

Rec'd D/F  
29 June 55

~~SECRET~~

CFEP DRAFTING GROUP  
ECONOMIC DEFENSE POLICY REVIEW

Staff Study No. 4 (Revised)  
Draft of June 28, 1955

Promotion of Soviet Bloc Disunity Through Flexible  
Application of Strategic Trade Controls

This draft of Staff Study No. 4 (Revised), "Promotion of Soviet Bloc Disunity Through Flexible Application of Strategic Trade Controls", is transmitted for your use in connection with the work of the CFEP Drafting Group on Economic Defense Policy Review.

In compliance with the request of the Chairman of the Drafting Group, the Executive Secretary, EDAC, is providing reproduction and distribution facilities as a service to further the work of the CFEP Drafting Group.

25X1A9a

  
Executive Secretary

Distribution:  
CFEP Drafting Group

~~SECRET~~

~~SECRET~~

This document consists of  
5 pages. No. 29 of 50  
copies, Series C.

CFEP DRAFTING GROUP

ECONOMIC DEFENSE POLICY REVIEW

Staff Study No. 4  
(Draft of June 28, 1955)

Promotion of Soviet Bloc Disunity Through Flexible  
Application of Strategic Trade Controls

Problem:

To appraise the experience under, and the presently apparent utility of, the policy concept expressed in subparagraph 19 (e) of NSC 152/3, namely, "To decrease, through skillful flexibility in applying controls, the political and economic unity of the Soviet bloc".

Discussion:

1. The concept of the use of "skillful flexibility" in the application of export controls has to date been applied only unilaterally by the United States. On only one occasion was this flexibility used in connection with strategic export controls, eg. the relaxation of controls toward Yugoslavia in 1949, following Yugoslavia's expulsion from the Cominform in 1948. On other occasions, United States export policies were relaxed, but not as regards strategic controls, eg. the food distribution to East Germany (against the expressed will of the East German government) in 1953, and the food and drug shipments to three Eastern European satellites as flood relief in the summer of 1954. No flexibility in controls or policies has been manifested with regard to Communist China, except in a few instances where import controls were relaxed for specific commodities to improve the U.S. stockpile position.

2. "The political and economic unity of the Soviet bloc," as used in

~~SECRET~~

~~SECRET~~

- 2 -

the abovementioned NSC directive, is taken to apply primarily to the inter-relations of governments and only secondarily, if at all, to the attitudes of populations within the various Soviet bloc countries. Creation of "disunity" could be taken to mean the fostering of "Titoism" or any tendency in that direction within the regime of Communist China or any of the Eastern European satellites. Experience in the case of Yugoslavia indicates that this tendency arose from an inter-governmental conflict which was influenced neither by (1) any extra-Soviet bloc activities of any kind or (2) the attitudes of the Yugoslav population. There has been no subsequent demonstration that new opportunities have arisen which would make Soviet bloc regimes more susceptible to either of these influences as a determinant of decisions on intra-bloc political or economic relationships.

3. The relaxation of controls toward Yugoslavia in 1949 strengthened the position of Yugoslavia after its breach with the Soviet bloc had already occurred and undoubtedly helped prevent punitive subjugation of the Yugoslav regime by the Soviet bloc. This experience demonstrates the value of "flexibility" in the application of strategic controls as a means of exploiting and enhancing disunity that had already arisen from internal conflicts within the bloc. It demonstrates nothing regarding the ability of the West to initiate any such disunity. Its principal lesson would appear to be the pointing up of the need for alertness in detecting the early portents of disunity, arising from causes independent of Western policy, which might then be exploited and enhanced by Western trade policies at an earlier stage than was the case with Yugoslavia.

~~SECRET~~

~~SECRET~~  
- 3 -

4. Food distribution to East Germany and flood relief shipments to East Germany, Czechoslovakia and Hungary were useful as a means of demonstrating to Soviet bloc populations the continued friendship of the United States, in tempering their feeling of isolation from the Western world, and in reinforcing their already existing hostility to their present regimes. It must be assumed, however, that the satellite regimes had little fear that these actions would operate to "decrease the political and economic unity of the Soviet bloc." The examples of East German (1953) and Albanian (1955) refusals of U.S. food shipment offers suggests that satellite governments decide, probably under instructions from the U.S.S.R., when and whether it would be in their interests to accept such offers. Acceptance under such circumstances can be taken to signify an over-all Soviet bloc judgment that the shipments involved would not have adverse repercussions for the bloc's political or economic unity. Non-acceptance, on the other hand, might well indicate some degree of fear of enhancing the populations' low regard for the regimes through a demonstration of the regimes' inability to cope with supply problems, but it may also be an oblique indication of the regimes' security, in that they feel able to disregard the dissatisfactions engendered by knowledge of a Western offer which the regime has rejected. In either case, the regimes hold the trump card in that they can decide on acceptance or non-acceptance, and thereby neutralize any approach that might, in their minds, have a chance of creating disunity.

5. In the case of commodities in short supply within the bloc, trade allowed by a relaxation of controls might well be accepted by a single member

~~SECRET~~

- 4 -

of the bloc, depending ultimately, of course, on that country's foreign exchange position and the financial terms covering a trade offer. But it would be very difficult in such a case to estimate whether acceptance of such trade would work toward creating a breach between this single member and the rest of the bloc or whether it would in fact signify this member's intention, acting in concert with the rest of the bloc, to secure supplies for re-export within the bloc. Even if a commodity could be identified which was in short supply in only one bloc country, relaxation of control on that commodity to that country alone could merely serve to solve a bottleneck in intra-bloc trade (eg. total bloc supply), thereby possibly enhancing rather than decreasing bloc unity. The key question remains that of the pre-existing situation with regard to unity. At present Soviet control over satellite political and economic affairs is sufficiently effective that it is hard to conceive of its being weakened to any appreciable degree by Western economic approaches.

6. Communist China stands in a different relationship to the U.S.S.R. than do the European satellites. The Sino-Soviet alliance is based on a mutuality of interests rather than on Soviet control of Chinese economic and political affairs. Furthermore, the relative severity of Western trade controls with regard to Communist China allows more scope for the application of flexibility. However, possible areas of conflict between the USSR and Communist China are probably not now at a stage where they are susceptible to exploitation or enhancement through flexibility in Western trade controls.

While grants of Soviet economic aid may not have met initial Chinese Communist

*The possibility of areas of conflict bet USSR & Com Ch is rel. greater between the USSR & Eur. Sat. but*

~~SECRET~~

- 5 -

*in sufficient quantities*  
hopes, the U.S.S.R. has apparently provided goods essential to Peiping's  
*to permit some expansion of the ind. capacity of Com. China*  
~~economic development program in adequate quantities and on acceptable~~

terms. Flexibility in Western trade controls might serve to ease the supply situation or provide more favorable terms for specific commodities, thus eliminating points of possible minor differences between Peiping and Moscow, but without affecting the basic relationship between the two regimes. Even completely free access to Western sources of supply would not, at present, significantly affect the orientation toward the Soviet bloc of the Chinese Communist economy or the mutuality of economic, political, and military interests between Peiping and Moscow.

~~SECRET~~