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**CIA HISTORICAL REVIEW PROGRAM**  
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Support Project Initiation Memorandum (for Non-Scheduled Intelligence Production)		Type B	Control Number
TO: Production Control Staff.			
2. Title or Subject (31) Line 1 Line 2 Relationship between Soviet Line 3 and East European Economic Line 4 Aid Programs in LDCs Line 5	3. Analyst(s) & Other Contributors (31) Line 1 Line 2 Manhours: 6 Completion Date (y m d) 1975 Sept. 26		
4. Requester and Purpose (39) Line 1 Line 2 Line 3 Line 4 Line 5 Line 6	Classification (39) <div style="text-align: center; border: 1px solid black; padding: 5px;"><del>Confidential</del></div>		
5. Precis (39) Line 1 Coordination and instruments for Line 2 direction of Soviet and East European Line 3 aid programs within and outside of Line 4 CEMA. Line 5 Line 6 Line 7 Line 8			

APPROVAL:	Branch (if less than 10 manhours)	Date
	Acting Chief	26 Sept. 1975
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	Director (for special requesters)	Date

Note: Numbers in parentheses indicate the maximum number of characters and blanks to be inserted in a line—i.e., (16) means no more than 16 spaces.

1. Voluntary or Arranged Coordination of Communist Aid and Trade with LDCs.

a. Moscow does not appear to dictate bilateral aid programs of East European countries, although the institutional framework for coordination has existed since 1957. Within the Soviet State Committee for Foreign Economic Relations (GKES), which administers the Soviet aid program, a CEMA Section compiles foreign aid data for CEMA members and is responsible for coordinating Soviet aid with East European programs. GKES officials also are delegates to CEMA.

b. The CEMA Section also may be responsible for Soviet subcontracting arrangements with East European nations. These arrangements have been noted in aid provided to the Near East. For example, Hungary and Bulgaria participated in building Soviet-aided railroads in Syria, and East Germany provided a rolling mill for the Soviet-built steel mill in Iran. Under these arrangements, the USSR pays the East European supplier for his designs or equipment.

c. No evidence exists to suggest that Moscow assigns individual East European countries to work in particular LDC areas.

2. CEMA's Role in Coordinating Communist Aid to LDCs.

a. Within CEMA, mechanisms for coordinating bilateral aid, have existed at least since 1961. A Commission for the Coordination of Technical Assistance was created at that time "to coordinate the activity of CEMA countries in granting economic and technical

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aid to developing countries, especially by defining the most purposeful forms of collaboration with these countries." It also was to coordinate the terms of extending credits. The Commission has not been effective because it does not have power to implement collaboration.

b. In 1964 CEMA established the International Bank for Economic Cooperation (IBEC) to promote multilateral economic cooperation among East European Communist countries. LDCs also were to be able to draw on the Bank for expanding their raw material production. The return flow of these materials as repayment was intended to satisfy growing Communist requirements. LDCs never drew on the facility for development assistance, although LDC banks have borrowed some medium and short term funds from the bank.

c. The International Investment Bank (IIB) was established to provide multilateral financing for international cooperation in expanding industrial and raw material output. In 1974 a \$1 billion ("transferable ruble" and hard currency) Special Fund was established within the IIB. The Fund provides development credits to LDCs that hold Bank membership. No application for such assistance is known although Iraq's and Mexico's recent association with CEMA may be a step in that direction.

d. Until now, coordination of bilateral aid programs through CEMA has not been effective because CEMA has no authority to direct these undertakings, and national interests often prevail.

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3. Division of Aid Responsibility

a. Although CEMA countries, particularly Romania, appear to exercise independence in making individual commitments, the high degree of complementarity between Soviet and East European programs suggests strong influence. East European extensions have roughly followed the pattern of Soviet commitments. As a group, they have provided aid to the same list of LDCs. Their first extensions to an LDC are given at about the same time.

b. Eastern Europe more often provides equipment credits or aid to light industry; the USSR emphasizes heavy industry and multipurpose dams. Moscow tends to shoulder the large prestige projects.

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