

NATIONAL CONFERENCE
ON
"THE FOREIGN ASPECTS OF U.S. NATIONAL SECURITY"
"THE SOVIET ECONOMIC AND TRADE OFFENSIVE"
By
Allen W. Dulles
Director of Central Intelligence
February 25, 1958

The subject assigned me this morning is the Soviet economic and trade offensive. I shall broaden the term "Soviet" to include what we often refer to as the Communist Bloc, that is, the Soviet Union, the European Satellites, and Communist China. Each plays a role in the economic and trade offensive of international communism.

As Director of the Central Intelligence Agency, it is not my task to recommend policies. It is rather to analyze as accurately as possible and present the facts as a basis for determining policy.

This I propose to do in describing the Communist trade and aid offensive.

It is not always easy to get the facts regarding the Communist world. They throw a shroud of secrecy and security around all sensitive areas of their policies and actions. In the field of their trade and aid, however, many of the basic facts are well known. Of course they try to keep secret the details of the arrangements among the countries in the Communist Bloc. Also they are not

anxious for the facts to be known about some of their arms deals with countries outside of their Bloc.

However, as regards the Soviet's general aims and objectives in the field of economic and trade penetration, their actions and the public assertions of their leaders are a helpful guide.

Too often people tend to ignore the statements of those whose credibility they may have reason to question. Many years ago, Hitler in MEIN KAMPF wrote what he proposed to do. He did it. Little attention was paid to his book until after he had gone to war.

In the case of the Soviet Union there has been an extraordinary consistency over the years in basic policy declarations and the subsequent actions of the Communist leadership.

The statement issued by the Soviet Union and their allies and satellites in Moscow last November on the 40th anniversary of the Bolshevik revolution might well have been written by Lenin. The declaration of the recent Afro-Asian Conference in Cairo was on all fours with the program of the Congress of the Peoples of the East which the Soviet held in Baku in 1920. Lenin himself predicted in 1923 that the outcome of the struggle would be determined by the population masses of Russia, India and China.

Tactics change -- the timetable is altered as circumstances demand. The over-all objectives and strategy remain much the same.

The evidence as we now see it indicates that the USSR, in striving toward their objectives, do not propose to use their military power in a manner which would involve the grave risk of war. They probably still estimate that our power of retaliation could more than match their offense. They have a healthy respect for our nuclear capability and our means of delivering nuclear weapons.

In any event they have now alerted us to the dangers which lie in their growing military capabilities; they have shaken any complacency, and shown us that we could not always expect to be first in all phases of military endeavor. They have the skills -- scientific and technical -- to do in the military field what we can do. If they work on a particular project for longer hours with more manpower and with more equipment -- human and material -- than we, they can accomplish a particular objective before we do. This should have been accepted as axiomatic because neither the U. S. nor any other country has any monopoly on brains.

Their Sputniks and missiles have also taught us that we cannot afford to be second best in any important military field.

This particular Conference will be considering whether we can afford to be second to the Soviet in supporting friends and allies and in our relations with the uncommitted newly developing countries of the world which look abroad for help in their industrialization and in all that goes to raising the standard of life.

The President in his recent message to the Congress cited the three major objectives of our Mutual Security Program. One of these was the forestalling of Communist subversion or massive economic penetration of other nations.

In pressuring for a period of relaxation of tensions and co-existence it seems clear that the Soviet desire this for two purposes: first, to build their military strength and to develop the highly complicated modern weapons -- ballistic and nuclear -- and, second, to press forward in the area where they probably consider us most vulnerable; the winning of the allegiance and, eventually the control of the uncommitted nations of the world by trade and aid, and by subversion.

They probably estimate that if they can induce us to devote our resources almost exclusively to the military field, they can the more easily break our economic and cultural ties with other nations and win them over.

Today, February 25th, is the tenth anniversary of the takeover of Czechoslovakia by Communism. Not a shot was fired. It was not guided missiles but the so-called "guided democracy" which did the trick.

In Prague last July, Khrushchev said, "We can fight without bombs and we are convinced that our cause will be victorious." He added that he would not predict in which countries communism would consolidate itself first but that once nations learned the advantages of socialism they will "organize and achieve a change in the social order".

Our own grandsons, he recently predicted to an American correspondent, "will live under Socialism in America, too." Again, speaking at a reception at the Albanian Embassy last year he laid down the challenge: "If the capitalist gentlemen wish to help the backward nations as they constantly and clamorously declare, they are welcome to do this . . . The underdeveloped nations, however, must bear in mind that the capitalist never gave anything gratuitously because this contradicts the very essence of capitalism." And, last October, he explained that the "wars are not necessary for the victory of socialism, capitalism will inevitably vanish from the historical arena just as was the case of feudalism which made room for capitalism."

These are the theories they openly preach to the world and they propose to go out into the world with missionaries of trade and aid to spread this doctrine.

While the Communist leaders have suppressed and liquidated more peoples of alien races and views within their area of control than any dictator or conqueror of the past, they ally themselves abroad with nationalistic aspirations. While they deny freedom to their satellites in Eastern Europe, they attack those countries which, like Britain, have voluntarily given freedom to many more peoples than the entire population of Russia itself.

We would be negligent, however, to ignore the fact that their trade and aid programs backed with subtle propoganda have had a significant impact. The farther removed a country is from any real appreciation of Soviet actions in their own area of domination, Hungary or East Germany for example, the greater is the impact of Soviet propoganda and of their deliveries of arms of industrial products and "know how."

In effect, they will buy anything, trade anything, and dump anything if it advances communism or helps to destroy the influence of the West.

They are careful to choose the countries where they can tailor their program to the advancement of their political aims. But if this is demonstrable, the terms of trade and aid are seemingly attractive.

Interest rates are low and, with good communist-type behaviour on the part of the recipients, it may be entirely remitted.

The strings are invisible. They can move quickly. They have no budgetary limitations or legislative restrictions. Their only "Battle Act" is the battle to advance Communist aims. They have vast stores of obsolescent military equipment which looks new and shiny to countries in the infancy of military development. It can be given away without affecting the Soviet's own military position. They will take in barter payment agricultural products and raw materials which we, because of our surpluses, find it impracticable to accept.

Now, to get down to cases:

The total amount in credits and grants extended by the Sino-Soviet Bloc for economic development and military aid to countries in the Free World outside the Bloc over the last three years amounts to the equivalent of about \$2 billion.

Over 95% of this aid has been concentrated on six countries -- Afghanistan, Egypt, Syria, India, Indonesia and Yugoslavia. In these countries over the past two and a half years Soviet programs in aggregate have been more than double those of the free world. Of course, many other countries have received attractive offers and many are today in the throes of deciding whether to decide to seek aid from the West or from the Soviet Bloc.

The Soviet programs have also included a large scale movement of technical personnel from the Communist Bloc to the Free World countries where aid is extended. More than 2,000 Bloc technicians are now active in nine of the newly developing countries in which U. S. comparable personnel number less than 1,000. Also large numbers of technicians are going from these countries to Moscow, Prague, and Peiping for their training.

From the viewpoint of the strain on the Soviet economy and to enable comparison with the U. S. foreign aid effort, it is important also to consider Soviet aid to other members within the Communist Bloc.

Over the past decade more than \$1.6 billion has been pumped into China in the form of military credits and military hardware and perhaps as much as \$500 million has been given to Red China outright.

In addition, in the form of non-military aid, some \$3.7 billion has gone in loans and grants from the Soviet Union toward the development and reorientation into the Communist system of the basic economic programs of Communist-dominated countries. Of this, more than \$900 million went to Poland, \$650 million to East Germany, \$450 million to Communist China. Bloc aid to North Korea since the armistice has totalled \$586 million not including military materiel. This works out at \$73 per North Korean which, on a per capita basis, exceeds U. S. economic assistance to South Korea. A comparable effort has been made on behalf of North Vietnam.

Any attempt at analyzing the bookkeeping in the trade relations between the Soviet and the other communist states is tricky business. The real value of the ruble is an unknown quantity and transferring ruble amounts to dollars is at best an estimate. These figures, however, give the order of magnitude of the trade and aid. They do not take account of certain other factors.

For example, the early stage of the relations between the Soviet and the Satellites and China saw the moving of captured plants and materials from these countries to the USSR to hasten Soviet post-war construction and rehabilitation. Many plants in these countries were operated under direct Soviet control and the output siphoned off to the USSR. Then, too, low prices were fixed by the Soviet on goods it purchased and the high prices on the goods they sold to the Satellites and China.

This was during the Stalin period and the post-war reconstruction. Then the Soviet saw that they had to turn around and rebuild their subject empire which was in partial ruins. As a result, today, while no firm balance sheet can be drawn, the European Satellites and Communist China represent a net drain on the Soviet economy and adds somewhat to the financial burden of their aid program in the Free World.

Nevertheless we believe the Soviets can and will continue their programs in Free World countries at a scale at least as great as we now witness. Both intra bloc and external programs combined

will require less than one percent of their Gross National Product. The net economic cost over a period of years will be even less than this because from this program they will receive some needed raw materials and consumer goods.

I mentioned the appeal of the Soviet program to the newly developing countries of the world. Many are too far away from Moscow to understand the meaning of Hungary, to analyze the dangers which Communism spells for their newly found freedom.

They see that Russia, which economically and industrially was a backward country a couple of decades ago, has in some manner, mysterious to them, become in a relatively short space of time the second greatest industrial and military power of the world. They do not understand the cause. They do not realize that much of this has been achieved by profiting from the industrial revolution of the West; that it has been developed at the expense of the standards of living of the peoples of Russia; that housing and road building and consumer goods have been sacrificed to heavy industry and weapons of war.

They tend to feel that the American economic standards are too high -- too distant -- too hard for them to attain. They are not overly impressed by the fact that last year we made about sixty automobiles to the Soviet's one; or that there are wide disparities between the Soviet and ourselves in the standard of living. They do hope that they can eventually aspire to something like the economic

and industrial advancement of the Soviet Union. When the missionaries of Soviet society appear with their offers, the temptation is great. If there are no clear-cut alternatives the reaction is often favorable.

To leave the field open to this type of penetration presents us with grave dangers. What use is it if we and our allies concentrate solely on building barriers against some future military attack while the Soviet envoys of trade, aid and subversion get behind those barriers? Then, too late both we and the countries affected will know the true meaning of "Red Imperialism".

In this brief presentation, I have endeavored to give an appraisal as an intelligence officer of the information available to us. I can summarize by stating that in our considered opinion, the present strategy of the leaders of international communism as directed from Moscow will not be based on military adventures or the direct use of military power. They will not be likely at this time to take steps which they believe would involve the risk of nuclear war, although Soviet military power will continue to be used as a threat against weaker countries.

On the other hand, international communism will undoubtedly use the methods of economic penetration and internal subversion as major weapons to advance their cause.

On this day, ten years since the takeover of Czechoslovakia, it is appropriate that you should be considering the countermeasures which will be most effective in meeting these threats to our national security. They most certainly can be met with the resources which this country can command.