

**THE CIA'S ESTIMATES AND FORECASTS ON SOVIET ECONOMIC  
AND FOREIGN TRADE POLICY IN COMECON  
(EARLY 50<sup>s</sup> – MID 60<sup>s</sup> OF THE XX<sup>th</sup> CENTURY)\***

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**Abstract.** *In the years since the end of the Cold War, the role and place of US intelligence community in shaping governmental decision-making process on the USSR and Communist Bloc affairs during the Cold War period have come into the centre of special historiographical trend in both the USA and Europe. Based on the CIA documents recently available to researchers, the article examines the analysis and forecast on the economic and foreign trade policy of the USSR in the COMECON, produced by the American intelligence since the early 1950s until the mid-60s. The author traces the evolution of the US economic intelligence, engaged in researches and submitting reports on the topic, and the views of CIA analysts on the nature, forms and methods of the USSR to maintain relations with her Eastern European allies within the COMECON. The paper defines several stages in the institutional and cognitive development of US economic intelligence on «intra-bloc» developments and the USSR - Eastern Bloc affairs.*

**Keywords:** *CIA, CMEA, Cold War, COMECON, Eastern Bloc, economic intelligence, Romania, USA, USSR.*

**Rezumat:** *Estimările și previziunile CIA privind politica economică și comercială a URSS în cadrul CAER (începutul anilor '50 – mijlocul anilor '60 ai secolului XX). În anii de după încheierea Războiului Rece, un curent istoriografic distinct ce s-a manifestat atât în SUA, cât și în Europa, s-a concentrat pe evaluarea rolului și locului comunității americane de informații în modelarea procesului de luare a deciziilor guvernamentale cu privire la URSS și Blocul Comunist de-a lungul Războiului Rece. Întemeindu-se pe documentele CIA devenite recent accesibile cercetătorilor, studiul examinează analizele și previziunile asupra politicii economice și de*

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comerț exterior a URSS în cadrul CAER, generate de serviciile americane de intelligence în perioada cuprinsă între începutul anilor '50 și până la mijlocul anilor '60 ai secolului trecut. Autorul urmărește evoluția intelligence-ului economic al Statelor Unite, implicat în cercetări și în elaborarea unor rapoarte pe această temă, precum și a opiniilor analiștilor CIA cu privire la natura, formele și metodele URSS de menținere a relațiilor cu aliații săi din Europa de Est în cadrul CAER. În cadrul studiului de față, sunt definite mai multe etape ale dezvoltării instituționale și cognitive a intelligence-ului economic al Statelor Unite privind evoluțiile „intra-bloc” și chestiunile referitoare la relațiile dintre URSS și Blocul Estic.

**Résumé: Les évaluations et les prévisions de CIA concernant la politique économique et commerciale de l'URSS au cadre du CAEM (le début des années '50 – le milieu des années '60 du XX-ème siècle).** Les années d'après la fin de la Guerre Froide, un courant historiographique distinct qui se manifesta aux Etats Unis, mais aussi en Europe, se concentra sur l'évaluation du rôle et de la place de la communauté américaine d'informations et comment celle-ci influença le processus de prise de décisions gouvernementales regardant l'URSS et le Bloc Communiste le long de la Guerre Froide. Se fondant sur les documents CIA devenus récemment accessibles aux chercheurs, l'étude ci-jointe examine les analyses et les prévisions sur la politique économique et de commerce extérieur de l'URSS au cadre du CAEM, générées par les services américaines d'intelligence dans la période comprise entre le début des années '50 et jusqu'au milieu des années 60' du siècle passé. L'auteur suivit l'évolution de l'intelligence économique des Etats Unis, impliqué en recherches et dans l'élaboration de rapports sur ce thème, ainsi que celle de opinions des analystes CIA concernant la nature, les formes et les méthodes de l'URSS de maintien des relations avec ses alliés en Europe d'Est au cadre du CAEM. On définit dans l'étude ci-jointe plusieurs étapes du développement institutionnel et cognitif de l'intelligence économique des Etats Unis en ce qui concerne les évolutions « intra-bloc » et les questions liées aux relations entre l'URSS et le Bloc de l'Est.

## INTRODUCTION

The role and place of intelligence community in shaping policy by the US Government towards to the USSR and the Communist bloc during the Cold War have already acquired distinct and important place among newly born trends in American and European historiographies. The researchers focus their studies on the US intelligence assessments as a whole and of the Soviet military power, political developments and foreign policy of the USSR, including particular Soviet and its allies' actions in the international affairs. At the same time the economic aspect of the Western intelligence on the USSR–Eastern Europe economic relations

turned out less “attractive”, and first publications on this topic still very rare occurred only in the mid-1990s – early 2000s.<sup>1</sup> For the most part, the “intelligence studies” in Central Eastern Europe concentrate attention on involvement of national state security and intelligence bodies under Communist regimes in the domestic affairs. Although scarcity in the field of new studies on economic intelligence is still preserved, some publications on the theme, and predominantly on the US economic intelligence assessments of Soviet political and economic perspectives during the Cold War, including Soviet economic and foreign trade policy in the Council for Mutual Economic Assistance (CMEA) or COMECON, gradually come to light. Newly available archival materials make possible to explore this theme in detail.

The establishment of the COMECON in 1949 and signing of the Warsaw Pact (WTO) in 1955 paved the way for strengthening of the Communist Bloc and Soviet grip on it.<sup>2</sup> The tight conjunction of political, military and economic aspects of newly created “Commonwealth of fraternal countries” left no doubts in the West. This complex phenomenon seriously influenced evolution of the US economic intelligence over the long span of time since the early fifties and until the mid-sixties. At the initial stage, lasted until the mid-fifties, the economic intelligence primarily concentrated on Soviet economic development, the industrial potential and foreign trade of the USSR both with the outside world and with members of the Eastern Bloc. The focus of the analysis concentrated on the USSR ability to wage long-term hostilities on one or several theatres of military operations. The Soviet economic and foreign trade policy within the Eastern Bloc has been discussed in the US intelligence community to a lesser extent as a special separate

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<sup>1</sup> Bruce D Berkowitz, *U. S. Intelligence Estimates of the Soviet Collapse: Reality and Perception*, in “International Journal of Intelligence and Counterintelligence”, 2008, Vol. 21, no. 2, p. 237-250; Daniel M Berkowitz, Joseph S Berliner, Paul R Gregory, Susan J Linz, James R Millar, *Survey Article: An Evaluation of CIA's Analysis of Soviet Economic Performance 1970-1990*, in “Comparative Economic Studies”, 1993, Vol. 35, no. 2, p. 35-37; Gerald K. Haines. Robert E. Leggett (Eds.), *CIA's Analysis of the Soviet Union, 1947- 1991. A Documentary Collection*, Washington, DC, Center for the Study of Intelligence. Central Intelligence Agency, 2001; Mark M. Lowenthal, *Intelligence: From Secrets to Policy*, Washington, DC, CQ Press, 2011, p. 386; Marc Trachtenberg, *Assessing Soviet Economic Performance during the Cold War: A Failure of Intelligence?* October 9, 2014, in [https://cisac.fsi.stanford.edu/sites/default/files/soviet\\_economic\\_performance\\_marctrachtenberg\\_.pdf](https://cisac.fsi.stanford.edu/sites/default/files/soviet_economic_performance_marctrachtenberg_.pdf) (Accessed on 06.01.2018).

<sup>2</sup> Laurien Crump, Simon Godard, *Reassessing Communist International Organisations: A Comparative Analysis of COMECON and the Warsaw Pact in relation to their Cold War Competitors*, in “Contemporary European History”, 2018, Vol. 27, No. 1, 85-109.

topic of important political meaning.

### **NASCENT ENDEAVOURS: ECONOMIC INTELLIGENCE IN SEARCH OF ITS FACE**

One of the first analytical documents of the CIA, which analysed the relations between the USSR and the countries of the Bloc separately as part of a broader topic mentioned above, was the classified material called *NIE 3 – Soviet Capabilities and Intentions*, dated on November 15, 1950. It was addressed to the narrow circle of the US political and military leadership. It noted, particularly, that one of the Soviet leaders task in ensuring the global position of the USSR was consolidation of the “control over the European and Asian satellites (including Communist China)”.<sup>3</sup> The assessments by the CIA analysts of socio-political aspirations in the Eastern Europe were too critical in respect to Soviet policy, since the authors stated, “The majority of the population in the satellite countries are intensely nationalistic, and large proportions resent the domination of the Kremlin and the present Communist Governments with which they are burdened”.<sup>4</sup> The close interrelation between the economic and military-political components that determined the prospects of the USSR and its allies the Eastern bloc actions, having in mind Soviet economic and foreign trade policy within the Bloc, became obvious by the beginning of 1951. This fact was emphasized in the sixth draft of the secret analytical material prepared on January 13, 1951 by the CIA specialists, and called as *Vulnerability of the Soviet Bloc to Economic Warfare*. The document examined the possibility of economic measures to hold back the USSR against the backdrop of ongoing Korean War and Soviet attempts to expand influence in the world. In particular, the report noted that “the effect of a program of economic warfare on the economic and political stability of the USSR and its Satellites and upon relations between the USSR and its Satellites would not be decisive, though such a program would intensify popular discontent, particularly in the Satellite states and would aggravate problems of commodity distribution throughout the bloc”.<sup>5</sup> This document, although presented under the auspice of the CIA, was the

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<sup>3</sup> *NIE 3 – Soviet Capabilities and Intentions*. 15. 11. 1950. CIA-RDP86B00269R00030004 0009-5, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP86B00269R000300040009-5.pdf> (Accessed on 10.01.2018).

<sup>4</sup> *Ibid.*, p. 13.

<sup>5</sup> *Vulnerability of the Soviet Bloc to Economic Warfare (6 Draft)*. NIE-22. 13.02. 1951. CIA-RDP79R01012A000500030016-8, p. 4, <https://www.cia.gov/library/readingroom/docs/CIA-RDP79R01012A000500030016-8.pdf> (Accessed on 2.02.2018).

result of conjoint analytical efforts undertaken by several US governmental agencies. Eventually, the draft of the final version of earlier document dated on February 15, 1951, was presented by the CIA on February 19, 1951 and called as *National Intelligence Estimates – 22*. The material reiterated all the provisions of the sixth version of the draft of February 13 and admitted inability of economic measures to reduce military capabilities of the Soviet bloc at the initial stage of possible military conflict, but, at the same time, the analysis affirmed the effectiveness of such efforts coordinated by the Western Bloc's members in order to prevent a long-lasting war on the part of the USSR and its satellites.<sup>6</sup>

The in-depth enquire in Soviet economic and foreign trade policy within the framework of the Bloc headed by the USSR has objectively forced the US intelligence community, and above all, proponents among analysts who shared the views of importance of integrated approach to defence and security issues, to hail the idea of more active institutional change within the community in order to amplify economic intelligence as distinct direction of the work and who considered necessarily settle a problem how to distribute responsibility among the US governmental agencies in collection, research and production of economic intelligence. In order to implement the systematic approach to economic intelligence, the Intelligence Advisory Committee (IAC) recommended on May 29, 1951 the establishment of the Economic Intelligence Committee (EIC).<sup>7</sup> However, the final decision has been taken by the US National Security Council on June 13, 1951, in accordance with its directive “Coordination and Production of Foreign Economic Intelligence”. The role of the Office of Research and Reports as the CIA branch increased. It happened largely due to the exceptional punchy efforts of the famous American economist M. Millikan, who worked earlier in the intelligence, and who took a year's leave at the Massachusetts Institute of Technology (MIT) to take in the post of Assistant Director of the CIA.<sup>8</sup> The Director of Central Intelligence W. Smith supported him in his mission.

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<sup>6</sup> *Ibid.*, p. 1.

<sup>7</sup> *Eight Annual Progress Report to the USIB of the Economic Intelligence Committee. 1959 July*. CIA-RDP92B01090R000200010030-5, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP92B01090R000200010030-5.pdf> (Accessed on 12.01.2018).

<sup>8</sup> Ludwell Lee Montague, *General Walter Bedell Smith as Director of Central Intelligence, October 1950-February 1953*. University Park, Pennsylvania State University Press, 1992, p. 150-156; Philip Zelikow, *American Economic Intelligence: Past Practice and Future Principles*, in Christopher Andrew, Rhodri Jeffreys-Jones (Eds.), *Eternal Vigilance? 50 years of the CIA*, Portland, Frank Cass, 1997, p. 164-178.

### USSR-COMECON RELATIONS AS A SEPARATE SUBJECT FOR THE US ECONOMIC INTELLIGENCE

The difficulties in obtaining information from behind the “closed” Soviet bloc, the actual lack of verified complex statistical data both about intra-block trade relations, and about the COMECON particular members, including the USSR, seriously hampered this work. At the same time, even the scarce data received through the intelligence channels has forced the economic intelligence analysts to attach greater importance to the political component of such cooperation including the Soviet leadership role in determining the regulations for the COMECON functioning. In June 1952, they drew attention to Moscow’s decision “to bring to an end the system hitherto adopted in working out mutual economic problems between the members of the Soviet bloc, whereby discussions took place in the capitals of the member countries... In the future all such discussions will take place in Moscow”.<sup>9</sup> The deficit of information from inside COMECON did not prevent the CIA from determining the essence of this organization in the report on February 1953 when analysts wrote “although its [CMEA] activities have been less publicized than in the year of its foundation, the CMEA... has continued to evolve as an integral part of the machinery of Soviet control over the economic life of Eastern Europe”.<sup>10</sup>

With appointment of A. Dulles as the Director of the CIA and his simultaneous coming to the post of the Director of Central Intelligence, the work on the Soviet affairs gained serious impetus. Economic intelligence on the USSR relations with its allies has been amped up, although not to the extent that M. Millikan insisted during his times in the CIA. In June 1953, the economic situation within the Eastern Bloc came under scrutiny of the CIA analysts due to urgent need to forecast situation in the Communist world aftermath the Stalin’s death that ensued in March of that same year. In the document of the Agency, which was the quarterly supplement to 1952-year annual report on intelligence on the Soviet Bloc and Communist China, the authors of the material drew attention to weakness and vulnerability of the Communist economies as

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<sup>9</sup> *Changes in CMEA Organization. Information report. 13.06. 1952. CIA-RDP82-00457R012200320001-4*, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP82-00457R012200320001-4.pdf> (Accessed on 2.02.2018).

<sup>10</sup> *The Council for Mutual Economic Assistance. Information Report. Central Intelligence Agency. 26. 02. 1953. CIA-RDP80-00810A000100540004-0*, p. 1, in <https://cia.gov/library/readingroom/docs/CIA-RDP80-00810A000100540004-0.pdf> (Accessed on 12.01.2018).

the whole and separate sectors of them in particular.<sup>11</sup> In late July 1953, the CIA analysis of the post-Stalin stage in the USSR and the prospects for the developments in the Communist Bloc took into account both political situation “behind the iron curtain” and the Kremlin's economic and foreign trade policy towards its allies. In this connection, the document *Current Trends in Soviet Foreign Policy*, compiled by the CIA on July 30, 1953 stated, albeit in a politicized tone, but reflecting the main trends of the situation, that “the USSR itself is not the only concern of Soviet rulers... The political and economic situation in the satellite countries is far worse; the living standard is falling and, consequently, mistrust toward the Soviet system is increasing. If Moscow wants to keep these states in submission, she will sooner or later be compelled to make certain concessions, especially of an economic character, which will raise the living standard of the local population. The question is whether or not the USSR is able to solve these difficulties at all. It is apparent already today that the establishment of the Economic Council (Council for Mutual Economic Aid - CMEA) in Moscow brought to the satellite states only disadvantages and not advantages”.<sup>12</sup>

Such an unequivocal challenge was not only economic, but also political one. In fact, the analysts of American intelligence have noticed main vector in the Soviet policy towards the Eastern Bloc in nearest future. The tight connection between economic and political aspects in Soviet world positions and the USSR place among Eastern European allies demanded more active and productive role and place of the economic intelligence among the American intelligence community. Gradual strengthening of its significance has become evident by the beginning of 1954. Thus, in particular, the directive issued by the Director of Central Intelligence A. Dulles, who was simultaneously the head of the CIA, tasked to intensify economic intelligence on the Soviet Bloc. To achieve this goal, all state institutions involved, required to coordinate efforts in producing intelligence on economic matters. It was argued “no one agency is considered to be the final authority in any field; conclusions may be questioned by other IAC [Intelligence Advisory Committee] agencies and dissents recorded”.<sup>13</sup> The State Department was responsible for research on

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<sup>11</sup> *Economic Intelligence Survey. Quarterly Supplement (January 1953-31 March 1953) to 1952 Annual Report of the Status of Economic Intelligence Research Projects on the Soviet Bloc. CIA. 1.06.1953. CIA-RDP92B01090R000600010010-0*, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP92B01090R000600010010-0.pdf> (Accessed on 12.01.2018).

<sup>12</sup> *Current Trends in Soviet Foreign Policy. Information Report. 30.07. 1953. CIA-RDP80-00810A001900420005-0*, p. 2, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP80-00810A001900420005-0.pdf> (Accessed on 06.01.2018).

<sup>13</sup> *Director of Central Intelligence Directive 15/1 Responsibility for Production of Economic*

economic policy of the Eastern Bloc, assessing the “future course of the economic development in the Soviet Bloc” and for intelligence “in fields in which economic and political analysis are interdependent.” The Department of Defence should have concentrate attention on researches and assessments “the economic aspects of logistics”, military facilities and other military aspects connected to economic affairs. The most extensive were the tasks of the CIA. As it followed from the text of the directive, it was required to perform all functions that other intelligence agencies were not endowed with, and therefore must be responsible primarily “for research on the operations of all producing sectors of the Soviet Bloc economies, except the production military end-items” with the goal to detect limits of productive possibilities of the Eastern Bloc members.<sup>14</sup> Against this backdrop the role and functions of the IAC as the centre of coordination for economic intelligence has increased.<sup>15</sup> The effectiveness of the carried out reform affected the quality of the analytical materials on economic and trade policy of the USSR in the Eastern Bloc, compiled by the CIA. Thus, in particular, according to the thoughts of the intelligence analysts, expressed in August 1954, there would have not expected serious and long-term increase in the volume of the USSR foreign trade with non-members of the Bloc until the late 1950s. This was explained by the authors of the report *Soviet Capabilities and Probable Courses of Action through Mid-1959* by the lack of dependence of the Soviet Bloc countries on any other sources outside this alliance. At the same time, the authors of the material stated, “its [CEMA] policy of autarky will tend to prevent any large expansion of trade based on ordinary economic considerations”. Analysts predicted difficulties for the Soviet allies, which searched for markets outside the boundaries of the Bloc and noticed that even “a small increase in the volume of trade which certain non-Communist countries now carry on with the Bloc could have an appreciable economic effect in those countries and possibly a more significant psychological effect”.<sup>16</sup>

In this connection, the economic intelligence has been assigned to follow future changes in Soviet approach to foreign trade both with the members of the

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*Intelligence: Soviet Bloc. 25.01. 1954. CIA-RDP75-00662R000200110006-5, p. 1. in <https://www.cia.gov/library/readingroom/docs/CIA-RDP75-00662R000200110006-5.pdf> (Accessed on 11.01.2018).*

<sup>14</sup>*Ibid.*, p. 2, 3.

<sup>15</sup>*Ibid.*, p. 3.

<sup>16</sup>*NIE 11-4-54 - Soviet Capabilities and Probable Courses of Action through Mid-1959. 11.08.1954. CIA-RDP79R01012A003500030009-3, p. 7, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP79R01012A003500030009-3.pdf> (Accessed on 02.02.2018).*



COMECON and non-Bloc countries. The need to expand intelligence work on the Soviet-Eastern European economic and foreign trade relations demanded increase in its cadres and organization. The Office of Research and Reports has staffed almost 500 employees by 1955 and turned into CIA's largest unit.<sup>17</sup> By dint of the agreement reached between the CIA and the US Department of State, a division in the field of economic intelligence has been drawn. The analysis on the so-called Soviet-Chinese, or more precisely the Eastern Bloc, would have been conducted in the former institution, or rather its subdivision, the aforementioned Office of Research and Reports, while the State Department would have been responsible for economic intelligence in the countries and regions outside the Soviet Bloc.<sup>18</sup> Since February 1956, the working group under the aegis of the Economic Intelligence Committee presented regularly detailed bi-weekly reports. This group consisted of representatives of the State Department, the CIA, the Department of Defence, the International Cooperation Administration, the Treasury, the Department of Trade and Agriculture. This unit also compiled special quarterly report to the President's Council on Foreign Economic Policy and semi-annually analytical report.<sup>19</sup>

### **SOVIET FOREIGN TRADE AND ECONOMIC POLICY TOWARDS THE COMECON IN THE CIA NEW ECONOMIC AND POLITICAL APPROACHES**

Despite the strengthening of the political component in the analysis of economic intelligence, however, the traditional approach to it as an integral part of the intelligence interest focused on finding out the military component continued to exist and often had its trace in the theoretical work of the CIA specialists. In this connection, it should be mentioned one of these publications, which appeared in the spring of 1956 in a secret CIA publication. The article called *Economic Intelligence* argued that this direction in intelligence was "in sum, the appraisal of the capability of a nation to support a war, also an estimate of its vulnerabilities and of its intentions".<sup>20</sup> By mid-1956, the American intelligence required urgent necessity to conduct qualified intelligence in the field of economic and foreign trade

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<sup>17</sup> Philip Zelikow, *American Economic Intelligence: Past Practice...*, p. 167.

<sup>18</sup> *Ibid.*

<sup>19</sup> Edward Allen, *The Assessment of Communist Economic Penetration*, in *Studies in Intelligence. A collection of articles on historical, operational, doctrinal, and theoretical aspects of Intelligence*. Washington. Winter 1959. DOC\_0000607342, p. 16, in [https://www.cia.gov/library/readingroom/docs/DOC\\_0000607342.pdf](https://www.cia.gov/library/readingroom/docs/DOC_0000607342.pdf) (Accessed on 07.02.2018).

<sup>20</sup> Paul Howerton, *Economic Intelligence//Studies in Intelligence*, in *A collection of articles*

policy of the Soviet Bloc due to de-Stalinization measures initiated in the USSR and several allies. In this connection, the cooperation with certain American academicians engaged in researches of those themes has been planned within the framework of the “Research Project on the Soviet System of Foreign Trade (ORR-9111)”.

Meanwhile, among the new trends that have manifested in the foreign trade of the USSR both with countries of the Communist Bloc and Western nations, as noted by analysts of American intelligence since 1953, the presence of consumer cooperatives' organizations in the foreign trade operations of the USSR has expanded. The CIA promptly reacted to this fact, and in a secret document *Requirements for Sources of Information on Foreign Trade Between Soviet Cooperative Society and Cooperative Organizations in Certain Bloc and Non-Bloc-Countries*, dated on April 5, 1957, it was noted that “the intelligence significance of this increased inter-cooperative trade of the USSR is twofold first, to what extent does it reflect current Soviet political objectives in the Free World and the Bloc, as opposed to the internal objective of obtaining more and better consumer goods for the Soviet population? Second, how will this decentralization of Soviet foreign trade affect its pattern, structure, and size?”<sup>21</sup> The questions raised in the document were of fundamental importance for determining the role and place of the USSR “economic leverage” in her relations either with satellites or with the Third World countries. At the meeting of the Intelligence Advisory Committee, that has been sitting on May 7, 1957, where besides other issues the participants discussed the fulfilment of the IAC directive, dated on April 18, 1957 and called *Priority National Intelligence Objectives in the Field of International Communism (IAC-D-50/11)*, it was stated that economic intelligence should have the same importance as the scientific and technical intelligence had.<sup>22</sup> In order to present a general overview of the USSR's intelligence assessments on a wide range of issues, including economic

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*on historical, operational, doctrinal, and theoretical aspects of Intelligence*. Washington. Spring, 1956. DOC\_0000606535, p. 21, in [https://www.cia.gov/library/readingroom/docs/DOC\\_0000606535.pdf](https://www.cia.gov/library/readingroom/docs/DOC_0000606535.pdf) (Accessed on 02.02.2018).

<sup>21</sup> *Requirements for Sources of Information on Foreign Trade between Soviet Cooperative Society and Cooperative Organizations in Certain Bloc and Non-Bloc Countries*. 5.04.1957. CIA-RDP61S00527A000100030151-7, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP61S00527A000100030151-7.pdf> (Accessed on 15.01.2018).

<sup>22</sup> *Minutes of Meeting Held in IAC Conference Room, Administration Building Central Intelligence Agency, at 1045, 7 May 1957*. CIA-RDP85S00362R000600100002-2, p. 3, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP85S00362R000600100002-2.pdf> (Accessed on 20.01.2018).

matters, under the auspices of the CIA, but with active participation of other members of the US intelligence community, the special report *A Study of National Intelligence Estimates on the USSR 1950-1957* has been compiled. It included a review and analysis of previous findings and forecasts printed in the earlier editions of the secret CIA *National Intelligence Estimates* series, covering the period from 1950 to 1957. Latterly, in the first lines of the document the intelligence analysts, both from the CIA and other US intelligence agencies, noted in plain form that “most of our estimates cannot be labelled as either valid or invalid, because we still do not know the «facts» about the USSR even as they were five or ten years ago”.<sup>23</sup> Turning to the analysis carried out by the economic intelligence, the compilers of the report emphasized usage “different base years” in presenting statistics and different mode of measurement.<sup>24</sup>

By March 1958, the CIA together with other intelligences agencies has prepared new special information and analysis material on the foreign trade of the USSR. Its authors called special attention to the essence of the Soviet economic relations with the Bloc countries. The forecasts concerning the policy of autarky in the Eastern Bloc made earlier by the analysts of economic intelligence were laid under serious examinations. It found its way in the references to certain facts. Firstly, it was noted, “recent Soviet statements seem to indicate that Soviet trade with the bloc in 1957 showed little if any increase over 1956 while trade with the Free World experienced an increase of upward of 55 percent”.<sup>25</sup> In this connection, referring to the statements made earlier by the Soviet officials about expected increase in the volume of trade between the USSR and the countries of the Soviet Bloc by 13%, analysts have already reported a clear failure of those plans, the reasons of which, in their opinion, were the events in Hungary and Poland in 1956. Secondly, they noted that the current situation was affected by the economic reforms in the USSR itself. Thirdly, pointing to the CMEA decision to postpone long-term plans from 1956-1960 to 1959-1965, the authors of the report came to

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<sup>23</sup> *A Study of National Intelligence Estimates on the USSR 1950-1957*. Central Intelligence Agency. 1. 05. 1958. CIA-RDP79R00971A000300050001-8, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP79R00971A000300050001-8.pdf> (Accessed on 8.02.2018).

<sup>24</sup> *Ibid.*, p. 2.

<sup>25</sup> *Soviet Foreign Trade in 1957*. Current Support Memorandum. Central Intelligence Agency. Office of Research and Reports. 13. 03. 1958. CIA-RDP61S00527A000200120033-7, p. 2, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP61S00527A000200120033-7.pdf> (Accessed on 2.02.2018).

the conclusion about the difficulties in specialization and integration of the Eastern Bloc states. The intelligence analysts concluded, “the year 1957 thus appeared to be of reassessment and readjustment in both the USSR and the satellites”.<sup>26</sup> However, it was stressed once again in a special report of the CIA dated on April 23, 1958, *Exports from Soviet-Bloc Foreign Trade*, that while the volume of foreign trade of the USSR with the countries of the Bloc exceeded previously from 76% to 82% of the total Soviet foreign trade volume, in 1957 it dropped to 71%.<sup>27</sup>

The process of de-Stalinization, despite its inconsistency and first serious political crises in the Bloc, gave grounds to analysts to make certain conclusions. By the second half of 1958, under the guidance of the CIA, an analytical document entitled *Soviet Economic Policy in Eastern Europe: The Impact of the Satellite Revolts* has been prepared. The authors of the material pointed: “a new Soviet policy, evolving over the years since Stalin’s death, crystallized after the Polish and Hungarian revolts of 1956”.<sup>28</sup> According to the conclusions made by the authors of the report, Soviet policy pursued three main objectives: first, to prevent of uprisings in Eastern Europe by improving the well-being of the population; second, and in full accordance with the first goal, to increase “coordination and integration” of the Bloc countries, bearing in mind “that the Bloc’s resources may be used more effectively in the future”. The third goal of aforementioned changed Soviet policy, as assessed in the CIA, was maintaining Soviet economic “leadership of the Bloc” despite “granting the Satellites a larger degree of economic independence”.<sup>29</sup> By noting the flexibility and diversification of new Soviet economic policy towards the countries of the Eastern Bloc, the intelligence analysts were inclined to conclude that the Soviets planned to pursue their policy by taking into account different circumstances existed in each of the Soviet Bloc members and to accept “the principle of voluntary economic cooperation”.<sup>30</sup> At the same time, according to the authors’ thoughts, this development could contribute to support new Soviet foreign economic course in the Eastern Bloc by the Eastern European states since “it

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<sup>26</sup> *Ibid.*

<sup>27</sup> *Exports from Soviet-Bloc Foreign Trade. 23.04.1958. CIA-RDP61S00527A000200140083-0*, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP61S00527A000200140083-0.pdf> (Accessed on 10.01.2018).

<sup>28</sup> *Soviet Economic Policy in Eastern Europe: The Impact of the Satellite Revolts. 12.08.1958. CIA-RDP79R01141A001100100001-6*, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP79R01141A001100100001-6.pdf> (Accessed on 15.01.2018).

<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.*

would be in the self-interest of the European Satellites to maintain their Soviet Bloc membership, each Satellites has been given a greater economic stake in the Bloc than it had previously”, and all of them “have received important economic concessions from the USSR”.<sup>31</sup> The authors of the report were not hastening to make a final conclusion about the Soviet leadership’ new approach to the recognition of these principles.<sup>32</sup> They also considered impossible any Soviet step back to its former policy because of expected resistance of the satellites. The report singled out ideological “innovation” in the Soviet rhetoric when Moscow used the term “socialist commonwealth”,<sup>33</sup> which actually replaced well-known definition “camp of people’s democracy”.

The detailed studies of official Soviet economic statistics including the USSR’s foreign trade relations with both the CMEA member countries and other states, carried out by the American intelligence analysts, revealed obvious contradictions in the open data presented by the Soviet authorities. Undoubtedly, it was the result of the Soviet desire to hide information that in Moscow’s opinion was not subject to disclosure. However, in October 1958, statistical discrepancies turned out to be so remarkable that they were noted by the CIA. In a special note *Discrepancies in Soviet Handbook on Foreign Trade*, with the reference to the Soviet foreign trade handbook on 1956 statistics published in the USSR,<sup>34</sup> the authors of the document drew attention to the “two important discrepancies” that were discovered. Meticulous analysis of the data has led the intelligence specialists to the conclusion that Soviet authorities attempted “to hide” in the statistical data the arms and gold sells.<sup>35</sup>

The changes that were undergoing both the Soviet foreign economic activity and in the economic and trade policy of the USSR towards the Eastern Bloc members have pressed US intelligence community to diversify researches. The task and activity of the Economic Intelligence Committee that remained unaltered until June 10, 1958, has been revised and clarified by the Director of Central Intelligence in the directive *Production and Coordination of Economic Intelligence*. Since

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<sup>31</sup> *Ibid*

<sup>32</sup> *Ibid.*, p. 7.

<sup>33</sup> *Ibid.*, p. 2.

<sup>34</sup> *Внешняя торговля Союза ССР за 1956 год. (Статистический обзор)* [Foreign trade of the Union SSR for 1956 year. (Statistical overview)], Москва, Внешторгиздат, 1958.

<sup>35</sup> *Discrepancies in Soviet Handbook on Foreign Trade. 6.10.1958. CIA-RDP61S00527A000200100032-0*, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP61S00527A000200100032-0.pdf> (Accessed on 20.01.2018).

September 10, 1958 it started to bear the title the Committee of the United States Intelligence Board (USIB). During 1958–1959, it prepared 2 semi-annual reports on the economic activity of the Soviet-Chinese Bloc in developing regions and 26 semi-monthly reports on a similar topic.<sup>36</sup> The tight interrelationship between the political and economic aspects of Soviet foreign trade with the Eastern Bloc countries was under scrutiny of the CIA analysts and it was manifested on June 3, 1959 in the document designed by the Agency for the National Security Council. The authors stated, firstly, that the USSR's foreign trade with the countries of the Bloc reached 72% of the total volume of Soviet foreign trade and was considered to bolster Communism and intra-Bloc communication. Then, secondly, the intelligence analysts described the Soviet foreign trade policy towards Eastern Europe as a tool designed to help Moscow in securing its political and economic domination over Eastern European satellites. Thirdly, according to the conclusion of the CIA specialists, Soviet trade with the members of the Bloc gave opportunities to unite resources and production capacities of the Bloc.<sup>37</sup> According to the researches conducted in 1959 by the analysts of the economic intelligence, some positive features in the dynamics and specialization of Soviet foreign trade with members of the Moscow-led Bloc have been revealed.<sup>38</sup> The conclusions reached earlier by analysts of economic intelligence found evidences of the continuing trend in the Soviet foreign trade. It was obvious strengthening of intra-Bloc economic activity and remaining extremely low level of foreign trade operations with the West.<sup>39</sup>

The situation has been described in a special article of the secret CIA bulletin. Its author was aforementioned E. Allen, who occupied positions in the Office of Report and Researches. The material was called as *The Assessment of Communist Economic Penetration* and devoted to the tasks of the US economic intelligence during Cold War. The author emphasized “What the Soviets call «peaceful competition» with the West, particularly Sino-Soviet Bloc trade and development aid to underdeveloped countries, has presented a new challenge to the West and,

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<sup>36</sup> *Eight Annual Progress Report to the USIB of the Economic Intelligence Committee. 1959 July.* CIA-RDP92B01090R000200010030-5, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP92B01090R000200010030-5.pdf> (Accessed on 02.02.2018).

<sup>37</sup> *Soviet Foreign Trade. 3.06. 1959.* CIA-RDP79R00890A001100060019-9, p. 2, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP79R00890A001100060019-9.pdf> (Accessed on 10.01.2018).

<sup>38</sup> *Ibid.*, p. 1.

<sup>39</sup> *Ibid.*, p. 1.

from our own professional viewpoint, imposed new tasks upon economic intelligence. The increases in Bloc trade have been spectacular... It became clear to US three years ago that the USSR and other members of the Bloc had embarked upon a long-run program of economic penetration".<sup>40</sup>

The attempts of CIA analysts to define the "cost" of political goals for the USSR and USA met with some difficulties. In a secret report prepared by the CIA in cooperation with the State Department and the Department of Defence on June 17, 1960, the intelligence researchers referred to the complexity of such a comparison because of "asymmetric" nature of two systems.<sup>41</sup> The authors of the document came to the conclusion, that, on the one hand, both the US and its allies and the USSR with her own derive a lot economically, politically and militarily of the very existence of such blocks, despite certain losses, but, on the other hand, when comparing the two systems, "Western powers gain more from their alliance than the Soviet bloc does from its bloc and pact system".<sup>42</sup> By noting possible direct pressure that the Soviets could exercise upon the Communist regimes in Eastern Europe with the view to achieve economic goals, the analysts paid separate attention to different methods that varied from one to another country in the region.<sup>43</sup> But, in general, they pointed out common feature of the Communist regimes and their resemblance to the Soviet "sample", when "most of the means of production and central planning of the economy" were combined with attempts to accentuate "the rapid development of heavy industry" with the help of the "development of intra-bloc trade".<sup>44</sup> Besides this, the analysts stated that "satellite plans are neither closely integrated with the Soviet plan nor can the Soviet Union now utilize the economic recourses and production of the Satellites as though they were its own".<sup>45</sup> The increased volume of Soviet credits given to the Eastern European countries on favourable and long-term conditions was pointed out in the report separately.<sup>46</sup> In this regard, as it occurred, while the members of the Bloc pursued

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<sup>40</sup> Edward Allen, *The Assessment of Communist Economic Penetration...*, p. 15.

<sup>41</sup> *Comparison of the United States and Soviet Economies. Supplemental Statement on Costs and Benefits to the Soviet Union of its Bloc and Pact System: Comparisons with the Western Alliance System. 17. 06. 1960. CIA-RDP66B00403R000400250004-5*, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP66B00403R000400250004-5.pdf> (Accessed: 2.02.2018).

<sup>42</sup> *Ibid.*

<sup>43</sup> *Ibid.*, p. 8.

<sup>44</sup> *Ibid.*

<sup>45</sup> *Ibid.*

<sup>46</sup> *Ibid.*, p. 10.

their own economic goals, they became automatically “surreptitiously” involved in the Soviet plans aimed to strengthen control over satellites.

### **ECONOMICS AND POLITICS OF THE USSR TACTICS IN EASTERN EUROPE: THE CIA’S FORECASTS OF THE SLUMPS**

The dynamics of changes in the Soviet foreign trade indicators that happened in the early 1960s and noticed by the CIA analysts, made the intelligence researchers possible to conclude that, firstly, the growth rates of the USSR foreign trade operations with countries not included in the Eastern Bloc had been increased. Secondly, after the deterioration of relations between the Peoples Republic of China and the USSR, the volume of Soviet foreign trade within the so-called Soviet-Chinese Bloc has declined seriously. Finally, thirdly, the volume of the USSR foreign trade with members of the Bloc has been suffering from the stagnation since 1959.<sup>47</sup> In February 1963, the CIA analysts involved in economic intelligence, in the secret material *Trends in the Soviet Economy 1950-1963*, dated on February 1963, wrote: “The acceleration of the arms and space races, especially in 1961 and 1962, has had an appreciable retarding effect on the growth of the civilian economy of the USSR”.<sup>48</sup> The authors of the analytical report forecasted growth of the Soviet foreign trade over the next few years, most likely due to foreign economic relations with the Eastern European members of the Bloc and the developing countries. In this regard, they singled out two main reasons for the growth of Soviet foreign trade with the Eastern Bloc states. First of them, was that “plans for economic development of the European Satellites through 1965 call for a continued high rate of growth in national income, about 6 to 7 percent a year”. The second reason, mentioned in the report, was that “the Satellites (other than Albania) and the USSR will form an increasingly closely knit economic community within the Council for Mutual Economic Assistance (CMEA) framework”. The essence of foreign economic relations between Moscow and Eastern European allies was defined as trade of the Soviet side with fuel, as well as with industrial and

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<sup>47</sup> *Current Support Brief. Financing of Soviet Foreign Trade 1961. Current Support Brief. Central Intelligence Agency. Office of research and Reports. 12.06.1962. CIA-RDP79T01003A001200250001-0*, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP79T01003A001200250001-0.pdf> (Accessed on 10.01.2018).

<sup>48</sup> *Trends in the Soviet Economy 1950-1963. Economic Intelligence Report. Office of research and Reports. February 1963. CIA-RDP79R01141A002600090001-2*, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP79R01141A002600090001-2.pdf> (Accessed on 12.02.2018).



agricultural raw materials in exchange for industrial machinery manufactured in these countries, equipment and food products.<sup>49</sup> In a specially compiled on January 15, 1964 by the CIA report for personal information of J. McCone, the Director of the CIA, who traditionally simultaneously served as Director of Central Intelligence, analysts ascertained stressing that “in recent years Soviet authority in Eastern Europe has declined, and the Satellite leaders have felt able to behave in a less subservient manner”. They noted internal political stability in Eastern Europe, save Czechoslovakia, while at the same time, “most of the other states have also begun to experience chronic economic difficulties, which they would like to alleviate by expanding their economic relations with the West”.<sup>50</sup> In their turn, the authors of the document pointed out Moscow’s resort to close economic ties with allies in order to exercise Soviet influence upon them. Referring to the Romanian posture in the COMECON that has come evident already to the CIA analysts, the authors pointed out this new feature as one of the serious manifestations on the road to more independent positions of the Soviet satellites. Thus, the response of the Romanian leadership to the so-called Valev plan in April 1964 was in no way unexpected to the US economic intelligence. Under the prevailing conditions the economic nature of the Soviet relations with the countries of the Eastern Bloc, as it had been clear, was acquiring character that is more political. In July 1964, the CIA analysts, who were the authors of the National Intelligence Estimates Report, forecasted the differences in Eastern Europe would increase in coming years, what would have made strenuous to non-regional forces, including the USSR, to produce any general overview of the situation and to conduct policy in region in general. At the same time, by forecasting the emergence of political reformist movements in Eastern Europe and their search for better managing economy but without serious political evolution,<sup>51</sup> the analysts had to conclude “economic progress, while likely to show some improvement over the generally dismal record of the last two years, will not be such as to diminish dissatisfaction and impatience in the near future”.<sup>52</sup> Moreover, the CIA researchers assumed that in the foreign

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<sup>49</sup> *Ibid.*, p. 47.

<sup>50</sup> *Recent Trends in Eastern Europe*. Memorandum for the Director. Central Intelligence Agency. Office of National Estimates. 1964-01-15. CIA-RDP79R00904A001000050030-5, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP79R00904A001000050030-5.pdf> (Accessed on 15.01.2018).

<sup>51</sup> *NIE 12-64 Changing patterns in Eastern Europe. 22.07.1964. DOC\_0000012082*, p. 1, in [https://www.cia.gov/library/readingroom/docs/DOC\\_0000012082.pdf](https://www.cia.gov/library/readingroom/docs/DOC_0000012082.pdf) (Accessed on 23.01.2018).

<sup>52</sup> *Ibid.*, p. 2.

relations of those countries a similar evolution could come to the agenda and it would demonstrate their desire to get rid of the USSR tight control and to establish closer relations with members of the Western Bloc. In that case, as the analysts portended, Moscow could resort to a direct military intervention only if threat to vital Soviet interests would be obvious.<sup>53</sup> The authors figured out one of the important factors that could influence the situation in the region, and predictable perspective of economic deterioration in Eastern Europe in the sixties unlikely quiet sustained fifties.<sup>54</sup> Among the most politically affected economies, Czechoslovakia and Poland have been mentioned, where the crisis, though with different results, eventually unfolded in the late 1960s and early 1970s. Half a year later of the appearance of this document, the CIA compiled in February 1965 a special memorandum which introductory singled out “the trend toward independence in Eastern Europe has survived the overthrow of Khrushchev and has continued to gather momentum” while the economic factor turned into a political one, representing one of the reasons for the ever decreasing Soviet influence on Eastern European societies due to “a general disenchantment with the traditional forms of the Marxist economics and harsh Soviet-style politics”.<sup>55</sup>

The evolving situation in Eastern Bloc attracted the attention of the American intelligence cause the first apparent crisis manifestations in the region. The economic component of the Bloc that the COMECON was represented particular interest to the CIA after the emergence of the prospect of serious changes in intra-Bloc economic relations and possible political consequences it could cause. In February 1964, the CIA charted a special report devoted to this issue in which the main theme was “the unsuccessful efforts of Khrushchev to give CEMA an important role in coordinating economic development”. Just several months later in July 1965 the CIA produced new report called *Voluntary Cooperation Under CEMA? An Adjustment to Nationalism*, where the growing tendencies of greater independence in economy in the COMECON members were examined “since the rejection of Khrushchev a proposal”.<sup>56</sup> By the spring of 1966, the economic researches provided the CIA with credible complex of information, including open statistical data

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<sup>53</sup> *Ibid.*, p. 2.

<sup>54</sup> *Ibid.*, p. 6.

<sup>55</sup> *Prospects for Independence in Eastern Europe. Special Memorandum N 10-65. Central Intelligence Agency. Office of National Estimates. 18.02.1965. DOC\_0000427965*, p. 1, in [https://www.cia.gov/library/readingroom/docs/DOC\\_0000427965.pdf](https://www.cia.gov/library/readingroom/docs/DOC_0000427965.pdf) (Accessed on 19.01.2018).

<sup>56</sup> *Dear Allan. 26. 07. 1965. CIA-RDP71T00730R000600100168-1*, p. 1, in <https://www.cia.gov/library/readingroom/docs/CIA-RDP71T00730R000600100168-1.pdf>

and intelligence obtained through operational channels, and enabled the intelligence analysts to make the relevant conclusions already not as some sort of assumptions, but with certainty. Thus, in particular, in a specially prepared material with the title *Economic Problems Increase Policy Differences in Eastern Europe* they stated "The Eastern European regimes appear generally less hopeful about economic prospects than they were a year ago...There are new signs of doubt and disagreement within the regimes over economic policy, especially with regard to decisions on reform, foreign trade, and goals for 1966-70".<sup>57</sup> Turning to the Soviet foreign economic policy in the Bloc and its role in the current situation, the CIA analysts pointed to the difficulties, quite unexpected earlier, the Eastern European Communist regimes have been facing during negotiations with Moscow on the conclusion economic and foreign trade agreements for 1966-1970. Although the Soviets satisfied the most demands of the industrial development in the satellites, the new agreements were reportedly "less favourable" than in the past and it has led the Eastern European regimes "to learn to fend more for themselves, as the Rumanians have already begun to do".<sup>58</sup>

### CONCLUSIONS

Evolution of estimates and forecasts that US economic intelligence that has passed since early fifties until mid-sixties reflected the changes in views existed both in the intelligence community, and in political and, in some cases, even in US academic circles. The economic aspect of the Soviet policy in the Bloc, earlier interpreted by the intelligence in purely utilitarian way and with strong stress on military-technical and economic capabilities of the USSR and her satellites to wage war has been drastically changed to more complex understanding of Moscow's practice in usage the economic methods to achieve political and ideological goals in the Eastern Europe. Institutional changes of the US economic intelligence structure, undertaken in accordance with the need to "work more in depth" than earlier on the Soviet Bloc and intra-Bloc relations, made the CIA's position stronger and helpfully assisted to achieve "primes inter pares" place among American intelligence community in producing economic intelligence. This reform provided US

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8-1.pdf (Accessed: 18.01.2018).

<sup>57</sup> *Economic Problems Increase Policy Differences in Eastern Europe. Special Report. Central Intelligence Agency. Office of Research and Reports. 8.04.1966. CIA-RDP79-00927A005200090003-5, p. 1, in <https://www.cia.gov/library/reading-room/docs/CIA-RDP79-00927A005200090003-5.pdf> (Accessed: 23.01.2018).*

<sup>58</sup> *Ibid.*, p. 4.

economic intelligence with more detailed understanding how since mid-50s the Soviet way of dealing with the Eastern European countries has been starting to transform. The appearance and existence of so-called Communist maverick, as Romania viewed outside the Communist Bloc, was the first sign of impending crack within the Eastern Bloc. In producing economic intelligence, the CIA analysts now peered into foreign trade and economic policy of the USSR towards the COMECON members with the expectations of future changes in the Bloc as a whole.