

Speech file

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SOVIET ECONOMIC ACTIVITIES ABROAD

I. Introduction

- A. The USSR in the first 40 years of its existence has moved from the seventh ranking nation in the world in terms of national production to second; only the US is larger.
- B. In the 10 years before 1957, the USSR achieved an economic growth rate about double that of the US during the same period.
- C. For the seven years ending in 1965 the economic expansion of the USSR is planned to average between six and seven percent compared with a rate of about three and one-half percent expected for the US.
- D. Thus, the USSR will increasingly be in a position to challenge seriously the US in foreign economic affairs. Consequently, Soviet economic activities abroad have moved dramatically from the periphery of world attention to the center.
- E. Volume of trade generated annually by Soviet economy increasing rapidly.
 - 1. Exports at rate of \$4.5 billion a year.
 - 2. In constant prices, exports in 1957 six times larger than in 1938 (volume of trade of Industrial West, by comparison, less than doubled during same period).

3. As a trading nation, USSR now ranks sixth in world compared with 16th in 1938.
 4. Soviet exports now account for almost 4 percent of world exports compared with one percent in 1938.
- F. Magnitude of Soviet trade must be qualified.
1. Three-fourths of USSR trade is with Sino-Soviet Bloc (Soviet exports to Free World in 1957 only on level with those of Denmark - slightly over a billion dollars).
 2. Exports during past 4 years have been consistently about 2.5 percent of Soviet GNP.
- G. Quantitative increase in Soviet exports by 1965 may pose considerable threat to Free World markets.
1. Soviet trade with West growing at a more rapid rate than Soviet trade with rest of Bloc - in 1957 trade with West one-fourth of total - in 1965, it will be one-third.

II. Trade with Free World

- A. Relatively small current volume of Soviet imports from West (about \$1.2 billion) understates contribution to domestic economy because of gains derived from importing machinery and equipment for use as prototypes and for supplementing domestic production in certain key areas.
- B. Present knowledge about Soviet priorities during Seven-Year Plan suggest Soviet interest in (1) chemical equipment, (2) electronic and automation equipment, and (3) equipment for the ferrous metal industry.

- C. Although denial of certain pieces of western equipment, particularly in the field of petro-chemicals, would retard growth of key industry, we may take Khrushchev at his word when he boasted that the fulfillment and overfulfillment of the Seven-Year Plan could be accomplished through "our own efforts, our own resources."
- D. Motivation behind current import drive is implicit in Khrushchev's frank admission that through imports from industrial West, "the Soviet Union could be given the opportunity of quicker fulfillment of its program without wasting time...."
- E. Because of import requirements, Soviet leaders will exert every effort to expand exports.
 - 1. Bulk of Soviet exports to West will be traditioned raw materials, fuels and semi-manufactures.
 - 2. Petroleum, non-ferrous and ferrous metals newsprint, wood pulp, asbestos and timber should become increasingly prominent.
- F. Difficulty in expanding exports may lead to:
 - 1. Sales of Soviet gold - with increasing costs of mining gold, it is anticipated that USSR will intensify efforts to substitute merchandise exports as earners of foreign exchange rather than rely on heavy exports of gold.

2. Price cutting to gain entry into major western markets; aluminum and tin sales in 1957-58 are cases in point.
3. A concerted effort to secure long-term credits from western nations to finance growing imports.

III. Soviet "Penetration" Activities

- A. Soviet trade with underdeveloped countries increased from \$210 million in 1954, to \$840 million in 1957, an increase of 300 percent; such trade, in 1957, accounted for more than 36 percent of total Soviet trade with the Free World.
- B. Over 4,000 Bloc technicians (two-thirds of whom are Soviet technicians) have been sent to assist the development of nations in the Free World.
- C. In the four-year period ending 1958, Bloc extensions of credits and grants to underdeveloped countries totalled \$2.5 billion, of which about two-thirds came from the USSR.
- D. Since the launching of a new economic assistance program in 1956, the USSR, rather coincidentally, has extended more than \$1.6 billion in credits and grants to other members of the "Socialist Camp."
- E. By combining the Soviet assistance programs to Bloc and underdeveloped countries and taking into account repayments on Soviet loans, it is possible to estimate the net burden (drawings on credits minus repayments) under given conditions of the entire Soviet foreign assistance program.

1. In 1958 when total new credit extensions amounted to about \$900 million, the net burden from all foreign assistance was about \$600 million, approximately four-tenths of one percent of Soviet GNP.
2. Total annual extensions of credits could be expanded to about \$2.5 billion by 1965 and the ratio of economic burden to GNP would not be greater than in 1958.
3. In short, by 1965 the USSR, without any strain on overall internal availabilities greater than at the present, will have the capability of maintaining an assistance program in the underdeveloped areas of the Free World that approaches in magnitude that of the US today.

IV. Summary -- The motives of current Soviet foreign economic policy may be stated simply:

- A. In the industrial West, to utilize economic contacts with the Free World to keep abreast of western technology and to hasten an economic growth the immediate aim of which is to "overtake and surpass" the capitalist West.
- B. In the underdeveloped areas, to help free newly independent countries from Western influence and subsequently to create in them, either through economic blandishments from the Bloc or through the domestic appeal to Communism, an increasing vulnerability to ultimate absorption into the Communist empire.