSR and China are appearing almost daily. In Moscow the text of the Resolution of the Central Committee CPSU on the Bucharest meeting (see Appendix No. 2 below), although it "fully and competely approves" of the communiqué issued there, carefully omits to mention the most conspicuous concession to China in the communiqué, which referred to the possibility of the working class coming to power by force. The latest issue of Kommunist, Le Monde reports (16 July 1960), contains an article from the pens of two high-ranking Soviet theoreticians, F. Konstantinov and K. Momdzhyan,¹ who renew the debate with Peking by defending revisionism of the Khrushchev-20th Party Congress variety and denouncing dogmatism.

Those who consider that war is inevitable, Kommunist says, are sliding from a position of historical materialism into fatalism. It goes on to speak of atomic war as a "terrible catastrophe", and says that "when Marxist-Leninists speak of the possibility of avoiding war they base themselves not on the idea that imperialism has ceased to be aggressive, but above all on the fact that the forces of peace are capable, in our time, of imposing peaceful coexistence on the capitalist countries..."

¹Editor-in-chief, and member of the editorial board respectively.

The fact that this is the stock Soviet defence against Chinese charges of wishful thinking in Moscow will escape few of Kommunist's readers who have had access to Peking's recent propaganda. A Pravda leader today (20th July 1960) deals with "unwavering fidelity to Marxism-Leninism", meaning Khrushchev's interpretation of it, and reports with satisfaction that the national conference of the Czech C.P., and plenary sessions of the Hungarian, Bulgarian and French Communist Parties, as well as "other fraternal parties" have supported the Bucharest communiqué. The editorial continues to discuss the "incalculable losses" which war would

COMPARISONS OF THE UNITED STATES AND SOVIET ECONOMIES

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Foreword

A comparison of the costs and benefits to the Soviet Union of its bloc and pact system with the cost and benefits to the United States of its alliances is, at best, difficult. The very asymmetry of the two systems; on the one hand a grouping based on coercion of intimidation and on the other an alliance based on cooperation by invitation, causes controversy over the judgments and conclusions reached in making the comparison. It is a comparison which in some respects courts danger. For example, in judging the relative potential effectiveness of opposing Communist and Free World military forces one must consider, in addition to their equipment and training the attitudes and morale of the forces involved. And it is in just such areas that our ability to predict is weakest. A soldier compelled to bear arms for an authoritarian state may not be an enthusiastic and courageous warrior. On the other hand, fear of repressive measures, to himself or his family, may restrict the degree of acceptable alternatives open to him other than to carry out his assigned duty.

The analysis which is contained in this report is an attempt to distill out of this heterogeneous mixture of factors and forces rational judgments and measurements of the contributions which each of the ingredients makes towards the strength of the two systems.

This report is based upon the joint contributions of the Departments of State and Defense and the Central Intelligence Agency and has been reviewed by all contributors for matters within their respective purviews.

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I. SUMMARY AND CONCLUSIONS

The USSR and the US and its allies derive significant economic, political, and military gains from their respective treaty arrangements. Losses, too, are incurred by both. On balance, it is felt that the Western powers gain more from their alliances than the Soviet bloc does from its bloc and pact system. Such a conclusion must be assessed, however, under the sobering realization that the Soviet gains result in a total bloc power position which presents the Free World with a serious challenge.

A. The Sino-Soviet Bloc

There can be no question but that the Soviet Union has realized, and will continue to realize, significant economic, political, and military gains from its bloc and pact system with the European Satellites and Communist China. That these gains have been counterweighted, to varying degrees, by losses is an equally unchallengeable conclusion. On balance, the weight of evidence clearly shows a net gain for the Soviet Union in terms of the present world power position of international Communism.

The economic gains accruing to the USSR as a result of the European bloc arrangements were greatest during the 1945-1955 period when direct and indirect reparations netted the USSR an amount estimated at roughly 10 billion dollars. Of lesser import initially, but of increasing value, has been the establishment in these Satellite countries of Soviet-type economic systems where total energies are directed towards an effort which is both complementary and supplementary to the Soviet economy. While these Satellite economies cannot be utilized by the Soviet Union as though they were its own they have extended the geographic area which, under Soviet hegemony, contributes to overall Bloc economic strength.

This accrual of economic assets was not without the incurrence of economic liabilities, however. As a result of the political realization that the events of 1956 required a reappraisal of economic policies, various economic concessions made to the European Satellites probably "cost" the USSR as much as 3 billion dollars over a period of years. For the

foreseeable future, given a continuation of current economic policy, the USSR will continue to derive a net economic gain from its alliance with the European Satellites although this gain will probably be proportionately smaller than previously.

Conversely, the economic contribution of Communist China while small, if not negative, during most of the last decade, is becoming of increasing importance to the USSR.

Soviet aid supporting Communist China's forced industrialization has been wholly on a pay-as-you-go basis and, while the goods received by China are vital to the industrialization program, they have not represented any significant drain on the Soviet economy.

In addition, the rapid economic growth of Communist China, made possible by the receipt of this Soviet aid, will increasingly permit China to support from indigenous sources its own industrial and military goods production programs.

In terms of total economic strength, using the concepts of gross national product (GNP) and industrial production as a measure of this strength, the contribution of the European Satellites and Communist China to total bloc power is impressive. Aggregated, these states contribute about 45 percent of the total Communist Bloc GNP and about the same percentage of total industrial production. Of particular significance is the rising share of Communist China in total industrial production; 6 per cent in 1950, 12 per cent in 1959, and an estimated 16 percent by 1965. With an annual average rate of growth projected for the 1959-65 period of about one and one-half times that of the aggregated Western alliance, the growing economic strength of the Communist Bloc is a formidable challenge to the West. In addition, due weight should be given to the relatively greater power of Communist governments to direct expenditure of national resources.

This economic growth has also been a significant contribution to the political power of the Soviet bloc. Moreover, the extension of Soviet political and economic power into Eastern Europe and Mainland China has provided distinct assets to the Soviet Union in addition to the aggregative increase in total economic strength. It has replaced, on borders of the Soviet Union proper, many of the governments formerly hostile to it with Communist regimes not only "friendly" but also heavily dependent on it and therefore amenable to Soviet control or guidance. It has, in the Soviet Union's own eyes, largely removed the threat of "capitalist encirclement" and provided it with forward military positions from which to pressure the West.

In addition to these assets, and at least of equal importance, is the boost for the power and prestige of world communism provided by this multiplication of communist regimes. Their existence has been of great importance to the heightened elan of the world communist movement and to communism's claim to represent the system of the future.

The liabilities incurred by the Soviet Union in the formation of the "socialist camp" are equally impressive. In Eastern Europe Soviet political control is maintained largely by the threat, or the use, of force. Historic nationalism in some of these Satellites is coupled with a traditional enmity towards Russia. To these factors must be added the restiveness incurred by the depression of living standards and the totalitarian system of rule.

Communist China presents a problem of a different nature. Close political relations with the USSR are maintained on the basis of near co-equalness rather than by force. The national interests of the two states do not always coincide -- and may well significantly diverge in the future - affecting Moscow's hegemony in a system which demands a single source of leadership and direction.

From a military point of view, the armed forces of the Soviet Satellites and Communist China provide a significant increment to total bloc military strength. They are the source of over 50% of the total active strength of the armed forces of the Sino-Soviet bloc (59 percent of Army active strength), and a lesser, but meaningful share of military aircraft and naval vessels. The areas controlled by these forces provide a defensive buffer against group action and a vital contribution towards early warning for air defense purposes. The size of the Soviet contribution of military end-items has become proportionately smaller while the capability of the other bloc members to supply their military forces from indigenous product has steadily increased. Nonetheless, the Bloc members are far more dependent on the USSR for advanced weapons than our allies are upon the US.

While the Eastern European Satellites and the Communist Chinese military forces are well trained and equipped to fight effectively, any estimate of their contribution to total military strength depends upon an evaluation of their "reliability". This reliability judgment also has gradations within groups in each national state and between the various bloc countries. On an ordinal scale, Communist Chinese forces would probably stand at the top of the list with East German and Hungarian Forces at the bottom. The other European satellites would be ranked inbetween with the degree of reliability in large part a function of the nature of the conflict.

B. The Western Alliance

It is true, too, that our alliances have clearly realized significant gains for the United States. On balance, these gains accrue equally to each partner since the alliances are effectively based on common political values, reciprocal security agreements, and mutually advantageous economic relationships. That there are costs to the US - and to its partners - in these alliances is also recognized. Almost without exception though, these costs are ad hoc liabilities which result from the freedom of action insured to each member of the alliance. Of crucial significance in this comparative study is the fact that the long-run effect of these costs on the stability and cohesion of the alliance is to strengthen it.

Economically, the Marshall Plan and the Point IV programs of the early postwar years were the antithesis of Soviet expropriation policies. Freely given, they provided the economic stability essential to the survival and progress of the recipients as members of a Free World community. The economic relationships of the US with its allies, based on the principle of mutual advantage, have not differed materially from pre-alliance periods.

Measured in statistical terms, the GNP of our allies is presently larger than that of the US and their total industrial production is nearly equal to ours. Both measures are a growing share of total Allied economic strength. The past, and projected future, growth rates of the Western Alliance as a whole, however, are lower than those of the Communist Bloc.

Politically the great contribution of our Allies is the fact that they hold to the common principles of human dignity, freedom, and individual worth; principles which have resulted in a degree of mutual cooperation in attaining common goals that is unprecedented in peacetime. The political cohesion of the Western alliances during such periods as Korea, the Berlin Blockade, and the current Berlin situation is further testimony to the contribution of our allies to Western world political power. This cohesion against a common foe, coupled with a freedom of choice in internal political affairs is an asset which is becoming increasingly recognized by the underdeveloped and uncommitted nations of the world and is a primary weapon in the political struggle. Events such as Hungary in 1956 and Tibet in 1959 serve to enhance our appeal while helping to dull the lure of the communist ideology.

US military strength is impressive. The contribution of our allies to total allied strength is perhaps more impressive. In terms of total armed forces active strength our allies contribute almost three quarters of the total (five-sixths of the total army active strength), about two fifths of the aircraft in operational units, and about three fifths of total allied naval strength. In each of these examples, this voluntary association has resulted in a contribution whose share of the total is much larger than the share coerced by the USSR from its Satellites - testimony to the fundamental differences in the nature of the two alliances. These allied forces represent an impressive deterrent and retaliatory strength.

The costs to the US of its military aid program are significant, but for each dollar we have spent on military assistance between 1950 and 1958, recipient nations have spent more than six dollars.

II. THE USSR AND ITS BLOC AND PACT SYSTEM

A. The European Satellites

1. Economic Assets and Liabilities

Important economic benefits have accrued to the Soviet Union from its agreements with the European Satellites since World War II, although these have been sharply reduced since 1955, and in some recent years there may have been Soviet economic costs. Through its political and military

power position the USSR exerts considerable control over the economies of the European satellites. The degree of Soviet control, given its inherent ability to apply direct and ruthless pressure in order to enforce its objectives, has been consistently high since the seizure of power of Communist regimes in each of the European Satellites. However, the nature and form which this control has actually taken over time has varied.

During the early postwar years there was a clear advantage to the Soviet Union from direct reparations of capital plant and equipment received from the European Satellites; from indirect reparations in the form of profits of Soviet-controlled companies which used skilled personnel, plant and equipment, and materials indigenous to the area; from Satellite payments of the occupation costs of the Soviet troops in their countries; and from the abnormally low prices paid by the USSR for such goods and services as East German uranium ore, Polish coal, and Polish railroad services. These Soviet takings were slowly reduced during the early 1950's, but continued through at least 1955, and in the case of East German occupation costs, through 1958. Over the postwar period as a whole a rough monetary estimate of the reparations come to 10-12 billion dollars, several times the value of Soviet credits to the Satellites during this period which amounted to about 1 1/2 billion dollars and which were probably partly repaid by 1956. In view of the weakened state of all Soviet bloc economies after World War II these impositions must have been of considerable advantage to the Soviet Union and were certainly a heavy burden on the European Satellites.

With the establishment of Soviet-type economic systems in each of the Satellites, involving state ownership of most of the means of production and central planning of the economy, economic policies favoring the rapid development of heavy industry, and the development of intra-bloc trade have been the primary objectives of each of these countries. In following these Soviet-inspired policies the Satellite regimes have implemented economic plans which both supplement and complement the economic development plans of the USSR. Although the Soviet Union can levy specific requirements on particular satellites for industrial development programs which it considers important for economic or strategic reasons, Satellite plans are neither closely integrated with the Soviet plan nor can the Soviet Union now utilize the economic resources and production of the Satellites as though they were its own. The practical limitations of control by sheer force were amply demonstrated in the events of 1956, since which time the Soviet Union has preferred to discard the most onerous forms of control over the Satellites. In discarding these controls it has allowed more liberal economic policies in some of these countries (notably Poland and Hungary) and has provided greater support for their economic programs. These measures have involved Soviet economic outlays, or at least the foregoing of certain economic gains, in the interest of ensuring the economic and political stability of the European satellites.

During 1956-58, Soviet credits to the Satellites exceeded those extended in the entire preceeding decade, and they involved more favorable terms -- longer repayment periods and

lower interest rates. Moreover, the Soviet Union made some additional economic concessions, such as the cancellation of part of the old debts due from the Satellites; the granting of higher prices for Polish coal; Polish railroad services, and East German uranium ore; and reductions in the charges to East Germany for occupation costs. These concessions probably freed the Satellites from obligations to the Soviet Union of over 3 billion dollars, which would otherwise have had to be paid over a period of years.

Since the disturbances of 1956, Soviet-Satellite trade relations have assumed a volume and character which more closely approximates the economic law of comparative advantage. At the same time, however, these trade relations reflect the effects of Soviet influence in the orientation of Satellite economic development along lines both supplementary and complementary to Soviet economic development. In 1958, trade in each direction between the Soviet Union and the European Satellites amounted to about 2 1/4 billion dollars; roughly one-half of the total foreign trade of the Soviet Union and 40 percent of the total foreign trade of the Satellites. The pattern of Soviet trade with each of the European Satellites varies with the degree of industrialization of the Satellite trading partner. From the more industrialized Satellites the USSR receives machinery and equipment such as merchant ships, railroad, metallurgical, chemical, and electrical equipment in exchange for raw materials and food; from the less industrialized Satellites, on the other hand, Soviet trade involves the exchange of raw materials and foods for items of Soviet manufactures.

On balance, if the European Satellites were suddenly detached from the Soviet Union and all intra-Bloc trade came to a standstill (with no concomitant increase in Soviet trade with non-Bloc countries) it would be a clear disadvantage to the Soviet Union. The USSR with the Seven Year Plan goals as a restraint, would undoubtedly have to use more internal resources in producing the commodities and services planned to be imported from the European Satellites than the resources it plans to use in producing the goods and services to be exported to the European Satellites in payment. Under a second assumption, namely, that the European Satellites were detached and normal trading relations were established by the Soviet Union with all countries (former European Satellites and non-Bloc countries), then the pattern of trade with the former European Satellites would probably not be very different from what it is at present. This continuation of patterns, at least in the short run, would be a function of the history of the economic development of the European Satellites since World War II as affected by the influence of the USSR on Satellite economic development. Over the longer run, the economic development of these "former" European satellites, especially under a condition of market economies would probably change direction and be less complementary to the USSR. In that circumstance the Soviet Union would probably suffer a net "loss".

The economic benefits to the Soviet Union of its pact with the European Satellites, as described above, are important and, to some extent, quantifiable. Probably as important, if not more important, is the contribution of these economies to overall Soviet influence and prestige. This contribution is also the most difficult one to quantify. Economic size and growth of the Sino-Soviet Bloc. The size of the Bloc relative to the Free World is considered by many to be a significant measure of the success or failure of the Communist system and the achievement of rapid or low rates of growth another such measure.

From the point of view of size alone, the European Satellites represent a considerable addition to the economic resources of the Soviet Union. Population, total civilian employment and employment in industry in the Satellites are approximately one-half of that in the Soviet Union in each case. The aggregate gross national product (GNP) of the European Satellites amounts to about two-fifths of the Soviet GNP and is about equal to the GNP of West Germany. Some of the Satellites are more developed economically than the Soviet Union; others are less developed. East Germany is one of the most industrialized countries in the world while Albania is the most primitive country in Europe. Per capita GNP in the Satellites ranges from a high of \$1,100 to \$1,200 in East Germany and Czechoslovakia (compared to about \$1,500 in West Germany, \$2,500 in the US, and nearly \$1,000 in the Soviet Union), to approximately \$500 in Bulgaria, and probably much less in Albania. Satellite total industrial production presently is over 55 percent of USSR industrial production, a smaller share than in 1950, but still a significant portion of the total.

Economic growth in the European Satellites has roughly paralleled that in the Soviet Union. Since 1950, GNP in the Satellites has grown at about 6 to 7 per cent a year, and industrial production at about 9 per cent a year. Rates of economic growth in the European Satellites are expected to decline only slightly in the next few years - to perhaps 5 to 6 per cent for GNP and about 7 per cent for industrial production. Past rates of growth in the European Satellites have been considerably larger than in the NATO countries as a whole (with or without the United States), and have been equalled in only a few countries of Western Europe. (See Appendix for a tabular presentation of comparative economic data).

This success in achieving a rapid rate of industrial economic growth was accomplished, in large part, at the expense of little or no improvement in living standards. Comparisons, in living standards, with Western Europe are more unfavorable to the European Satellites than they were ten years ago, in some cases than they were before World War II. This failure to fulfill either the promises of the regimes or the expectations of the populations has been an important element in the economic and political instability of the European Satellites, particularly in the period 1953-56. Present economic policies in the European Satellites, although still aimed at achieving rapid economic growth, appear to provide for a steady, if slow, rise in living standards and tend, therefore, to be more conducive to political stability than the earlier "Stalinist" policies.

The Soviet Union probably also benefits economically from European Satellite trade relations with the underdeveloped and uncommitted countries. The economic gains from comparative advantage, particularly in the export of whole plant and equipment (projects) and of technical talent are quite clear. Less directly observable but probably equally important, is the fact that this activity is a less obvious form of communist economic penetration than if it were practiced solely by the Soviet Union itself.

2. Political Assets and Liabilities

The extension of Soviet political power into Eastern Europe at the close of World War II has provided certain distinct assets to the Soviet Union. First and most obvious, it enhanced the security of the Soviet state. Not only had the governments of the countries bordering the Soviet Union frequently been hostile to it, but the geographical area itself forms a natural invasion route of the USSR, and history is replete with instances when that area has been so used. The imposition of Communist regimes in the East European countries - in effect an extension of Soviet state power - meant the establishment in those countries of governments not only "friendly" to the Soviet Union but almost entirely dependent on it and amenable to Soviet control. The conclusion of bilateral mutual assistance treaties between the Soviet Union and the Communist regimes of these countries in the late 1940's, and the founding of the Warsaw Pact in May 1955 provided the legal framework and justification for the stationing of Soviet forces in Eastern Europe and their reintroduction in the event the regimes there were threatened either from within or without. This forward position of Soviet military power in Europe has both enhanced the Soviet state's security and provided the Soviet Union with a vantage point from which to pressure the West, particularly in the case of Germany whose Eastern part is occupied by Soviet troops.

In addition to these assets and at least of equal importance, is the boost for the power and prestige of world communism which has been provided by the multiplication of communist regimes in Eastern Europe and the formation of the "socialist camp". Despite the fact that the East European bloc regimes were set up and are largely maintained by the use, or threat of use, of Soviet military force, their existence has been of great importance to international communism's added prestige in international councils (UN and East-West negotiations), to the heightened elan of the world communist movement, and, probably, most important of all, to communism's claim to represent the system of the future which will eventually and inevitably encompass the entire world.

The liabilities to the Soviet Union of its East European empire are no less impressive than its assets, and they stem from two fundamental factors which the Soviet Union cannot alter without basically changing the nature of the bloc structure in Eastern Europe. First, the regimes were imposed by

the Soviet Union by force (except, in Czechoslovakia's case, under the shadow of Soviet armed might) against the will of the people in Eastern Europe and they are maintained largely by the use or threat of use of Soviet force. Thus they are obliged to subordinate their own national interests to the interests of the Soviet state and therefore are, by their very nature, colonial regimes in an era where nationalism is probably the strongest political force extant. In addition, some of the nationalities of Eastern Europe hold traditional enmities toward Russia as a historic entity. A second basic and closely related weakness is the fact that most of the people of Eastern Europe strongly dislike the Communist system imposed upon them, with its stringent domestic policies, depressed living standards, and oppressive method of rule. These two factors reinforce each other: dislike of communism is heightened by the fact that it has been imposed by an alien government, and hatred of national oppression is intensified by the fact that it is totalitarian in nature.

The harsh policies which the Soviet Union is obliged to pursue to maintain the stability and unity of the bloc structure in East Europe also affect adversely other Soviet foreign policies. For example, Soviet intervention to suppress the Hungarian uprising in the autumn of 1956 belies Moscow's professed desire for "peaceful coexistence", its alleged respect for the independence of all nations large and small, etc. Similarly, the renewed attacks on the independent Yugoslav regime in April-May 1958 damaged the USSR's assiduously cultivated relations with the neutralist countries of Asia.

The future outlook is for the maintenance of Soviet control over Eastern Europe for the foreseeable future, and for the reasons given, Soviet hegemony in the area will continue to constitute a positive benefit for the political interests of the USSR.

The maintenance of Soviet influence in Eastern Europe will now, however, be an unalloyed blessing and will be beset with continuing difficulties. Even though the USSR has largely succeeded in repairing the damage caused by the Hungarian revolt and Polish riots of 1956 and the short-term outlook is for less instability, it appears likely that, over a period of time, there will be a gradual attenuation of the more overt forms of Soviet control in Eastern Europe. In more than a decade of the existence of Soviet control over the Communist regimes in Eastern Europe, there have been four major cases of national defiance or popular revolt against Soviet rule (Yugoslavia, 1948; East German Berlin uprising, June 1953; Poland, June-October 1956; and Hungary, October-November 1956), with one of them completely successful (Yugoslavia), one of them partially successful (Poland), and the other two suppressed at a large cost to Soviet prestige. There may well be similar developments, although under different circumstances, over the next decade inasmuch as Moscow's basic problems in the area will remain unsolved. Simultaneously, or alternatively, the USSR may feel obliged to grant the satellite regimes a large degree of autonomy in the hope that this will allay popular hostility and avoid overt acts of defiance.

3. Military Assets and Liabilities

Evaluated only in terms of sheer magnitude the armed forces of the European Satellites provide a significant increment to total Sino-Soviet Bloc military strength. At the same time, this increment of strength is available to the USSR only at a very considerable cost.

There is a close inter-relationship between the military establishment of the Soviet Union and the European Satellites, with the latter depending heavily on the former for weapons, equipment, POL, and other support. This dependence is intentional, however, and is in keeping with Soviet plans for retaining internal military and political control in these countries as well as for retaining control over the freedom of action of these countries in their own foreign policy, military and political activities. The Satellite military raw material and hardware contribution to the USSR is, in turn, nearly insignificant except for the provision of uranium ore and the production of military electronic and electrical equipment in East Germany and Czechoslovakia. In addition, the countries in which Soviet troops are stationed (East Germany, Poland and Hungary) supply products such as food, clothing, fuel, and ammunition to the Soviet Forces and provide some material and training as part of the Soviet Bloc military aid programs.

Of the total Sino-Soviet Bloc active military manpower strength of about 9.3 million, the European satellites contribute over one million military troops. The Soviet-sponsored ground armies of these satellites total nearly one million men, organized in some sixty line divisions. They are equipped with Soviet-type armored vehicles, artillery, small arms, and electronic and engineering equipment. Only Czechoslovakia is known to be making weapons of original design. Satellite line divisions are generally well organized, well equipped, and well trained; some of the units reflecting the latest Soviet organizational concepts designed to meet the requirements of modern war in which tactical nuclear weapons could be used. The combat effectiveness of these forces is maintained at a high level and, while almost wholly dependent on Soviet logistical support they could, with an outbreak of hostilities, provide a defense buffer for the USSR and/or protection for its lines of communication. (See Appendix, Table 3, for tabular data).

The European Satellites have only a limited air capability. On the other hand, in addition to providing this marginal supplement to the strength of the Soviet air force, the air defense role of the Satellites, especially Czechoslovakia and Poland, is an important source of early warning to the Soviets. A major contribution is the larger number of well distributed airfields and depots which would be invaluable as advanced staging areas for the Soviets. Czechoslovakia and Poland also have minor military aircraft industries but these lean heavily on the USSR for material support. The contribution, similarly, of the Satellite naval forces to the overall strength of Sino-Soviet naval forces

is also marginal. Most are of Soviet origin; and all are heavily dependent upon the USSR for logistic support. Some small benefit to the USSR probably also accrues as a result of the use by Soviet naval forces of Satellite port facilities.

While the Satellite military forces are well trained and equipped to fight effectively, the capability to assist the USSR in war depends to a great extent on their "reliability". It is in this area that the evaluation of costs or benefits becomes most difficult.

Reliability may be considered to be affected primarily by the influence that the USSR will have on these forces, either due to the proximity of Soviet armed forces, or the success of Communist indoctrination upon their will to fight. Reliability to the Bloc cause would have various gradations within different groups in a single country. The national leadership, being de facto closely identified with Bloc objectives, can be considered as highly reliable. The careful selection and surveillance of military leaders and their indoctrination and that of their troops should result in a higher degree of reliability among the military than in the population as a whole.

Satellite armed forces would fight best against traditional enemies or if they believed their national interests were at stake. In general, the armies could be expected to fight at least reasonably well until Bloc forces are put on the defensive and forced to retreat. If only because of strict Soviet control measures, significant defections could not be confidently expected until this situation existed.

It is difficult to rate the Satellites in order of reliability. However, in East Germany, the most exposed Satellite with ties of blood with West Germany, the USSR would probably exercise great care in the manner in which East German forces were employed. Bulgaria, on the other hand, being traditionally pro-Russian, would probably be considered as reliable by the Soviets. In all cases the performance of the Satellite nations, would be determined in large part by the circumstances of war.

B. Communist China

1. Economic Assets and Liabilities

The decade just passed, which saw the seizure of power by a communist regime in mainland China and the alliance of that regime with the Soviet Union, was a milestone in Sino-Soviet relations. It is only now that the point is being reached where economic magnitudes have a significant meaning in terms of the costs and benefits of the alliance to the Soviet Union. Barring some unusual and unexpected development which would drastically alter the present course of the economy of Communist China it is estimated that the rapid growth in Communist China's economic strength will continue and that this growth will be of increasing benefit to the world power position of the USSR.

During the past ten years, the timely and selective shipment

of Soviet manufactured machinery and equipment and the provision of technicians and other technical aid has had a tremendous impact on the Chinese Communist industrial economy. Soviet aid has been concentrated on the building and equipping of large, relatively modern, industrial plants which form the backbone of the Chinese industrial development program. By the end of 1958, about 140 to 150 of the some 300 major plants being built with Soviet assistance had gone into pilot or full operation. Chinese Communist industrial production, over the period 1950-1958, is estimated to have increased approximately 5 times, an annual average rate of about 23 percent. Gross national product nearly doubled during this same period. (See Appendix, Tables 1 and 2, for further statistical data.)

The Soviet support for Communist China's forced industrialization program has not been of any significant cost to the USSR. In the earlier years of the program the USSR provided two loans for economic purposes totalling \$430 million. These were substantially used up by the end of 1955, and since that time, the Chinese have been exporting more to the USSR than they have been importing. This excess of exports over imports has been going primarily to repay these economic credits plus some military credits used in earlier years. It is not impossible that these priority contributions to China's industrialization have been of some cost to the Soviet economy by hindering the equipment of programmed Soviet industrial expansion. In view of the rapid expansion of the Soviet industrial base in recent years, however, it is not believed that the shipment of machinery and equipment to Communist China has represented any significant drain on Soviet industrial growth.

The goods received from the USSR are vital to Communist China's industrialization program whereas those received by the USSR from China are not nearly so vital to the Soviet economy. Nonetheless, the USSR derives substantial benefits from Communist China exports of such commodities as tin and beryllium which are not available in sufficient volume from Soviet sources. Other Chinese Communist exports to the USSR- foodstuffs, textiles, and raw materials - have no direct bearing on Soviet industrial production but, as a result of comparative advantage, result in the freeing of capital resources for further industrial expansion in the USSR.

In addition, the rapid development of the Chinese Communist economy, and especially the industrial sector, is in itself a benefit to the USSR. The Chinese Communists are increasingly able to provide capital goods for the expansion of their industry and to fill their own military supply requirements. Chinese Communist industry produces small arms and ammunition; and with Soviet help, has been able to undertake the production of Soviet-type artillery, jet aircraft, tanks and submarines. Some of the component parts for these items are presently supplied by the USSR but the Chinese Communists have not advanced beyond the "assembly stage" in which the Soviet-made parts were put together in Chinese factories.

Continued rapid expansion of the Chinese Communist economy will be of increasing benefit - and decreasing cost - to the USSR. The image of rapid industrialization under a Soviet-type

system presents an appealing picture, particularly to the underdeveloped countries of South and Southeast Asia. So long as this picture is not unduly blurred by a realization of the human costs involved, or destroyed completely by crude power blunders such as recent Chinese actions in Tibet and India, the USSR will realize a net gain from the alliance.

If Communist China can maintain its previous rapid economic growth, it will be able to provide the additional resources needed to equip and maintain a large and increasingly modern armed force without the assistance from the USSR which was forthcoming in past years. While assessments of the economic development of Communist China are uncertain at best, it is estimated that industrial production in Communist China, less than 7 percent of that of the USSR in 1950, may have grown to about 16 per cent by 1958, and by 1965, could increase to about 25 per cent of that of the USSR according to present

with those of the USSR. A case in point is the Peiping regime's recalcitrant and aggressive stand in its present border dispute with India which the USSR apparently views as detrimental to its short-term interests.

The Chinese Communist regime's special status in the communist bloc, which has become even more pronounced since the death of Stalin in 1953 and the USSR's troubles in East Europe in the autumn of 1956, has also had disruptive effects within the Bloc. Basic in this regard is the fact that the Peiping regime is building "socialism" under conditions which differ greatly from those in the USSR and consequently is led to adopt policies and ideological formulations which diverge from the Soviet model. The most recent example of this is the commune program in Communist China. Although this approach to the administration of agriculture and small scale industry appears to the Chinese Communist leadership as logical - indeed, vitally necessary - it is a significant deviation from Soviet practice in a critical field and hence poses a challenge to the USSR's position of unqualified leadership of the communist bloc and international communist movement. The Soviet Union's disapproval of the Commune program has been unmistakably, though obliquely expressed.

In sum, Peiping's emergence within the Bloc as a second ideological center - given the different conditions confronting the Chinese Communists - cannot but affect Moscow's hegemony in a system which claims to be based upon a universal scientific truth and thus demands a single source of leadership and direction.

On balance, the Sino-Soviet alliance constitutes a large advantage to the Soviet Union, as well as to Communist China itself. The prospects are that the dominant characteristic of the alliance for the foreseeable future will be continued close cooperation between the two powers in what they conceive of as their vital struggle against the non-communist world.

It is also likely that the difficulties and problems in maintaining close harmony in the alliance will increase with the passing of time. This is true because Communist China's increasing power and decreasing dependence on the Soviet Union will weaken the leverage the latter has on Peiping and provide a more propitious background for the emergence of differences between them. Nevertheless, both powers apparently see no acceptable alternative - quite apart from the obvious advantages - to maintaining their alliance, and adjusting to differences which arise between them.

3. Military Assets and Liabilities

The military establishment of Communist China depends heavily on the Soviet Union for support. Most advanced weapons, complex equipment and POL are supplied to the Communist Chinese armed forces by the USSR. In addition, Communist China depends on industrial machinery and technical assistance from the USSR to build up its own munitions industry. The military logistics contribution of the Chinese Communists to the USSR is insignificant

except for a few raw materials such as tin, tungstan, and, indirectly, rubber. However, the vast manpower resources and area of Communist China, extending from the Soviet border to the Pacific, are potentially valuable contributions to the Bloc in time of emergency.

The Chinese Communist armies are equipped with Soviet type vehicles, artillery, small arms, electronic and engineering equipment, an increasing amount of which is being manufactured in Communist China.

The Chinese Communist standing army totals over two million men, the equivalent of well over 100 line divisions, with the bulk of these infantry. A very much larger semi-military militia, reinforced by a hard core of ex-servicemen, could in time of emergency be quickly absorbed into the armed forces. The militia is used to assist the army and police in maintaining internal security and, together with the army, to augment the labor force.

Although not as modern as those of the Soviet Union, the ground forces of Communist China are improving in efficiency by means of reorganization, training, and equipping with newer weapons. They are a formidable addition to Bloc military strength.

The air forces of Communist China have an improving, though limited, air capability. They are, however, still heavily dependent on the Soviet Union for training, weapons and equipment. While the Chinese Communists produce a few light transport planes of their own design and helicopters and fighter aircraft in very limited numbers, the Soviets provide all other aircraft. Communist China does not produce either jet fuel or aviation gasoline and is almost entirely dependent upon shipments of these products by rail from the Soviet Union to satisfy its requirements.

On the other hand, in addition to supplementing the strength of the Soviet air force, the air defense capability of the Chinese Communists is an important segment in the Bloc defense warning system and the many well distributed airfields and their facilities would be useful as staging areas for the Soviets.

Like the army and air force of Communist China, the navy is also largely dependent on the USSR. Most of the ships in the fleet are of Soviet origin and those few smaller types which have been built outside the USSR are based on Soviet plans and technology. Communist China has constructed submarines and escort vessels (the largest warships constructed in the Bloc outside the USSR), but only with considerable Soviet assistance. Logistic support also comes largely from the USSR. Ordnance and ammunition for the most part originate in the Soviet Union as do POL and spare parts for Soviet-type ships.

The only Naval facilities of significance provided by Communist China to the USSR are port facilities. However, the Chinese Communist Navy, especially its submarine force, is a small but useful addition to Bloc naval strength.

The capability of the armed forces of Communist China is continuing to improve. Since the Korean War it has much improved with Soviet assistance in training and modernization. In addition, the regime is stressing heavily political indoctrination in order to insure loyalty to the regime. In small scale operations of relatively short duration, as in Tibet, the Chinese Communist armed forces could operate independently. In large scale operations the Chinese Communists should be able to contribute materially to the overall military strength of the Bloc, provided logistic support from the USSR is forthcoming.

TABLE I

Estimated
Gross National Product Index
Western Alliances and Sino-Soviet
1950-1965, Selected Years

	<u>Index 1950=100</u>				
	<u>1950</u>	<u>1955</u>	<u>1958</u>	<u>1959a/</u>	<u>1965b/</u>
Canada	100	125	133	137	175
European NATO	100	128	141	152	200
OAS, SEATO and Bilateral Allies	100	125	145	155	207
United States	<u>100</u>	<u>124</u>	<u>126</u>	<u>134</u>	<u>171</u>
Total - US and Allies	100	125	134	143	185
European Satellites	100	142	167	179	246
Communist China	100	147	193	216	342
USSR	<u>100</u>	<u>139</u>	<u>175</u>	<u>185</u>	<u>262</u>
Total - USSR and Satellites	100	141	177	190	275
Grand Total	-	-	-	-	100

a. Preliminary Estimates
b. Projections

TABLE 2

Estimated
Industrial Production Indexes
Western Alliances and Sino-Soviet Bloc
1950-1965, Selected Years

	Index 1950=100				Percent of Total			Average Annual Growth Rate-%	
	1950	1955	1958	1959a/1965b/	1950	1959a/1965b/	1959/1950	1965/1959b/	
Canada	100	133	142	150	3	3	3-3/4	5	
European NATO	100	141	161	172	24	24	6-1/4	6	
OAS, SEATO and Bilateral Allies	100	150	186	193	7	8	7-3/4	7	
United States	<u>100</u>	<u>129</u>	<u>125</u>	<u>141</u>	<u>48</u>	<u>40</u>	<u>4</u>	<u>4-1/2</u>	
Total - US and Allies	100	135	141	155	82	75	4-3/4	5-1/4	
European Satellites	100	157	198	215	7	8	9	7	
Communist China	100	266	516	640	1	3	23	14	
USSR	<u>100</u>	<u>168</u>	<u>211</u>	<u>229</u>	<u>10</u>	<u>14</u>	<u>10</u>	<u>8.6</u>	
Total - USSR and Satellites	100	171	233	247	18	25	10.5	9	
Grand Total	-	-	-	-	100	100	-	-	

a. Preliminary Estimates
b. Projections

TABLE 3

Comparative Military Strength Data
US and Its Allies Vs. Sino-Soviet Bloc 1/
Winter 1959-60 2/

	Armed Forces Total Active Strength	Army Active Strength	Aircraft in Operational Units	Ma Comba Vess
US and Alliances	8,680,000	5,570,000	29,000	3,70
of which: US Allies	6,200,000	4,700,000	12,000	2,10
US Allies as percent of total	71	84	41	57
Sino-Soviet Bloc	About 9,300,000	About 7,250,000	About 25,000	About 3,00

TEXT OF RESOLUTION OF THE CC CPSU

TASS

July 16, 1960

The following is the full text of the resolution on the results of the Conference of Representatives of the Communist and Workers Parties in Bucharest, adopted unanimously by the plenary meeting of the CPSU Central Committee on July 16, 1960.

Having heard the report by Comrade F. R. Kozlov on the results of the Conference of Representatives of the Communist and Workers Parties of the Socialist Countries in Bucharest, the plenary meeting of the CPSU Central Committee fully and completely approves of the political line and the activity of the CPSU delegation headed by Comrade N. S. Khrushchev at this conference, as well as the communique issued by the Conference.

This conference enabled representatives of the Communist and Workers Parties to exchange opinion on the urgent issues of today's international situation and on the tasks of the World Communist Movement following from this situation. The Conference confirmed with new force that the Communist and Workers Parties are unanimous in supporting the conclusions which were drawn by the 20th and 21st Congresses of the CPSU and which had a tremendous influence on the international situation in the interests of peace and socialism, as well as the principles of the Declaration and Peace Manifesto adopted by the Conferences of Fraternal Parties in Moscow in the autumn of 1957. The unanimous position of the Communist and Workers Parties on the cardinal questions of the current situation provides another evidence of the loyalty of the International Communist Movement to Marxism-Leninism, of the readiness of all fraternal parties to continue strengthening the solidarity of the world socialist camp, to safeguard as the apple of the eye the unity of the International Communist Movement. The Communist and Workers Parties confirmed their resolve to offer rebuff to the revisionist, dogmatic and leftwing sectarian digressions from the Marxist-Leninist teaching, to the manifestations of narrow nationalistic tendencies, to develop creatively Marxism-Leninism and to skillfully apply it in practice.

The CPSU Central Committee reaffirms its loyalty to the principles of the Declaration and the Peace Manifesto which constitute a charter of the contemporary Communist and Labor Movement, a programme of its struggle for peace, democracy, and socialism.

All the conclusions of the Declaration and the Peace Manifesto have been confirmed by the course of international events, by the development of the countries of the world socialist system and fully retain their validity.

Of particular importance for the successful struggle of peoples for peace, democracy and socialism in the present situation are the Marxist-Leninist postulates of the Declaration on the characteristic features of our epoch, on the possibility of peaceful coexistence of states with different social systems and prevention of wars, on the necessity of keeping up the vigilance of the peoples with regard to war danger since in view of the existence of imperialism the ground for aggressive wars still exists, on the forms of transition of different countries from capitalism to socialism.

As a result of the epoch-making achievements of the Soviet Union which has entered the period of full-scale construction of communism, as a result of the growing might of the world socialist system as a whole, of the consistent struggle of the USSR and other socialist countries for world peace and international friendship, against aggressive imperialist forces, as a result of the successes of the labor, communist and national liberation movements, the positions of socialism are becoming increasingly solid whereas the positions of imperialism are getting increasingly weaker and the forces of peace, democracy, and socialism are growing and becoming more active everywhere.

The CPSU Central Committee maintains that in conditions when the aggressive imperialist quarters of the capitalist countries, the United States in the first place, ignoring the will of the peoples, are trying to prevent relaxation of international tension and stepping up their subversive activity against the cause of peace, when the American imperialists have torpedoed the Summit Conference, the Communist Party and the Government of the Soviet Union must continue tirelessly exposing all imperialist machinations and aggressive designs, must enhance the vigilance of the peoples, consolidate the might and improve the defenses of our country, firmly and consistently follow the Leninist line towards peaceful coexistence of states with different social system, pressing for peaceful settlement of disputable international problems.

The CPSU Central Committee expresses its full solidarity with the statement of the Communist and Workers Parties which participated in the Bucharest Conference to the effect that the struggle for peace remains the primary task of the Communist movement. The postulate of the peace manifesto that "now it is possible to prevent war, it is possible to preserve peace" retains its full force in our days.

The main prerequisite for ridding mankind from devastating wars is the consolidation of the world socialist camp and mobilization of all peoples to the struggle for peace. The world system of socialism which is growing and gaining in strength, is exercising an increasing influence on world developments in favor of peace and socialism and appears as an impregnable stronghold of peace, progress and freedom of peoples.

The Communist Party of the Soviet Union considers it its duty to fight untiringly for greater unity and cohesion of the socialist camp and of the entire World Communist Movement on the basis of Marxism-Leninism and proletarian internationalism.

The determined struggle of the communist parties for the

MOSCOW, PEKING AND INDONESIA

by Walter Kolarz
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Several important events concerning the attitude of the communist world towards Indonesia have happened in quick succession. In Moscow a joint Soviet-Indonesian communiqué was issued, marking the conclusion of the tour of the USSR by Mr. Djuanda Kartawidjaja, Indonesia's First Minister, and deputy of President Sukarno.

The communiqué said that the visit of the Indonesian First Minister to the Soviet Union had aimed at the further strengthening of the friendly relations between the USSR and the Republic of Indonesia. (It further pointed out that Djuanda had had official talks with Khrushchev, Brezhnev and Mikoyan, which had led to full mutual understanding between both sides of the problems confronting the world at the present time. A still closer mutual understanding was reached, said the communiqué, in particular during the exchange of views between Djuanda and Khrushchev. But this was not all.) In addition the Soviet Union expressly put on record that it regarded the Republic of Indonesia with respect, as a state conducting an independent policy. It was further pointed out in the communiqué that the Soviet Union had due regard for Indonesia's effort to make a valuable contribution to the lessening of international tension. In short, the tenor of this Indonesian-Soviet communiqué could not have been more cordial and more friendly.

But on the same day on which Moscow Radio was broadcasting this joint Soviet-Indonesian communiqué the New China News Agency publicised a statement of quite a different character. This was a long declaration of the Indonesian Communist Party, violently denouncing the policy of the government of President Sukarno. It severely challenged both the internal and foreign policy of Indonesia. (As far as the home front is concerned, the Indonesian communists charged the régime with trying to build up a pro-government trade union movement which the statement compared with Hitler's Labour Front. It further accused the government of conducting an incompetent economic policy and granting pardon and forgiveness to anti-communist and counter-revolutionary forces.

However, the most violent criticism was concentrated on the Indonesian government's foreign policy. The Indonesian communists disagree most emphatically with the statement of the Soviet-Indonesian communiqué that Indonesia was making a definite and valuable contribution to the lessening of international tension. They assert that Indonesia's present foreign policy was virtually not different from the reactionary foreign policy of previous governments. The man singled

NOT TO BE MICROFICHED

out for particular rebuke was the Foreign Minister, Dr. Subandrio, who, say the communists, seriously undermined Indonesia's friendly relations with China, instead of treating her as one of Indonesia's closest friends. On the other hand, the communists believe that Subandrio was far too friendly towards the United States and Australia, and even towards the Dutch. The Indonesian government was further criticised for wavering in its struggle for the annexation of Dutch New Guinea -- the recovery of West Irian, to use the official term -- and of gravitating economically towards the capitalist countries.

The most serious criticism levelled at the Indonesian government was that Indonesia intended to set up a new neutral world bloc, based on the ideology of the Yugoslav revisionists. The formation of such a bloc, the Indonesian communists asserted, would involve Indonesia in Cold War. The reference to the Yugoslav revisionists seems particularly significant. It shows more clearly than anything else that the inspiration of Indonesian communism lies in Peking, the heart and soul of the campaign against revisionism. The accusation that the Indonesian government is, as it were, an accomplice of the Yugoslav revisionists, seems to have its roots in the visit which Sukarno paid to Tito last April. Communist annoyance at the conference between the Indonesian and Yugoslav presidents was not mitigated by the fact that Sukarno also visited other communist countries, for it was the Yugoslav example which had a profound impact on him, and not that of Bulgaria, Hungary or Rumania. After his return from his long tour Sukarno spoke a great deal about an "Indonesian-style socialist society", much to the annoyance of the communists.

It is not only the anti-revisionist line in the Indonesian communist statement which betrays the close co-ordination between Peking and the Indonesian communist headquarters. It is also characteristic that the communist statement was issued in Jakarta at a time when the Chinese propaganda apparatus was once again engaged in attacking the Indonesian treatment of the Chinese minority in Java. This campaign was the prelude to a strongly-worded Chinese note to the Indonesian government, asserting that Indonesian troops had machine-gunned Chinese women and children. The note declared that the incident had aroused extreme indignation in China, "thus seriously affecting relations between the two countries".

It is not our task to go into the rights and wrongs of the incident mentioned in the Chinese note. What is politically significant is the tremendous difference between the hostile Chinese attitude towards Indonesia as reflected in the note, and the tenor of the almost simultaneously released Soviet-Indonesian communiqué. Neither Khrushchev in his speech at the Kremlin reception in honour of the First Minister Djubanda, nor the communiqué itself, said a word about the Chinese in Java. The Soviet Union considers this an internal affair of the Indonesian government.

NOT TO BE MICROFICHED

This does not mean that Moscow is a sincere friend of Indonesia. Moscow, like Peking, rejoices at the existence of a powerful Indonesian Communist Party, the strongest outside the Iron Curtain, apart from the Italian party. But Moscow, unlike Peking, wants to play a subtle double game, maintaining friendly official relations with President Sukarno, and at the same time encouraging the Indonesian communists, to whom the Soviet Central Committee six weeks ago sent a most fervent message of greetings. And it is perhaps of no small significance that one of the most experienced Russian Communist Party organisers, Nikolai Mikhailov, former Party Secretary of Moscow and for many years boss of the Young Communist League, should have been appointed Soviet Ambassador to Jakarta a few days ago. It may be one of his tasks to keep at bay Chinese influence on the Indonesian communists, and induce the latter to a cautious attitude in keeping with the general Moscow line.