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(When filled in)  
CIA HISTORICAL REVIEW PROGRAM  
RELEASE AS SANITIZED

Support Project Initiation Memorandum (for Non-Scheduled Intelligence Production) Type B  
1998

TO: Production Control Staff.

2. Title or Subject (31) Line 1 Line 2 Terms of Communist Economic Line 3 Aid, 1975 Line 4 Line 5	3. Analyst(s) & Other Contributors (31) Line 1 Rebecca Nunn Line 2
	Manhours: 25
	Completion Date (y m d) 1976 March 2 <sup>5</sup>

4. Requester and Purpose (39) Line 1 Line 2 Elmer Glaser, Chief, Economic Data Line 3 Branch, Statistics and Reports Line 4 Division, AID Line 5 For Congressional hearing Line 6	Classification (39) Unclassified

5. Precis (39) Line 1 Line 2 Summary of repayment terms of Line 3 Communist economic aid agreements Line 4 in 1975. Line 5 Line 6 Line 7 Line 8	
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APPROVAL:	Branch (if less than 10 manhours) O _____ Chief 2 March 76	Date
	Division (if 10 manhours or greater) _____ 2 March 76	Date
	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.

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Terms of Communist Economic Aid  
1975

Almost all Communist aid still is provided under long term credits and Chinese aid continues to be the most concessionary. The only major change since our April 1975 memorandum is that the Soviets are providing fewer loans under their traditional terms of 12 years at 2 1/2%.

Moscow signed several large "framework" agreements in 1975 that did not limit the amount of credit available or define the terms of repayment. Instead, the agreements called for terms for each project to be negotiated separately. For example, the July "framework" agreement with Turkey provided for expanding the Soviet-built steel and aluminum plants and constructing thermal power-plants. Turkey has estimated the cost of these projects at more than \$600 million, but the USSR has deferred commitments to individual projects until final studies are completed and has indicated it will sign agreements on a project-by-project basis. We believe that terms will vary among projects and for certain kinds of equipment and that on the average they may be somewhat harder than the traditional Soviet aid terms.

At the other extreme, Afghanistan received \$437 million of credits for a list of development projects that we suspect will carry softer terms than those provided other clients. Historically Afghanistan -- Moscow's first aid client -- has been provided highly concessional aid. Credits extended to Afghanistan in 1957 and 1961 were interest free and allowed repayment over 25 years after a 25 year grace.

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Terms provided under most Eastern European aid commitments were not made public in 1975. Major credits probably still carry 8-10 year repayment periods, but interest rates may have doubled from the 3 - 3 1/2% rates charged in previous years. The largest East European credits in 1975 were to Latin America, where East European countries are the principal Communist aid donors. Most of this aid has been associated with equipment sales, often allowed under trade agreements and arranged under supplier-type agreements.

Among all Communist countries, China has always provided the largest share of grant aid. In 1975 the grant portion of China's aid shot up to almost 45%, compared with about 15% in 1956-74. Nepal received 70% of China's grant aid for a road; the Philippines, 25% for oil subsidies; and the remainder went to Africa for emergency relief. China also extended \$182 million of credits in 1975, mostly to Africa, all interest-free, allowing 10-15 years for repayment after 5-15 years of grace. These terms are roughly comparable to those traditionally allowed under Chinese credits, although a notable exception is the Tan-Zam Railroad on which there is a 30-year repayment period after a 10 year grace.

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