After the death of Josef Stalin on 5 March 1953 the Soviet Union commenced an "economic offensive" that caused the Eisenhower administration to reevaluate the role of foreign economic aid as a tool of American foreign policy. Soviet efforts to reach beyond Europe for economic ties, particularly with "neutralist" nations in the Third World, culminated in Khrushchev's call for peaceful coexistence and competition between socialist and capitalist countries in a speech before the Supreme Soviet on 6 November 1957. The Eisenhower administration viewed the Soviet initiative as "economic war."¹

Similar Chinese economic aid efforts also alarmed American officials. According to the administration, the foreign economic policies of the two Communist giants constituted an integral part of Communist Cold War strategy in the Third World. And because both the Soviet Union and China continued to "score successes for the Bloc at the expense of the West," a National Intelligence Estimate of August 1958 concluded that the "Sino-Soviet Bloc aid and trade programs" posed a "substantial" long-term threat to U.S. interests, that, "unless effectively countered [would] continue to erode the Western position in the underdeveloped world." To Secretary of State John Foster Dulles, the Sino-Soviet capacity to "dislocate established markets," offer attractive barter deals for raw materials, encourage the nationalization of foreign investments, and manipulate commodity markets created a "quite dangerous situation" for the Free World, perhaps "the most serious problem" it faced in the "coming years." Eisenhower concurred.²


². Dulles to Nixon, 10 Jan. 1958, FRUS, 1958–60, 4:2–3; Minutes of cabinet meeting, 25 July, 1958, ibid., 31–33; National Intelligence Estimate 100-3-58, 5 Aug. 1958, ibid.,
After the outbreak of the conflict in Korea, the Truman administration had reoriented foreign aid away from its emphasis on Marshall Plan-type economic assistance toward a decidedly military orientation. Sino-Soviet foreign economic policy—and a series of crises in the Middle East, Latin America, and East Asia—spurred the Eisenhower administration to reassert the role of economic aid. Such aid would be directed toward less developed countries "to enhance the likelihood that these countries remain strong and free" and more disposed to "pursue their national objectives in association with the free world." Such aid would enhance this likelihood "if these countries [could] achieve in freedom the economic progress which their peoples seek." Thus the administration turned to promoting growth abroad through the use of public capital. It embraced an approach advocated by Massachusetts Institute of Technology (MIT) Professors Max F. Millikan and W. W. Rostow, who argued that Western nations had to demonstrate to less developed nations that "the Western way of life" was a superior path to economic growth than communism. Under the new approach, administration officials worked to refocus bilateral and multilateral development aid programs on the fight against Sino-Soviet economic policy. Economic aid, the MIT professors posited, would serve as a catalyst for social overhead investment and lead to private savings and capital formation. This, along with technical assistance, would facilitate development of primitive economies to the point of "takeoff," or rapid economic growth, which would lead to a period of "self-sustained growth." According to the model, this process would distract from political unrest and agitation. By fostering emerging nations receptive to the American way of life, aid therefore would serve to stem the expansion of communism. Yet, as Burton I. Kaufman writes, with all the economic assistance supplied to Third World nations during the Eisenhower administration, these primarily Asian and African nations were generally worse off economically in 1961 than in 1953 and, for the most part, no more politically stable or democratic.

33-35; Memo of conversation, 4 Nov. 1958, ibid., 35-36; Memo of conversation, 6 Feb. 1959, ibid., 38-41; Kaufman, 3-6, 96-99.

3. Though as W. W. Rostow notes, a comprehensive change in policy came about only after the resolution of a protracted debate within the administration. In the meantime, the administration provided economic aid on an ad hoc basis, primarily to countries such as Vietnam that were already receiving military aid for strategic purposes. See his Eisenhower, Kennedy, and Foreign Aid (Austin, Tex., 1985), 13-35, 95-151.

4. Memo prepared by the policy planning staff, 5 May 1958, FRUS, 1958–60, 4:16; Kaufman, 1-4, 58-60. Prior to the Sino-Soviet "economic offensive," the Eisenhower administration’s foreign economic policy stressed free trade and private overseas investment as the means to foster economic growth in less developed nations.