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BRIEFING FOR MR. ARNESON FOR THE JULY 16 MEETING OF
THE COUNCIL ON FOREIGN ECONOMIC POLICY

I. The Upheaval in Soviet Leadership and the Bloc Economic Offensive
in Underdeveloped Areas

A. General Statement

The upheaval in Soviet leadership does not herald abrupt policy changes, as Khrushchev's policies appear to have prevailed for the most part since 1954.

1. Internal questions, both of domestic policy and of leadership alignments, seem to have played the greatest role in the ousters of Molotov, Malenkov and company.
2. Although the Central Committee resolution described at length Molotov's hampering of Soviet foreign policy, it is unlikely that disputes in this field had more than a secondary importance.
3. However, there was specific condemnation of Molotov's intransigence on such Soviet policy moves as the rapprochement with Yugoslavia, the efforts to reduce international tensions, the coexistence campaign, and the exposition of the "separate roads to socialism" doctrine.

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4. This suggests that the genesis of the economic offensive which lies largely in the more flexible post-Stalin approach to foreign policy objectives, remains unchanged. Bloc foreign economic policy -- in its arms, trade, credit, and technical assistance programs -- is an integral part of the Bloc's general policy of political warfare against the West, and is directed toward the same objectives.
5. Although we expect no substantial change in Bloc foreign policy objectives the shake-up may well increase Khrushchev's freedom of maneuver. In the past he has had to overcome opposition and has been forced to debate and compromise. Greater flexibility and easier decision-making with respect to foreign economic policy will now be possible.

B. Conclusion

The upheaval in Soviet leadership does not at this time lead us to modify in any important respect the analysis and conclusions as to Bloc motivations, objectives, and capabilities, as set forth in NIE 100-57, "Sino-Soviet Foreign Economic Policies and Their Probable Effects in Underdeveloped Areas."

II. Regarding the General Outlook for the Next Year or Two, the Basic Conclusions of NIE 100 Remain Valid

- A. Bloc trade is likely to expand further as programs under existing trade and credit agreements gain momentum.

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- B. While Bloc capabilities for expanding credit programs are substantial, the rate of expansion in the next year or two will probably be slower than in 1956.
- C. While few additional states are likely to enter into major aid arrangements with the Bloc in the immediate future, the Bloc will be alert to opportunities where aid offers promise political gains.
- D. Bloc prestige and opportunities for exercising influence will be maintained in the Middle East and Asian countries which are already involved in major Bloc economic programs.
- E. In the uncommitted states the availability of Bloc aid will tend to raise the cost to the West of exercising influence through aid programs. In states allied with the West, it may make such aid a more necessary and expensive condition of maintaining the West's position.

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