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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

*The New Look in Chinese Communist Aid
to Sub-Saharan Africa*

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
September 1968

INTELLIGENCE MEMORANDUM

The New Look in Chinese Communist Aid
to Sub-Saharan Africa

Summary

Communist China's agreements within the past year to help construct the Tanzania-Zambia and Guinea-Mali railroads represent substantial new efforts to enhance its influence in Sub-Saharan Africa.* The Tan-Zam railroad will involve the largest single foreign assistance outlay in Sub-Saharan Africa. These agreements have already won Peking some propaganda gains and may have influenced both Tanzania and Zambia to vote against the Nuclear Non-Proliferation Treaty in the UN recently; the only other votes against the treaty were by Albania and Cuba.

Especially since Chou En-lai's extensive visit to Africa in early 1964, China has used economic aid programs to extend its influence in Africa. Although initially successful, the program backfired to some extent in 1965-66 because of Peking's heavyhanded treatment of some countries and because military coups in several other countries brought a rupture in diplomatic relations with China. As a result, China has concentrated its economic assistance in the Socialist-leaning states of Guinea, Mali, Tanzania, and Congo (Brazzaville). The signing of the railroad agreements now brings

* For the purposes of this memorandum, the term Sub-Saharan Africa includes all countries on the continent of Africa except Algeria, Libya, Morocco, Tunisia, and the United Arab Republic.

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Economic Research and was coordinated with the Office of Current Intelligence.

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total Chinese aid in Sub-Saharan Africa to about \$665 million, nearly one-half of Peking's total aid extensions to all non-Communist countries. About four-fifths of the African aid -- an estimated \$550 million -- has already been committed to specific end uses.

For the most part, Communist China's economic assistance has been well received by the Africans. The terms of China's aid compare favorably with Western and Soviet practices. Most Chinese-sponsored projects are operating satisfactorily and appear to represent a net gain to the recipients. However, actual aid expenditures to date -- about \$120 million through mid-1968 -- have been too small to have substantial economic impact. Despite the large outlays needed for the Tan-Zam and Guinea-Mali railroad projects, their construction will contribute relatively little to overall economic development for many years. Resources and population along the proposed routes are sparse, and there are few profitable investment opportunities in these regions, even with lower transport costs.

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Introduction

1. Communist China's recent announcements that it will help build the Tanzania-Zambia and Guinea-Mali railroads greatly expand the extent of Peking's economic aid activities in Sub-Saharan Africa (see the map, Figure 1). With these projects, Sub-Saharan Africa will be receiving nearly one-half of Peking's total aid extensions to non-Communist countries. By undertaking the railroad projects, Communist China apparently hopes to firmly establish itself in Africa, as well as to improve its image on the continent. In any event, this new emphasis on Sub-Saharan Africa apparently has already won Peking some gains. Peking's willingness to build the Tan-Zam railroad may have influenced Tanzania and Zambia to vote against the Nuclear Non-Proliferation Treaty in the UN recently. The only other UN members to vote against the treaty were Albania and Cuba.

2. This is not the first time Communist China has attempted to increase its presence in Sub-Saharan Africa by sharply expanding its economic aid program. Peking's aid program was initially designed to support the overall aid efforts of the Communist countries in Africa, as well as to achieve political recognition for Communist China. By 1963, however, economic aid was being employed by the Chinese as an instrument of competition to counter Soviet as well as Western policies in Africa. As part of this effort, and to develop relations with African countries on the official level, Premier Chou En-lai made an extensive tour of Africa from late December 1963 until early February 1964. His goal during the trip was to convey an image of China as a large and powerful country which had more in common with Africa than did the USSR or the West.

3. Following Chou's visit, Peking offered aid to several Sub-Saharan countries. During 1964 the number of states receiving Chinese assistance rose from four to eight, and the total amount of aid extensions to these countries increased by about 160 percent. Despite these efforts, Peking suffered a number of political reversals in 1965

and 1966, in part because of its heavyhanded approach, which was evident in Chou En-lai's repeated references to the "excellent revolutionary prospects" in Africa and in Chinese support for antigovernment activities in some countries. Some Chinese representatives were expelled from Kenya in 1966 for providing funds to leftwing elements there. Furthermore, military coups in a number of countries, such as Ghana and the Central African Republic, brought to power conservative regimes that subsequently broke diplomatic relations with Peking.

4. Although these diplomatic setbacks restricted Chinese influence in parts of Africa, Peking has maintained a strong position among the Socialist-oriented countries. The Chinese are well established in Guinea and Mali and have a considerable presence in Congo (Brazzaville). Peking's position in mainland Tanzania has steadily improved over the last few years, and the Chinese continue to wield considerable influence on the nearby island of Zanzibar. Peking has recently added Mauritania and Zambia to its list of aid recipients. Even before the two railroad projects were announced, about one-third of Communist China's aid to the Free World was committed to Sub-Saharan countries, and during 1967 two-thirds of its economic technicians serving in non-Communist countries were in this area.

5. African governments have accepted Chinese economic aid for a variety of reasons. Most important, it is seen as a way to help reduce their financial and economic dependence on their former colonial rulers and to help replace declining aid from non-Communist sources. Some African leaders, such as Guinea's President Touré and to a lesser extent Tanzania's President Nyerere, feel ideologically akin to the Chinese and are well disposed to accept Peking's economic assistance. Some countries, including Uganda and Kenya, initially accepted Chinese aid as a means of expressing their policy of nonalignment among the world powers.

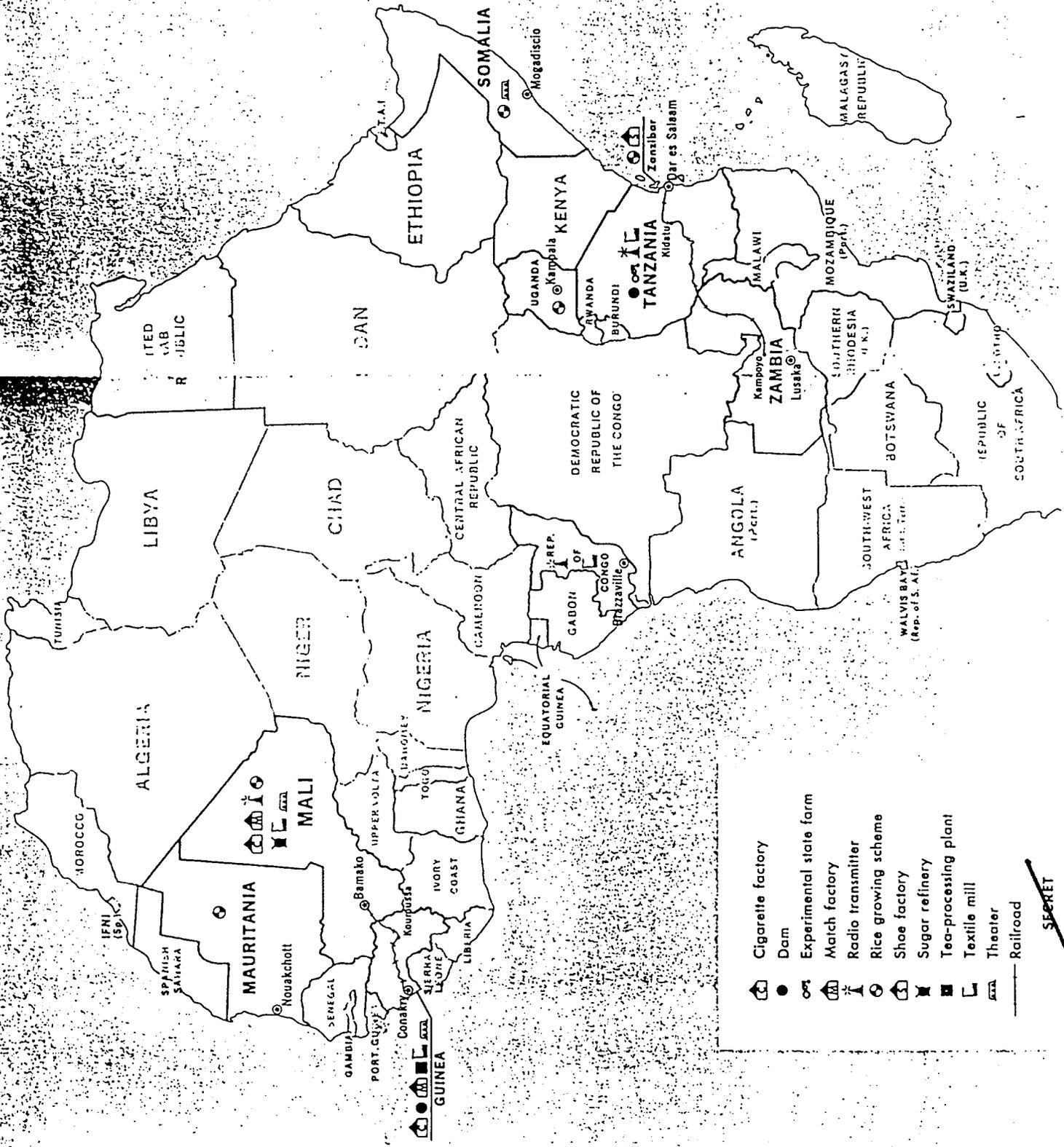
Scope and Nature of Chinese Economic Aid

6. Since 1959, when Communist China began its aid program in Sub-Saharan Africa, Peking has extended or agreed to extend aid amounting to an

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Figure 1

Selected Chinese Communist Aid Projects in Sub-Saharan Africa



- Cigarette factory
- Dam
- Experimental state farm
- Match factory
- Radio transmitter
- Rice growing scheme
- Shoe factory
- Sugar refinery
- Tea-processing plant
- Textile mill
- Theater
- Railroad

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estimated \$665 million to this area. About four-fifths of this total -- an estimated \$550 million -- has already been committed to specific end uses. This compares with US commitments in this area of more than \$2 billion since 1959 (see the chart, Figure 2). China's aid, however, is heavily concentrated in a relatively few countries. More than 90 percent of total commitments, including aid for the railroads, is to five countries -- Guinea, Mali, Tanzania, Zambia, and Congo (Brazzaville). Although Ghana was a major recipient of Chinese aid, all Chinese projects there were suspended following Nkrumah's ouster in early 1966. Peking's small aid program in the Central African Republic was also ended following their break in relations. The balance of Chinese assistance is spread among Kenya, Uganda, Somalia, and Mauritania, but commitments to these countries amount to only about \$20 million.

7. More than one-half of the aid promised by Peking is for the two regional railroad projects. The 1,250-mile Tan-Zam railroad, estimated to cost about \$300 million,* will be the largest single foreign assistance outlay in Sub-Saharan Africa and China's largest undertaking in the Free World. The 200-mile railroad connecting Guinea and Mali may cost more than \$50 million and will be the largest foreign aid scheme in these countries. Peking's other aid projects have consisted of moderate undertakings of a type readily absorbed by an underdeveloped economy. Most project aid has been used for small-scale plants producing light consumer goods or processing crops grown on related agricultural schemes. The largest plants are a few textile mills costing about \$7 million or \$8 million each. Chinese project assistance has also been used for improving economic infrastructure, such as electric power facilities and roads.

* *Excluding the cost of rolling stock for the railroad and expanding the port at Dar es Salaam.*

8. Peking usually provides commodity credits to defray local costs of its projects, including local materials and labor, and about 10 percent of its country-to-country aid commitments* have been for this purpose. Most of the technical assistance provided by Peking is used in constructing or operating Chinese-sponsored projects. Only a relatively few of the nearly 3,000 Chinese economic technicians employed in Sub-Saharan countries during 1967 were used to support social services such as medical and educational activities. In addition, Peking has agreed to provide nearly \$60 million in cash and commodity assistance to relieve trade deficits and reduce budget deficits (see the table).

Total Chinese Communist Aid Commitments, by Type
as of June 1968

	Million US \$
Project assistance	<u>490</u>
Railroads	350
Other	140
Balance-of-payments and budgetary support	<u>60</u>
<i>Total</i>	550

9. By and large, African nations have been pleased with the aid they have received from Communist China. Almost all of the industrial

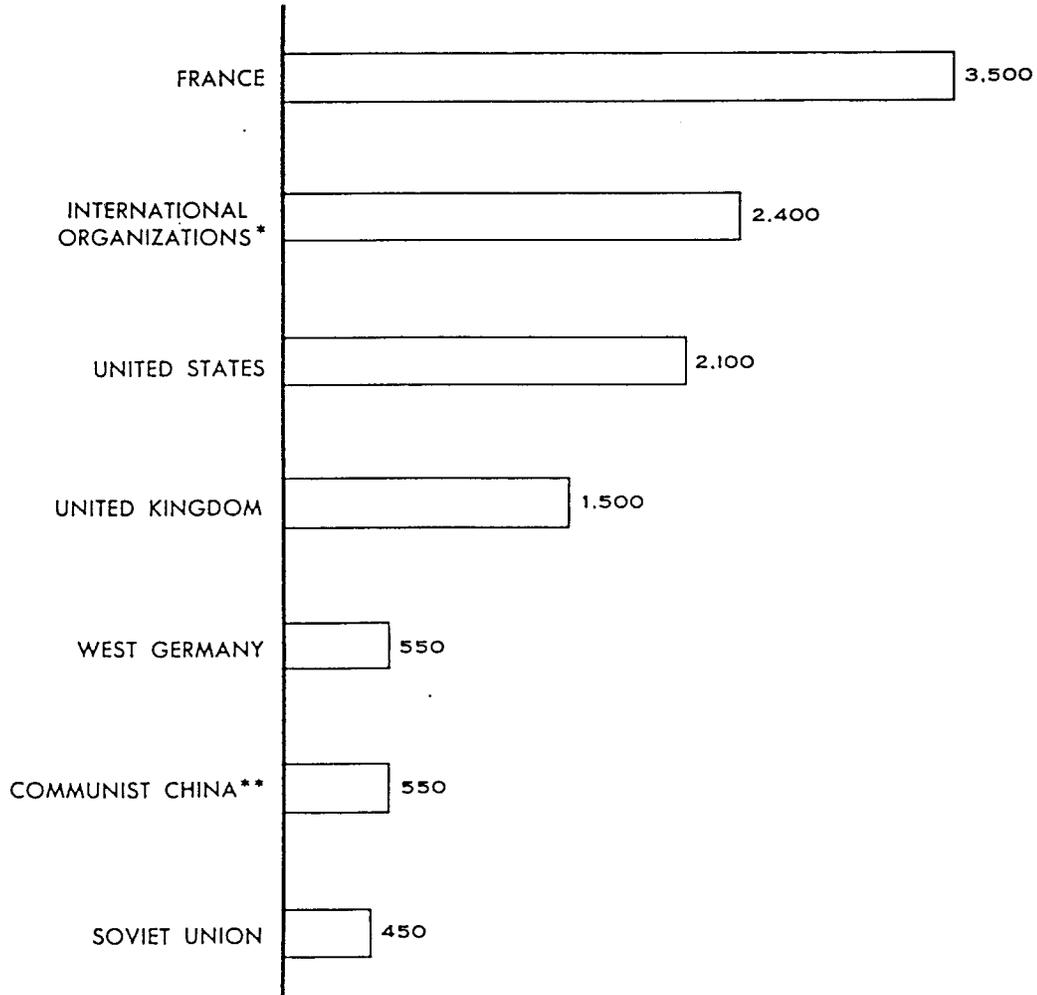
* *Country-to-country assistance does not include the railroad projects, since these involve more than one country.*

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Figure 2

ESTIMATED FOREIGN AID COMMITMENTS TO SUB-SAHARAN AFRICA, BY MAJOR DONOR Totals for Fiscal Years, 1960-68

MILLION US \$



*Including the International Bank for Reconstruction and Development and affiliates, UN aid programs, and the European Economic Community Development Fund.

**Including an estimated \$350 million for the Tanzania-Zambia and Guinea-Mali railroad projects.

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projects involve labor-intensive operations and therefore employ large numbers of unskilled workers who otherwise would be unemployed. Agricultural schemes have stressed production of needed food crops, especially rice and sugar. Africans have also been favorably impressed with China's technical aid. Peking uses large numbers of its own technicians when undertaking a project, thereby reducing the burden on the limited skilled manpower resources of recipient countries. Moreover, the willingness of Chinese technicians to live without the luxuries usually expected by other foreign technicians has projected a favorable image of the Chinese among Africans.

10. Recipients have also been impressed with the generous terms of Peking's aid. Its credits are generally interest free, provide a 10-year grace period, and permit repayments to extend at least 10 years. Unlike Western aid provisions, repayments can be made in the commodities of recipient countries. In contrast to usual Western and Soviet procedures, the Chinese generally finance a large part of the local costs of their projects. These liberal terms place little strain on the limited financial resources of the African countries.

Economic Impact of Chinese Aid

11. Communist China's economic assistance to Africa is useful, but the level of aid received by the Africans has been too small to have a significant economic impact thus far. Of the \$315 million in country-to-country aid promised through mid-1968, excluding the two regional railroads, about \$120 million has actually been drawn, and more than half of the expenditures have consisted of cash and commodities. Only about \$55 million has been spent directly on development projects, many of which are still under construction.

12. In several countries, longstanding Chinese credits have gone almost completely unutilized, while in a few others a substantial share of the aid has already been drawn. In Uganda, for example, plans to implement the \$12 million credit extended in 1965 are only now getting under way, while in Kenya no

projects have yet been initiated under a \$15 million credit extended in 1964 and probably none will be started before the credit lapses next year. Small cash credits to Uganda and Kenya, however, have been largely used. By contrast, Guinea, Mali, and Tanzania (including Zanzibar) have received a large share of the aid promised to them. Together these three countries account for more than 80 percent of the total Chinese expenditures in Sub-Saharan Africa to date and are the only countries where significant projects are under way or have been completed (see the chart, Figure 3).

13. Those Chinese-sponsored projects that have been completed are performing reasonably well. However, some industrial plants are encountering shortages of raw materials, which can be made up only through imports. Equipment failures have also occurred, and some Chinese-built plants probably require government subsidies -- not unusual in Africa. In any case, the difficulties that Chinese projects have encountered are no greater than those of most other foreign aid programs in Sub-Saharan Africa or elsewhere. Moreover, the Chinese have been working in a difficult atmosphere. The countries where they are most actively involved suffer from inadequate economic infrastructure, undeveloped domestic markets, and lack of trained personnel needed to carry out development projects. This situation is further aggravated in Mali, Guinea, and Zanzibar by government efforts to exert greater control over the economy which have led to general economic deterioration.

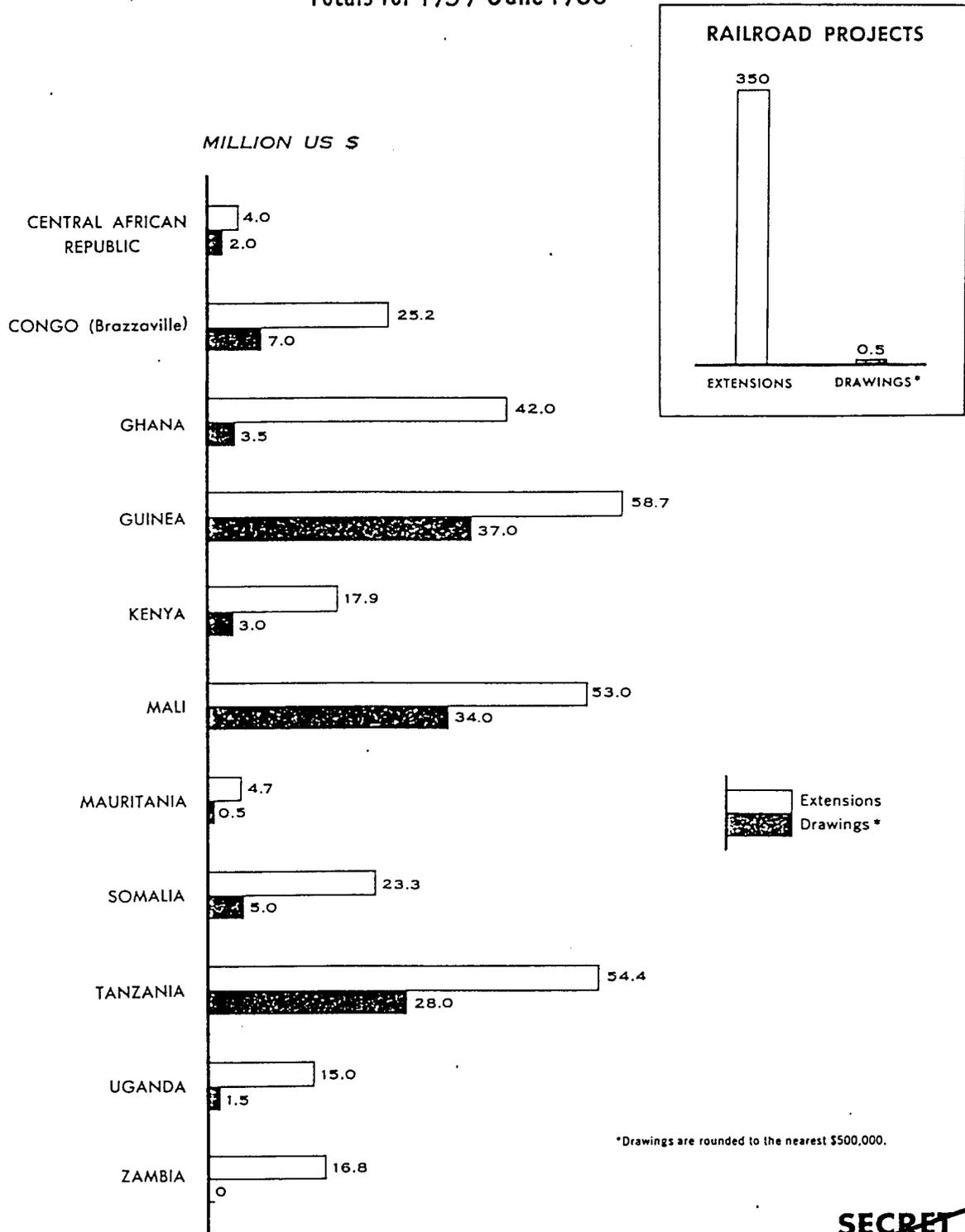
14. Mali has probably gained the most from Peking's aid. All of the \$53 million in country-to-country assistance extended by China has been obligated to specific purposes, and about \$34 million has been disbursed. Several Chinese-built plants are now operating, including a match factory, a cigarette factory, and a sugar refinery. The cigarette factory (see the photograph, Figure 4) apparently is operating profitably, but the sugar refinery has had difficulties in obtaining adequate supplies of raw materials. The largest Chinese project in Mali, a \$7.8 million textile complex that came into production in 1968, should allow

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Figure 3

CHINESE COMMUNIST ECONOMIC AID, EXTENSIONS AND DRAWINGS*

Totals for 1959-June 1968



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the country eventually to reduce its textile imports by at least \$1 million annually. (see the photograph, Figure 5)... Chinese efforts in the agricultural sector, particularly rice cultivation, appear to be relatively successful, primarily because of the large number of Chinese technicians employed. Rice production increased from an estimated 180,000 tons in 1960 to about 210,000 tons in 1965, but declined in 1966 because of adverse weather conditions. Peking has also provided \$11 million in foreign exchange to Mali to help pay for imports.

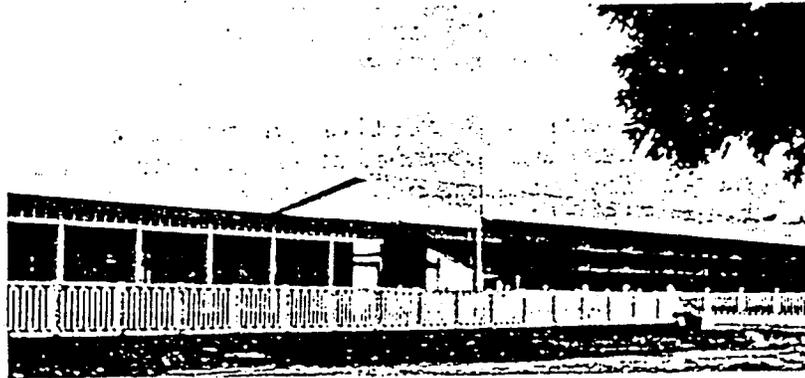


Figure 4. Mali: Chinese Communist-Built Cigarette Factory, 1966

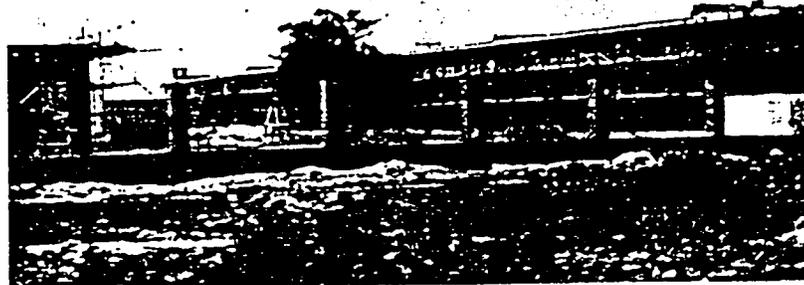


Figure 5. Mali: Chinese Communist-Built Textile Mill, July 1966

15. More than three-fourths of the nearly \$40 million Communist China has disbursed in Guinea has consisted of cash and commodities. The only important projects that have been completed are the

\$2 million Kinkon hydroelectric dam and a \$2.8 million match and cigarette factory complex near Conakry that employs more than 600 persons (see the photographs, Figures 6, 7, and 8). The performance of the cigarette plant, which operated above its rated capacity in 1967, is remarkably good compared with other industrial plants in Guinea. The match factory is operating at about 30 percent of capacity -- about the average for many Guinean plants. Other significant Chinese projects in Guinea include a tea-processing plant, which was completed in 1966, and a textile mill now under construction. Although the Chinese plan a number of small projects, mostly in the agricultural sector, under the \$22.4 million credit extended in late 1966, only a few minor ones have been started.

16. Except for \$13 million provided by Peking in the form of cash and commodities, Tanzania has so far received few economic benefits from Chinese aid. About \$15 million has been drawn for projects, of which about \$8.4 million was for a large textile mill that came into production this year (see the photographs, Figures 9 and 10). A number of other projects are either under way or have been completed, but none are of economic significance. Nearly one-fourth of the roughly \$28 million spent by Peking in Tanzania has gone to Zanzibar, where China is the major aid donor.* Although Chinese aid to Zanzibar is higher on a per capita basis than in any African state, it has been of little help in reversing the trend of economic deterioration on the island.

Railroad Projects

17. Chinese Communist aid for the Tan-Zam and Guinea-Mali railroads is unique in its scale and complexity. Both of these projects will be costly and difficult to carry out, although well within Communist China's technical and financial capability. Their construction will require large numbers of Chinese technicians, even if most of the labor force is derived locally. In the case of the Tan-Zam railroad, completion will probably take at least

* *Although, in April 1964, Zanzibar joined with Tanganyika to form the United Republic of Tanzania, the islands carry out part of their foreign aid negotiations directly with foreign powers.*

until 1975. Unlike their performance with respect to other aid agreements, the Chinese have moved with considerable speed to implement the September 1967 agreement under which Peking undertook to build the Tan-Zam line. Within four months of signing the agreement a preliminary survey team was in the field, by mid-1968 more than half of the 680 technicians to be used on the design and engineering survey had arrived, and survey work is well under way.

18. Although the proposed railroad projects have attracted considerable attention, they will provide little benefit to the local economies. Both railroads are substitutes for existing railroads and will probably not reduce transport costs. The chief economic gain to Tanzania from the Tan-Zam railroad will be revenues derived from handling Zambian foreign trade shipments. Although the government hopes to develop the relatively fertile Kilombero Valley in the southwest, through which the railroad will pass, large investments and numerous skilled personnel will be required and both are in critically short supply in Tanzania. There are also some relatively large mineral deposits in the southwest, but because of their low quality they are economically unfeasible to exploit even with lower transport costs. In any case, the Great North Road, which is being improved, would be adequate for foreseeable Tanzanian transport needs in the interior. Zambia's gains will be mostly political, since the new railroad will provide a transport route for its foreign trade that does not pass through white-ruled Rhodesia, Mozambique, or Angola. Zambia's northeastern region, through which the line will pass, has little development potential and is sparsely populated. For the most part, the land is infertile and can support little more than subsistence agriculture, while deposits of manganese, coal, copper, and a few other minerals located along the proposed right of way are small.

19. The Guinea-Mali railroad offers no promise of stimulating significant economic development. There are no potential industries or resources that could be developed along the right of way in either country, and trade between Mali and Guinea is too small to warrant the investment. The total volume of Mali's foreign trade in 1966 was less than 300,000 tons, of which Guinea accounted for only

Figure 6. Guinea: Generators at the Chinese Communist-Built Kinkon Dam, Completed in 1966

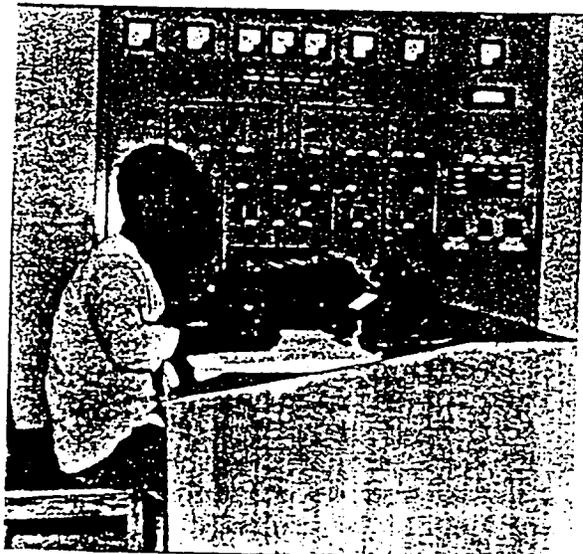
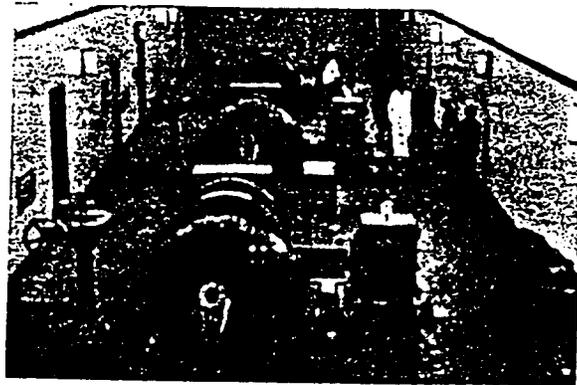


Figure 7. Guinea: Control Panel for the Kinkon Dam

Figure 8. Guinea: Interior of a Chinese Communist-Built Cigarette Factory, in Operation Since Late 1964



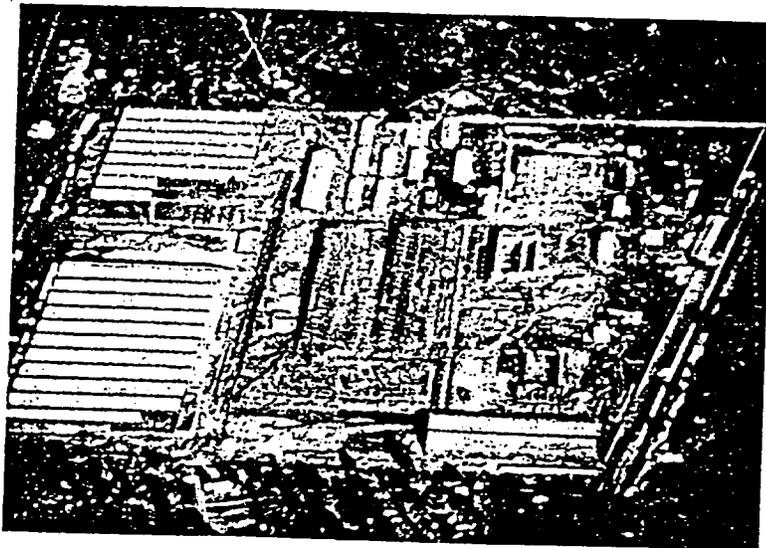


Figure 9. Tanzania: The Chinese Communist-Built Friendship Textile Mill, March 1967

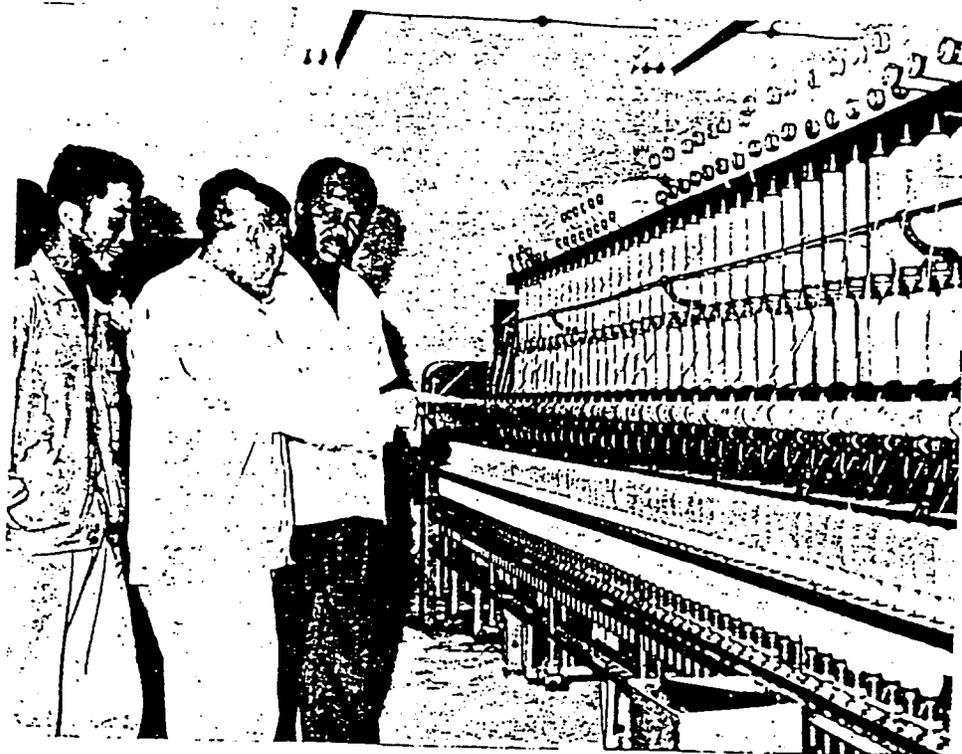


Figure 10. Tanzania: Chinese Communist Technical Advisers at the Friendship Textile Mill, Early 1968

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about 1,500 tons. Moreover, considerable expenditures will be needed to upgrade the existing railway in Guinea between the port at Conakry and Kouroussa, where the new railroad would connect. Nevertheless, both countries consider the railroad a political imperative. Mali's prime reason for wanting the railroad is to have an alternative to its present major access route to the sea through Senegal. This route was closed to Malian traffic from September 1960 to July 1963, during which time most of the country's foreign trade was diverted by road through the Ivory Coast. Also, Mali hopes the new route will reduce freight costs to the sea. Guinea's President Toure, for his part, wants the new railroad as a means to tie Guinea and Mali closer together politically and economically.

Outlook

20. Communist China's aid disbursements in Sub-Saharan Africa will remain relatively small at least until about 1970, when actual construction on the Tanzania-Zambia railroad is expected to start. Meanwhile, the bulk of aid expenditures will continue to be heavily concentrated in Guinea, Mali, and Tanzania; and it is likely that Peking will extend additional aid to these three countries as existing credits are utilized. Although the Chinese will try to extend aid to additional countries to take advantage of changing political developments, actual drawings probably will remain small for many years.

21. Communist China's aid will provide only marginal economic benefits for the African recipients even after those projects now under way are completed. Although Peking's assistance will be generally useful, it will do little to overcome the scarcity of natural and human resources that hampers significant economic growth. Moreover, the detrimental economic effects of domestic policies in Guinea, Mali, and Zanzibar will tend to dilute the gains that might otherwise result from Communist China's economic assistance.

22. Peking should continue to obtain substantial propaganda benefits from its aid efforts. The period of years needed to complete the railroads and their political significance may serve to enhance China's position in the recipient African countries. Peking may also be able to exert a

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greater influence over some aspects of foreign policy in those countries where it has become a leading aid donor. Many African governments, whether receiving Chinese aid or not, will use Peking's aid overtures as a lever to encourage Free World donors to help finance projects they consider to be politically important. Congo (Kinshasa), for example, has already requested several countries, including the United States and the Soviet Union, to finance construction of a 500-mile railroad, which would reduce its dependence on transport routes through Portuguese Africa.

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