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Intelligence Report

*Communist Aid to Less Developed Countries
of the Free World, 1974*

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June 1975

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Foreword

Beginning with this report, the annual assessment of significant developments in the economic and military aid activities of Communist countries with less developed areas of the Free World will be issued by the Office of Economic Research, CIA. This review was previously covered in the annual R-14 report series, *Aid and Trade Activities of Communist Countries in Less Developed Areas of the Free World*, prepared under the aegis of the Subcommittee on International Trade and Aid of the Economic Intelligence Committee, USIB. The subcommittee was abolished effective 1 October 1974.

This report updates analytical interpretation and revises data in previous annual reports. Highlights of trade developments in 1974 also are included. Statistical data on Communist-LDC economic and military aid relationships in 1974 were published under separate cover as a handbook ER H 75-1, *Communist Aid to Less Developed Countries of the Free World*, March 1975, [redacted] [redacted]. The handbook does not contain Communist-LDC trade data. Such information will be issued separately as it becomes available as a supplement to the monthly reports on *Communist Aid and Trade Activities in Less Developed Countries*.

In this report the term *Communist countries* refers to the USSR, the People's Republic of China, and the following countries of Eastern Europe - Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania.

The term *less developed countries of the Free World* includes the following: (1) all countries of Africa except the Republic of South Africa; (2) all countries of East Asia except Hong Kong and Japan; (3) Malta, Greece, Portugal, and Spain in Europe; (4) all countries in Latin America except Cuba; and (5) all countries in the Near East and South Asia.

The term *extension* refers to a commitment to provide goods and services either on deferred payment terms or as grants. Assistance is considered to have been extended when accords are initialed and constitute a formal declaration of intent. The term *drawings* refers to the delivery of goods or the use of services. The estimates made of Communist military aid are the aggregate value (at list price) of agreements, where known, or are derived through the use of analogous prices minus downpayments and cash sales.

The substance of this report has been coordinated with the Bureau of Intelligence and Research of the Department of State, the Defense Intelligence Agency, and the Agency for International Development.

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Communist Aid to Less Developed Countries of the Free World 1974

KEY FINDINGS

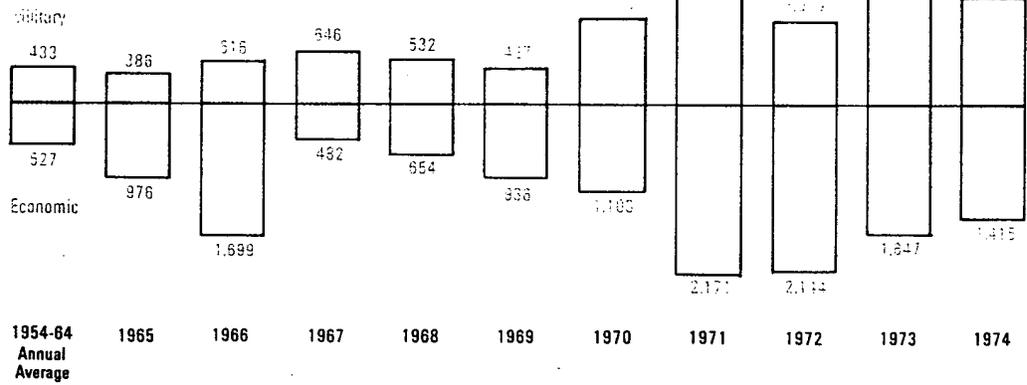
New Communist military and economic aid to the less developed countries (LDCs) of the Free World dropped to US \$2.7 billion in 1974, its lowest level in three years (see Figures 1 and 2). In spite of the reduced program, there was

Communist Aid to Less Developed Countries

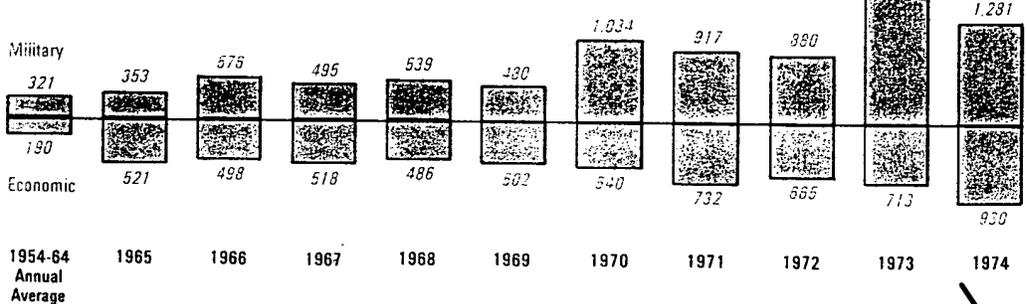
FIGURE 1

Million Current US\$

Extensions



Drawings



Note: Comments and queries regarding this report are welcomed.

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no apparent change in Communist aid policy. Programs under way continued at roughly the same pace as in most recent years, and the number of Communist military and economic personnel stationed in LDCs increased.

Most of the decline in 1974 was in military aid, which dropped sharply from the abnormally high crisis levels of 1973. Military aid, always more politically oriented than economic aid, although 30% smaller in 1974, demonstrated again the extent of the Soviet and East European commitment to the Middle East. For Iraq it was a record year; for Syria, second only to 1973. Reflecting the strains in Soviet-Egyptian political relations, Egypt received no new military aid, while aid to Iraq and Syria accounted for more than [] of the USSR's and Eastern Europe's \$1.2 billion of new assistance. Iraq and Syria also had the largest contingents of Communist military advisers. Most significantly, Moscow's new deliveries of equipment to Iraq and Syria surpassed in sophistication the equipment furnished to any other LDC. The supersonic MIG-23 jet fighters, shipped to Iraq and Syria have not even been provided to Warsaw Pact countries. Also reflecting political overtones, Iran was the only other country to receive a large new military commitment in 1974 - a [] credit for ground forces equipment, military support, and engineering equipment.

Moscow and Eastern Europe continued to use economic aid to protect their commercial and long-term economic interests. Again in 1974 the formation of joint industrial and commercial ventures with LDCs increased, and joint committees for economic cooperation were operating in a number of LDCs as coordinating and aid planning bodies. New Soviet and East European commitments in 1974 totaled \$1.2 billion, about the same as in 1973 but 25% below the 1971-72 records. The failure to furnish large blocks of new aid reflected mostly the continuing slow draw down on existing aid. Although drawings against unused economic credits reached a new high of \$930 million, they were propelled by a record \$265 million Soviet grain shipment to India. Otherwise, drawings would have approximated recent annual levels.

The commercial motivation for economic aid was highlighted by the large Communist credits to Argentina, intended to correct the imbalance in Soviet and East European trade with Argentina. Soviet and East European equipment sales under these credits could rise to as much as \$850 million over the next several years.

Other major Soviet and East European economic aid went largely to ongoing projects, such as Moscow's new credit (\$216 million) to Pakistan for a steel mill

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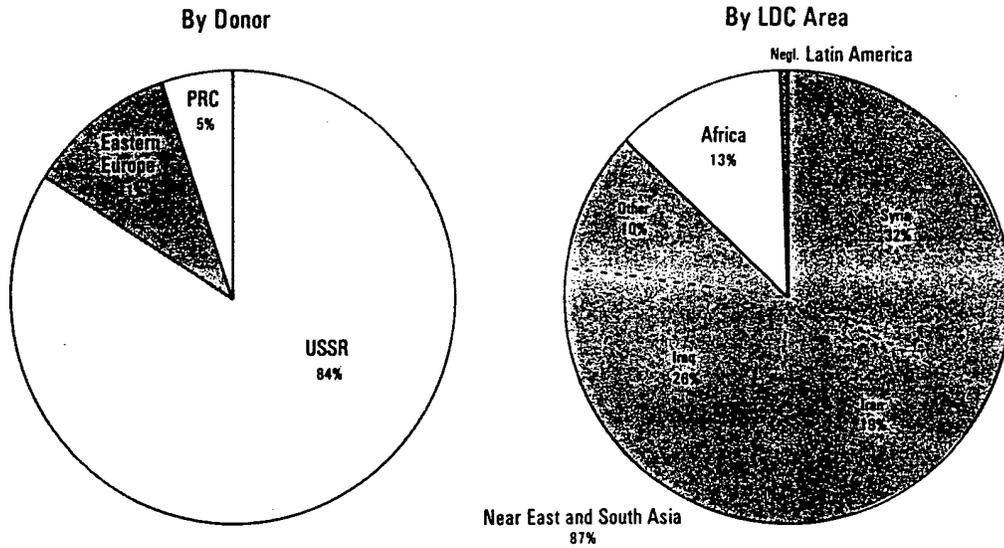
being built with \$210 million of Soviet aid extended in 1971. In an unusual move, Moscow agreed to provide one-half of its \$28 million budget support credits to Bangladesh in hard currency.

China's \$200 million of new economic aid in 1974 marked a significant drop from its \$575 million annual commitments since the Cultural Revolution. Although still pursuing an active aid program in Africa, Peking reduced its new economic aid pledges, mostly because of a lack of opportunities and because outflows still were heavy for completing the Tan-Zam Railroad, China's largest single aid project in the Third World. Nevertheless, Peking's area of interest was unchanged, and except for a \$25 million credit to Laos, its major effort continued on the African continent. Peking's two major clients - Tanzania and Zambia - again took the lion's share [redacted] of China's total aid. Its only significant military commitment [redacted] was to its chief military client - Pakistan.

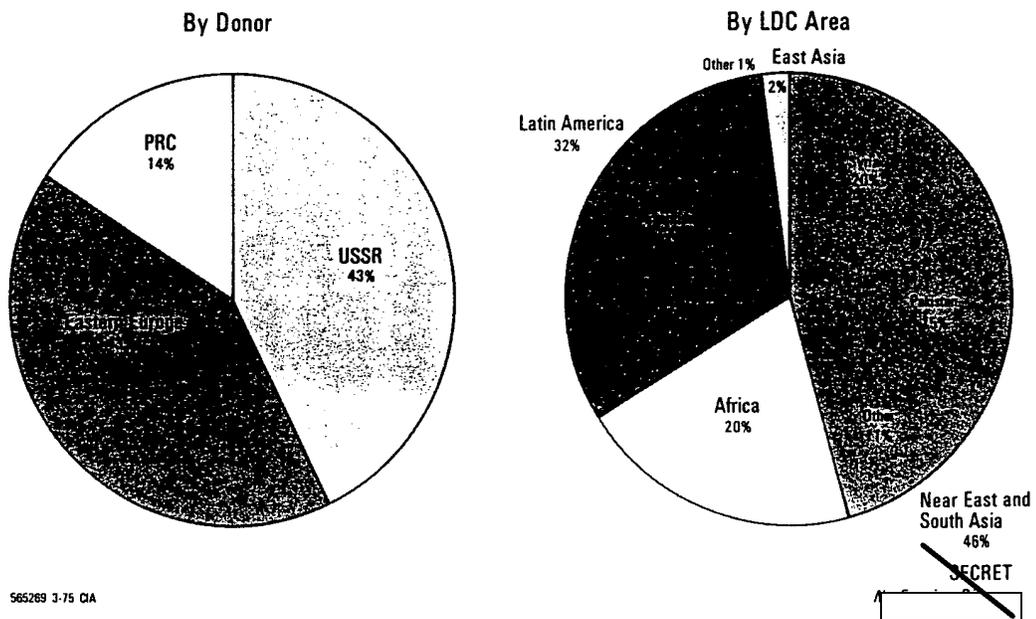
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FIGURE 2

The Shares of Communist Military Aid Extended to Less Developed Countries, 1974



The Shares of Communist Economic Aid Extended to Less Developed Countries, 1974



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DISCUSSION

Economic Aid

Extensions

1. Communist countries pledged more than \$1.4 billion in new economic aid to the LDCs in 1974, about 15% below last year's amount and down nearly 35% from record 1971-72 levels (see Tables 1 and 2). Communist economic credits to LDCs have topped \$19 billion since the beginning of the program, less than one-half of which has been drawn.

Table 1

Communist Economic Aid Extended to Selected LDCs, 1974

	Million US \$			
	Total	USSR	Eastern Europe	China
Total	1,415.2	612.6	605.3	197.3
Africa	283.8	21.8	90.0	172.0
Guinea	83.5	2.0	80.0	1.5
Mauritania	47.3	0.4	10.0	36.9
Tanzania	75.0	....	....	75.0
Zambia	54.9	3.4	....	51.5
Other	23.1	16.0	....	7.1
East Asia	25.0	....	....	25.0
Laos	25.0	....	....	25.0
Latin America	452.2	222.2	230.0	....
Argentina	435.0	215.0	220.0	....
Other	17.2	7.2	10.0	....
Near East and				
South Asia	654.2	368.6	285.3	0.3
Bangladesh	103.1	27.6	75.5	....
Pakistan	216.0	216.0	....	....
Syria	285.0	100.0	185.0	....
Other	50.1	25.0	24.8	0.3

2. All donors, except the countries of Eastern Europe, reduced their pledges in 1974. The USSR and East European countries offered about the same amounts, together accounting for more than 85% of total new aid. Chinese aid was a far cry from the record \$730 million extended in 1970 when Peking again began to offer large amounts of aid to LDCs and significantly below the \$580 million average of the four-year period 1970-73.

Table 2

Communist Economic Aid Extensions¹

	Million Current US \$			
	1974	1973	1972	1971
Total	1,415 ²	1,647	2,144	2,171
USSR	613	654	650	1,125
Eastern Europe	605	554	910	484
China	197	439	584	563

1. Because of rounding, components may not add to the totals shown.

2. Converted from foreign currencies that have appreciated approximately 20% in relations to the US dollar since 1971. Inflation of prices may have reduced the real value of the aid even further.

3. Argentina, Syria, Pakistan, and Bangladesh, in that order, were the major recipients of Communist economic credits getting three-fourths of the total. The USSR and Eastern Europe gave almost equal amounts to Argentina; East European countries dominated in aid to Syria and Bangladesh; and Moscow provided for all the assistance to Pakistan.

4. The USSR remained the top Communist donor. Although Moscow channeled its aid to 19 clients, three countries - Argentina, Pakistan, and Syria - predominated. Argentina, now the largest claimant for Soviet aid to Latin America, received a \$215 million credit to develop electric power facilities. Moscow gave a like amount to Pakistan to augment 1971 credits for the construction of a steel mill. Following President Asad's visit in April, Moscow provided a minimum \$100 million in new credits to Syria. Part was to complete the second stage of the Soviet-built Euphrates dam, a port, and a textile mill. Moscow offered Egypt only \$20 million in new aid, all for mine clearing in the Gulf of Suez. Other small amounts were spread among a handful of LDCs in need of emergency relief and balance-of-payments support, including \$13.5 million in hard currency to Bangladesh. Until 1974, Moscow's hard currency transfers to all client states had totaled only \$20 million.

5. Romania, Czechoslovakia, and Poland were the biggest donors among East European countries, accounting for three-fourths of all pledges. At \$260 million, Bucharest's program was the largest; Prague and Warsaw each offered \$100 million. Argentina and Guinea were the major recipients of Romanian aid. Bucharest also pledged \$50 million to Bangladesh and \$10 million each to Mauritania, Sri Lanka, and Lebanon, the first Communist aid to that country. All of Poland's aid went

to Argentina; Czechoslovakia centered its program entirely on Syria. Credits by Bulgaria, East Germany, and Hungary totaling \$145 million rounded off the East European effort. Sofia's share, more than \$78 million, went largely to Syria.

6. Almost all of Peking's economic aid package went to African countries, except for a \$25 million credit to Laos and a \$300,000 grant to Sri Lanka. The Laotian credit constituted Peking's first formal aid agreement with the coalition government. A sizeable chunk is earmarked for road construction -- to link a Chinese built road in northern Laos with the existing Laotian road network. Most of the new credits to Africa supplemented Chinese programs already under way. Tanzania received the largest credit, \$75 million, mainly to expand a Chinese-built textile mill and to construct spur lines to the Tan-Zam Railroad. The remainder included nearly \$52 million to Zambia, \$37 million to Mauritania, and \$1.5 million each to Kenya and Upper Volta.

Drawings

7. Drawings by LDCs reached a record \$930 million in 1974 because of shipments against the large Soviet grain credit to India signed in late 1973. No significant changes in magnitude occurred in drawings against Chinese and East European aid. If the Soviet grain were excluded, total drawings in 1974 against Communist credits would approximate the annual average of 1970-73; for the USSR, drawings would be somewhat below the average for the same period (see Table 3).

8. The apparent static character of LDC drawings activity has become an accepted principle of the Soviet aid program. Deliveries to major clients fluctuate in cadence with stages in construction of heavy industrial plants. India's dull performance during the past five years, however, has created an extra drag on the Soviet program. As the largest recipient of Soviet assistance, India has yet to draw \$600 million of Moscow's \$1.9 billion in pledges. Some \$300 million of project aid has not been allocated to specific uses. Project aid deliveries have dropped from a peak of \$125 million in 1964 to about \$25-\$30 million annually since 1969.

9. East European deliveries fluctuate less dramatically. They are made up largely of orders for machinery and equipment which are easier to manage than Soviet heavy industrial plants.

10. Drawings on Chinese credits fell moderately in 1974. Deliveries to Tanzania for the Tan-Zam Railroad dropped to \$60 million, from \$100 million

Table 3

Communist Economic Aid Drawn by Less Developed Countries

Million Current US \$

	Total	USSR	Eastern Europe	China
Total ¹	8,196	5,319	1,461	1,416
1954-64	2,090	1,528	385	177
1965	521	352	91	77
1966	498	334	74	90
1967	518	303	114	100
1968	486	300	116	70
1969	502	341	91	70
1970	540	360	112	68
1971	732	419	145	170
1972	665	348	97	221
1973	713	402	117	194
1974	930	634	118	178

1. Because of rounding, components may not add to the totals shown.

in 1973. The railroad, Peking's largest single project in the LDCs, is nearing completion. Only \$30 million of the original \$400 million credit for the railroad remains and that amount should be drawn in 1975.

Repayments

11. Despite Soviet rescheduling, LDC economic aid repayments to Communist countries in 1974 probably were somewhat higher than the \$420 million estimated for 1973. Afghanistan, Ghana, Somalia, and South Yemen, whose debts were rescheduled, mainly received extensions of previously allowed moratoria. Requests for rescheduling by Egypt,¹ India, and Syria – among the USSR's largest debtors – were not acted upon. Moscow in an unusual move, canceled some outstanding debt – for South Yemen² \$50 million, and for Somalia about \$13 million. The USSR usually handles LDC debt servicing problems by extending repayment terms, often after long grace periods.

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1. May include some economic debt, although these payments are made.
 2. Probably includes military debt as well as some debt on commercial account.

Technicians

12. The Communist presence in Third World countries expanded in 1974, as the number of non-military technicians stationed in the LDCs topped 47,000. Chinese technicians still predominate, reflecting Peking's continued heavy commitments to Africa (see Table 4 and Figure 3).

Table 4

Communist Economic Technicians in Less Developed Countries¹

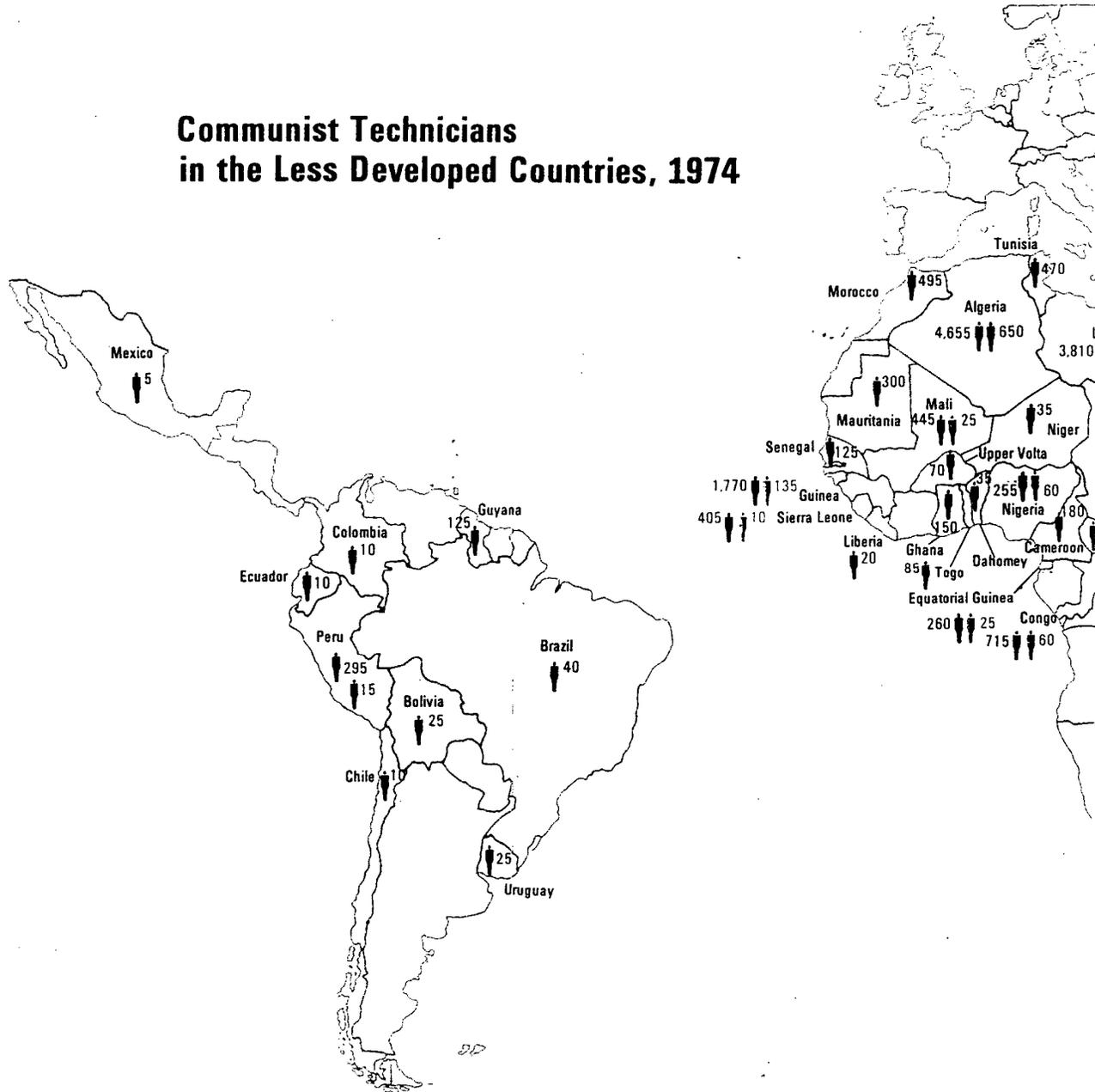
	Persons							
	1973				1974			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China ²
Total	43,960	13,095	7,325	23,540	47,375	14,725	9,715	22,935
Africa	31,675	4,590	5,075	22,010	34,120	6,005	7,445	20,670
East Asia	75	25	10	40	110	15	25	70
Europe	35	....	....	35	120	....	....	120
Latin America	400	185	165	50	545	310	170	65
Near East and South Asia ³	11,775	8,295	2,075	1,405	12,480	8,395	2,075	2,010

1. Minimum estimates of the number of persons present for a period of one month or more. Numbers are rounded to the nearest five.
 2. Including laborers in some countries, especially in Tanzania, Zambia, and Somalia.
 3. Excluding 25,000 to 30,000 Chinese personnel reported working on the Karakoram Highway in Pakistan.

13. Most of the East European technicians detailed to LDCs were stationed in Algeria and Libya. Algeria also received the largest share of Soviet personnel. More than one-half of Soviet and East European personnel in LDCs in 1974 were in Algeria, Libya, Egypt, Syria, and Iraq. An additional 15% of Soviet and East European personnel were detailed to aid projects in Afghanistan, Bangladesh, India, and Iran.

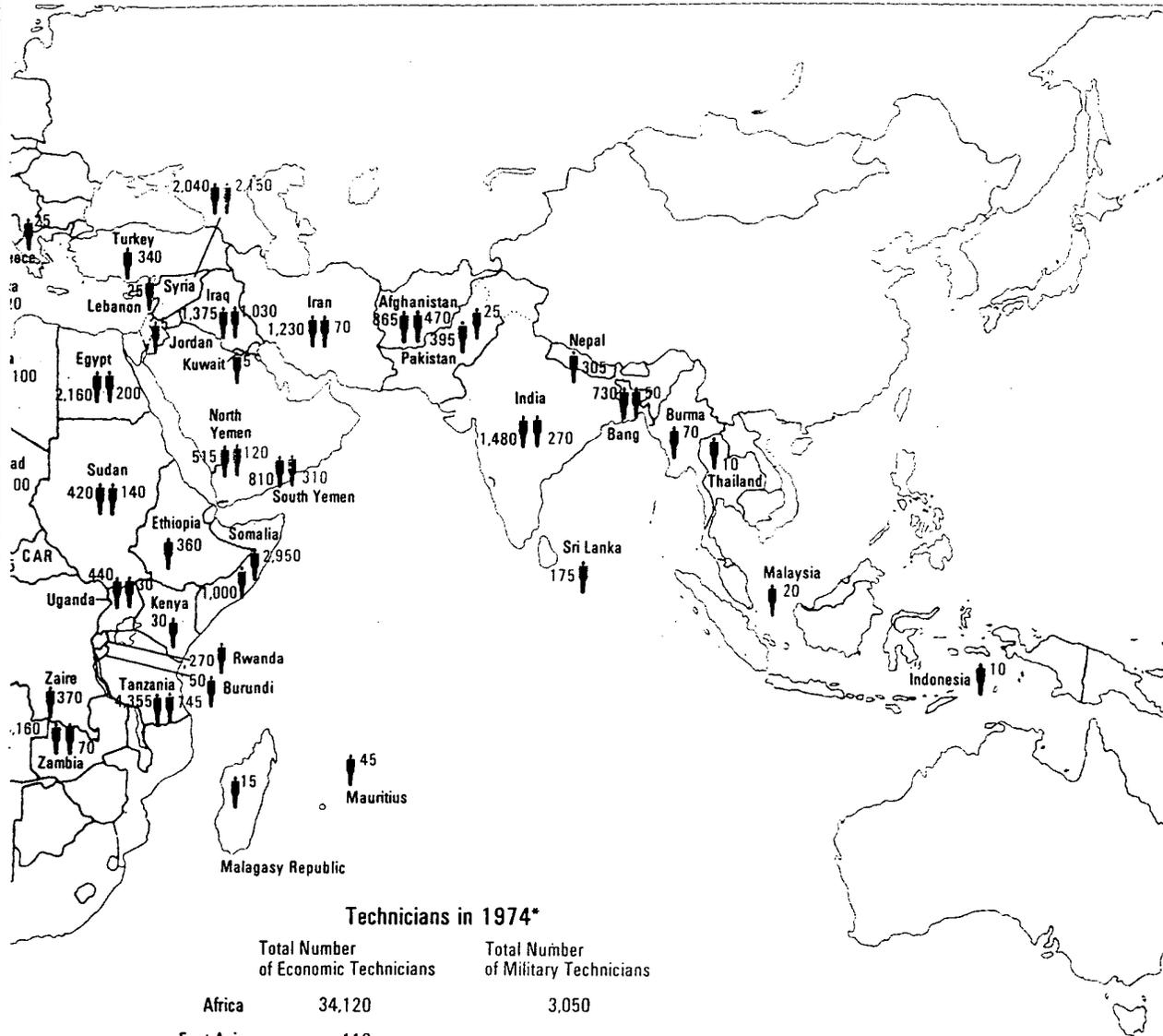
14. More than three-fifths of the Chinese technicians in LDCs were stationed in Zambia and Tanzania in construction activity related to the Tan-Zam Railroad. The Chinese withdrew some 3,000 technicians in 1974 as construction was winding down. Of the remaining personnel, about 10,000 were used to lay track in Zambia, and 3,500 to complete ancillary rail facilities in Tanzania. Elsewhere in Africa, Peking upped its contingents in Cameroon, Mauritania, Rwanda, and Sierra Leone

Communist Technicians in the Less Developed Countries, 1974



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FIGURE 3



Technicians in 1974*

	Total Number of Economic Technicians	Total Number of Military Technicians
Africa	34,120	3,050
East Asia	110	
Europe	120	
Latin America	545	15
Near East and South Asia	12,480	4,695

*Present for 1 month or more.

under agreements to develop agricultural and transportation facilities. Large groups also were sent to both North and South Yemen.

15. LDCs contracted for a minimum of \$150 million in Soviet and East European services in 1974. They also paid for in-country support. Moreover, East European countries require hard currency payment for their technicians. Peking on the other hand usually requires LDCs to pay only the local costs for technicians, and these are financed by commodity import credits.

Technical Training

16. Nearly 32,600 LDC personnel have gone to Communist countries for technical training since 1954 (see Table 5). Departures were up in 1974, mainly because of an expanded East European program.

Table 5
Technical Trainees from Less Developed Countries Departing for Training
in Communist Countries¹

	Persons											
	1956-74				1974				1973			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Total	32,570	20,075	11,700	795	4,380	2,640	1,660	80	3,715	2,625	1,090	....
Africa	7,145	3,525	3,455	165	905	325	500	80	660	315	345	....
East Asia	1,095	355	330	410	10	5	5	....	....	....	....	....
Latin America	260	130	130	....	80	35	45	....	70	45	25	....
Near East and South Asia	24,070	16,065	7,785	220	3,385	2,275	1,110	....	2,985	2,265	720	....

1. Minimum estimates of the number of persons departing. Numbers are rounded to the nearest five.

17. Although the USSR consistently receives the largest share of new trainees, it also continues to emphasize in-country technical training at project sites, vocational schools, secondary and university-level institutes, and on-the-job training.³ Moscow, for example, has established 23 secondary and higher education institutes in 11 developing countries that can train about 16,000 students annually. Moreover, the Soviets have built or are building at least 100 vocational training facilities. Moscow sends about 1,500 Soviet instructors to LDCs each year to staff training facilities.

3. More than 300,000 unskilled workers have been trained at Soviet project sites.

18. The Soviet effort to develop technical education facilities in LDCs is particularly significant in North African and Near Eastern countries. Moscow's help has led to the construction of more than 90 educational establishments in Arab countries. Sixty-eight of these were operational by the end of 1974 (mainly in Egypt, Algeria, and Iraq) and training had been provided to 130,000 students. A new agreement with Iran calls for construction of 20 new industrial training centers, including two technological institutes and a teacher training school.

19. China carries on only a small program in technical training - only 795 trainees in 20 years. Peking believes that the relatively simple skills required to implement Chinese-supported projects are better acquired through in-country, on-the-job training rather than at Chinese domestic facilities.

Academic Students

20. Since 1956, nearly 65,700 students from LDCs have gone to Communist countries for academic study. Data on new students in 1974 and those in residence at Communist academic institutions at yearend are shown in Table 6.

21. The USSR repeatedly trains more foreign students than any other Communist country. It offers studies in more than 400 specialities at more than 800 universities. East European countries also operate a good sized effort. The Chinese program is intentionally kept small and selective. Since the Cultural Revolution, China has accepted only Tanzanian and Zambian students, except in 1974 when the enrollee base was broadened to include a handful of students from Ethiopia, Sudan, Iran, and Sri Lanka.

Table 6
Academic Students from Less Developed Countries Trained in Communist Countries¹

	Persons											
	1956-74				1974				Being Trained as of Dec 1974			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Total	65,655	37,790	26,835	1,030	4,645	3,100	1,515	30	25,240	16,375	8,550	315
Africa	32,660	19,170	12,745	745	2,390	1,515	860	15	13,625	8,765	4,560	300
East Asia	3,145	1,605	1,405	135	55	50	5	....	430	285	145	....
Latin America	6,700	4,270	2,430	....	525	390	135	....	2,705	1,940	765	....
Near East and South Asia	23,150	12,745	10,255	150	1,675	1,145	515	15	8,480	5,385	3,080	15

1. Numbers are rounded to the nearest five. Some of the estimates are based on scholarship awards.

22. Third World students stress science and engineering training relevant to indigenous development needs. Africans outnumber all others on the student list, nearly two-thirds in residence at Soviet institutions.

23. In October 1974, Prague permanently closed the University of 17 November, which had administered training for all foreigners in Czechoslovakia. The closure signals decreasing emphasis on socio-political training/indoctrination rather than the termination of academic training for Third World students. The University had only language, international relations, and economics faculties. Students seeking training in other disciplines were sent to schools elsewhere in Czechoslovakia. Administrative responsibility for students now will be assumed by the university at which they are enrolled.

Military Aid

Extensions

24. Communist countries pledged more than \$1.3 billion in new military aid to LDCs in 1974, down 30% from last year's record performance (see Table 7). Arab states remained the centerpiece of Communist arms diplomacy in 1974. The USSR was the top donor; Syria and Iraq, the ranking clients, received of all new Soviet aid. Moscow offered no new aid to Egypt, a dramatic turnaround from last year, when Cairo received million (see Table 8). Although new credits to Syria were off sharply, the military aid package in 1974 was sufficient to keep rebuilding and modernization programs on track. Damascus was especially pleased with the terms of the new accords that permitted liberal deferment of payments. Iraq, whose very large purchases were needed to rebuild inventories depleted in the Kurdish war, has no repayment problems, as burgeoning oil revenues are generating large current account surpluses.

25. Moscow had nine other LDC clients for arms aid. Iran topped the list as it concluded a record million accord for ground forces and engineering equipment. Major new Soviet agreements with Tanzania and Uganda signaled the introduction of surface-to-air missiles to Black Africa.

26. Other notable Soviet-LDC arms developments in 1974 included:

- Shipment of supersonic fighters and surface-to-air missiles to Somalia;
- Two new African clients, Guinea-Bissau and the Central African Republic;

Table 7

Communist Military Aid Extended to Less Developed Countries¹

	Million Current US \$			
	Total	USSR	Eastern Europe	China
Total	13,641	11,837	1,251	553
1955-64	4,331	3,788	505	38
1965	386	262	45	79
1966	516	449	15	52
1967	646	515	75	56
1968	532	462	45	25
1969	427	338	86	3
1970	1,086	984	39	63
1971	1,549	1,376	97	76
1972	1,018	829	111	78
1973	1,836	1,734	84	18
1974	1,314	1,100	149	65

1. Because of rounding, components may not add to the totals shown.

Table 8

Soviet Military Aid Extended to Major Arab States

	Million US \$	
	1974	1973
Total	674	1,489
Egypt		
Iraq		
Syria		

- A [] million order by Morocco;
- Significant cash deals with Libya ([] million) and Nigeria ([] million); and
- New accords with Peru and Sri Lanka.

27. East European countries offered some \$150 million in military aid to nine LDCs in 1974. About [] went to Iraq, nearly all from Bulgaria and Romania. During an early December visit to India, the Czech Prime Minister signed a [] million aid agreement to provide Delhi with tanks, armored personnel carriers, trainer/attack aircraft, and engineering equipment. The East European effort also included smaller accords with Egypt, Lebanon, Syria, and Tanzania.

28. China continued as a minor actor in Communist military aid. Peking reaffirmed its support for Pakistan with a \$ [] million accord and added two new clients, Nepal (\$ []) and Zaire (\$ [] million).

Deliveries

29. Drawings against outstanding military credits - \$1.3 billion - plummeted from the record \$2.1 billion in 1973, as Moscow's deliveries to Egypt dipped to only \$ [] million. Nonetheless, military deliveries were the second highest on record (see Tables 9 and 10).

Table 9

Communist Military Aid Drawn
by Less Developed Countries¹

	Million Current US \$			
	Total	USSR	Eastern Europe	China
Total	11,910	10,444	1,007	459
1955-64	3,211	2,686	490	35
1965	353	331	9	13
1966	576	460	43	73
1967	495	448	21	26
1968	539	460	50	29
1969	480	417	36	27
1970	1,034	936	71	27
1971	917	779	73	65
1972	880	759	46	75
1973	2,144	1,995	77	72
1974	1,281	1,173	91	17

1. Because of rounding, components may not add to the totals shown.

Table 10

Soviet Military Deliveries
to Major Arab States

	Million Current US \$	
	1974	1973
Total	791	1,601
Egypt		
Iraq		
Syria		

October 1973 war. Syria also became the first LDC to receive the MIG-23 Flogger. Some of the most modern equipment exported by Moscow, including Osa-II guided missile patrol boats and MIG-23 aircraft, were sent to Iraq. In addition, Baghdad received its first FROG-7 rocket launchers.

30. Nearly all the arms came from the USSR, with Syria and Iraq the principal recipients. The level and mix of Soviet weapon shipments to Damascus has upgraded Syria's ground forces so that they almost certainly are better equipped now than at the beginning of the

31. In other Near East developments, Moscow for the first time in three years resumed shipments of limited quantities of military equipment to North Yemen. Deliveries to Iran (\$ [] million) continued, although behind schedule.

32. Soviet deliveries to India (\$ [] million) fell to their lowest level since 1970. Although shipments declined steadily during 1971-73, the drop does not signal a shift in Soviet-Indian military aid programs. Rather, old agreements are nearly completed and Moscow has not yet begun to implement new agreements. Elsewhere in South Asia, Afghanistan continued to receive record quantities of Soviet arms, particularly armored vehicles.

33. Soviet deliveries to Africa - \$67 million - increased over previous years. Somalia alone took more than [] of the total as Mogadiscio received its first MIG-21s and SA-2 surface-to-air missile equipment. Peru was the only Latin

American recipient, getting \$ [] million worth of tanks and ground forces equipment. About [] Soviet tanks have been shipped to Peru under a 1973 agreement.

34. The bulk of East European arms deliveries in 1974 went to Arab states. Iraq ([] million) received [] Syria and Egypt most of the rest. Bulgaria and Romania provided most of the equipment supplied Iraq; Czechoslovakia carried most of the Syrian load. Chinese deliveries were directed mainly to Pakistan, although token shipments went to Nepal and Zaire.

Training

35. Nearly 40,000 LDC military personnel have been trained in Communist countries since 1954. Data on new trainees and those in training at the end of 1974 are shown in Table 11.

Table 11

Military Personnel from Less Developed Countries Trained in Communist Countries¹

	Persons											
	Departures								Being Trained as of Dec 1974			
	1955-74				1974							
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Total	39,590	33,530	3,755	2,305	3,635	3,400	110	125	4,070	3,260	100	710
Africa	9,855	7,230	475	2,150	1,085	995	....	90	2,170	1,460	30	680
East Asia	9,300	7,590	1,710	....	....	....	....	....	....	....	....	....
Latin America	150	150	....	....	100	100	....	....	60	60	....	....
Near East and South Asia	20,285	18,560	1,570	155	2,450	2,305	110	35	1,840	1,740	70	30

1. Data refer to the estimated minimum number of persons departing for training. Numbers are rounded to the nearest five.

36. The USSR bears the brunt of LDC military training, handling about 85% of all trainees since 1955. Near East and South Asian countries remained the largest users of Communist military training in 1974, with African countries a distant second. The number of Indian trainees, all in the USSR, nearly tripled, and the Iraqi and Nigerian contingents doubled. Moscow also accepted new trainees from Tanzania. These increases more than offset reductions in training complements from the Congo, Guinea, Egypt, and Syria. There were no Egyptian military trainees in any Communist country at the end of 1974.

Regional Overview

Africa

37. African countries received \$450 million in new economic and military credits in 1974. Economic pledges were down more than one-third from 1973 to \$285 million; new military aid zoomed to more than \$165 million. The USSR was the main donor, its contribution spearheaded by \$160 million in new military credits. Last year Moscow's military credits to Africa were negligible. Peking remained the top donor of new economic credits, although its offering was about half the \$335 million in 1973. As shown in Figure 4, there were 12 recipients of new economic aid, led by Guinea, Tanzania, Zambia, and Mauritania in that order; Tanzania, Somalia, and Morocco topped the new military aid list that included eight clients.

Algeria

38. The Communist-Algerian aid program was lackluster in 1974, although Algeria continued to host the largest contingent of Soviet aid personnel in the Third World. Beyond the fact that no new economic or military aid was pledged, effective use by Algeria of existing credits remained slow. Soviet-supported projects were plagued by equipment breakdowns and shortages of spare parts.

39. In May the Chairman of the Soviet State Committee for Foreign Economic Relations went to Algiers to discuss upgrading project performance. The meeting resulted in a new protocol to expedite several projects in Algeria's second four-year development plan (1974-77). They include:

- expansion of Soviet-built facilities at the El Hadjar steel complex;
- geological prospecting; and
- development of agricultural, water, and energy resources.

These programs will be financed by \$200 million in outstanding credits.

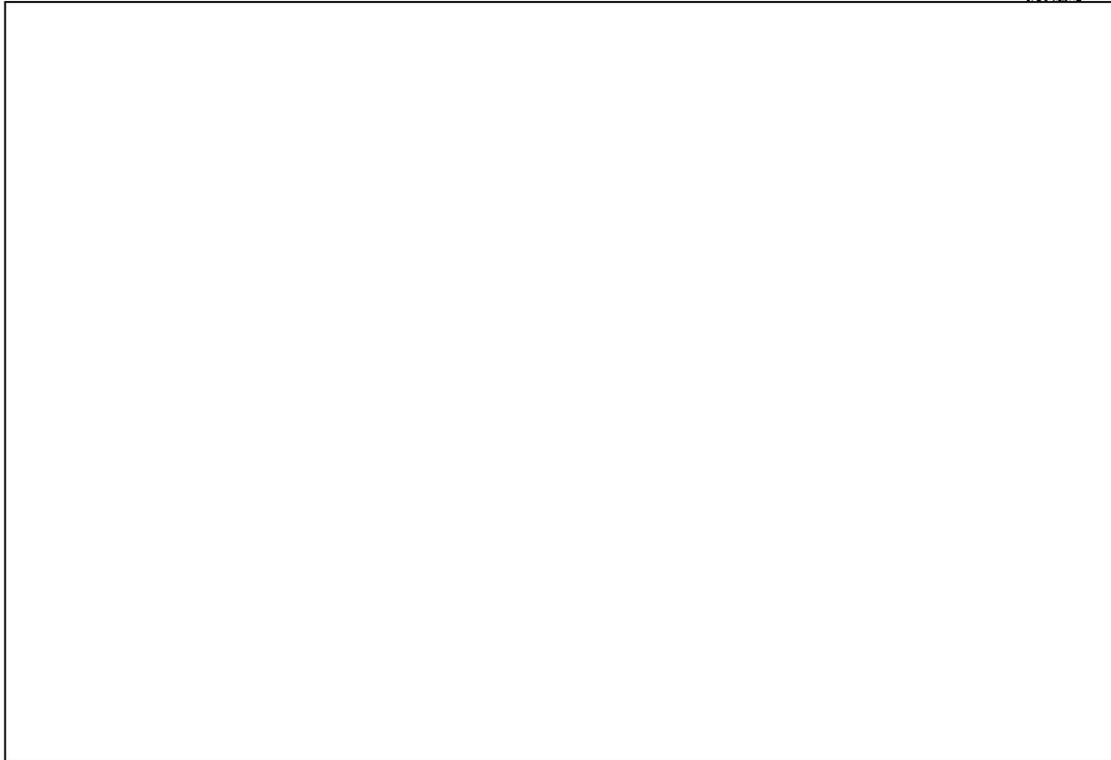
40. During the year, protocols also were signed with Bulgaria, Hungary, Poland, and Romania that entail aid to agriculture, light industry, communications, school construction, and oil and gas development. Algeria so far has failed to use most of the more than \$340 million in credits received from East European donors.

FIGURE 4



Communist Economic and Military Assistance to Africa

Cumulative Assistance	
Million Current US \$	
1955-74	
Economic Assistance	
Extended	4,324
Drawn	1,552
Military Assistance	
Extended	890
Drawn	730



tended
awn

During the year a Czech-built powerplant at Skikda probably was completed, and Poland opened a pilot shipyard at Oran to train Algerian workers.

41. One of the few bright spots was the dramatic expansion of Communist-Algerian trade. Protocols for 1974 call for a minimum turnover of \$575 million, and long-term trade accords signed with Bulgaria, Romania, and the USSR project a \$1 billion turnover with these countries alone in 1977.

42. As for military relations, Moscow resumed fighter aircraft deliveries - MIG-21s - after a three-year hiatus. Although Soviet Defense Minister Grechko visited Algeria late in May and an Algerian military delegation went to Moscow in July, no new military agreements were signed.

Ethiopia

43. China again dominated Communist-Ethiopian aid relationships in 1974. Peking expanded work on mineral surveys and water distribution systems and began construction on the Waldiya-Woreta road. This 185-mile highway that will link agriculturally rich provinces with the port of Assab should be completed by the end of 1977.

44. Moscow showed few aid initiatives. Teachers were sent to the Bahr-Dar Polytechnic Institute, technicians made their annual run to overhaul the Soviet-built Assab oil refinery, and a few technicians were posted temporarily at the Ambo research laboratory.

45. Other major Communist aid consisted of drought relief. China shipped 10,000 metric tons of wheat in February and Moscow sent 4,000 tons in July.

Guinea

46. Among African countries, Guinea received the largest new economic credit - \$80 million from Romania. Most of this money will be used to develop the bauxite mining and processing industry, although some will go to iron ore mining, construction of a tractor plant and a plastics factory, and agricultural development. Romania also sent 750 tractors.

47. The Soviet-supported bauxite project at Kindia is still the largest Communist aid investment in Guinea. By the end of the year, only \$18 million of the original \$92 million credit was unused. Money spent on developing the

bauxite mine, constructing a rail line, and upgrading port facilities at Conakry finally paid off as the first shipments of bauxite began in June and were regularized in October. Moscow will receive more than 2 million tons of bauxite annually for the next 30 years, half as debt repayment.

48. New Soviet aid in 1974 consisted mainly of a grant shipment of 10,000 tons of flour in May. Among Communist countries, the USSR not only offered the most economic technicians but also took the most students for academic training.

49. Chinese aid focused heavily on the agricultural sector. Technicians were sent to assist rice, sugar cane, and other crop cultivation programs and to complete an agricultural implements plant at Mamou, a school at Kankan, and an irrigation dam near Dabola. Peking sent 3,000 tons of rice in May as grant aid.

50. Chinese and Soviet military aid programs were beset with problems. Guinea complained that deliveries of spare parts for the Shanghai-class motor gunboats were behind schedule and that Chinese personnel were neither maintaining the craft nor training Guinean technicians properly. In October, Guinea sent 15 students to the USSR for marine diesel maintenance training because of inadequate training received in China. Moscow had its own problems too. Some million of military equipment was delivered, but little progress was made on Soviet construction of a naval facility on Tamara Island for Guinean forces.

Mauritania

51. New Communist economic aid to Mauritania reached a single year high of \$47 million in 1974. China was the leading donor, followed by Romania.

52. The \$37 million Chinese aid package was earmarked mainly for construction of a deep water port at Nouakchott and to build a 70-mile segment of the Nema-Nouakchott highway. In 1971, Peking had pledged more than \$20 million, part of which was to be used for port construction. China rounded off its 1974 activities by sending Chinese technicians to supervise the experimental rice farm at Rosso and by providing 3,000 tons each of rice and corn as grant aid.

53. Bucharest undertook its initial aid relationship with Mauritania, pledging \$10 million to cover both a steel works survey at Maudhibou and mineral and

petroleum exploration. Romania also entered agreements to form joint companies to develop the livestock and fishing industries. Soviet aid consisted only of a 3,000-ton shipment of corn as grant aid.

Libya

54. During Prime Minister Jallud's visit to Moscow in May, a Soviet-Libyan trade agreement was signed and a joint inter-governmental committee to coordinate economic, oil, and trade issues was set up. These developments underscored Libya's intention to go ahead with Soviet projects that have been under consideration for some time. The joint committee met in July and again in October to identify general areas of cooperation and to review project possibilities. Soviet development assistance is being considered for mineral prospecting, iron and steel development, electric power, oil and gas, port development, and agriculture.

55. Libya remained the major Third World beneficiary of East European technical assistance. The East European presence will continue to grow under long-term barter agreements concluded in 1974 specifying the exchange of oil for equipment and services. Romania is to provide an oil refinery and technical services for petroleum development, agriculture, and housing under a \$1 billion deal concluded in February. Czechoslovakia and Poland also signed long-term agreements to provide machinery, equipment, and technicians in return for oil. Bulgaria and Hungary entered short-term contracts to import oil in exchange for machinery and equipment. Price disputes may have precluded fulfillment of these East European agreements, which called for imports totaling some 140,000 b/d.

56. In December, Libya was considering proposals to finance expansion of the Hungarian food processing industry. This would be the first Libyan assistance to a Communist country.

57. Tripoli also concluded two arms agreements with Moscow to bring its arms inventory qualitatively more in line with those of Syria and Egypt. Prime Minister Jallud signed the first of these agreements during his Moscow visit. This agreement, valued at a minimum of [redacted], covered ground forces equipment and the SA-3 and SA-6 surface-to-air missile systems. A Soviet delegation to Tripoli reportedly completed a second agreement in December for [redacted] MIG-23 Floggers, [redacted] TU-22 Blinders, and [redacted] submarines, all of which would be new to the Libyan inventory. This second agreement may be worth as much as [redacted] million. Libya is only the second Third World country to order the TU-22 (Iraq has [redacted] Blinders) and the fourth to order the MIG-23.

58. Soviet military deliveries during 1974 reached a record [] million and included more than [] medium tanks, as well as several SA-3 and SA-6 missile units, the first in Libya's inventory. As in the past, payment for the Soviet equipment was cash on delivery.

Morocco

59. Moscow remains the major Communist aid donor to Morocco. Even though no new economic pledges surfaced in 1974, [] million in new military credits was extended. Moscow did move to intensify its involvement in Moroccan economic development. A 25- to 30-year agreement signed in December specified Soviet aid to develop phosphate deposits at Miskala. The USSR is to supply the machinery and equipment for an open cast mine, a railroad, road networks, and port installations, presumably under existing credits. Under the agreement, Morocco will deliver 3 to 5 million tons of phosphates annually from 1980 to 1990 and up to 10 million tons each year for the next 15 to 20 years.

60. Soviet project assistance was keyed to starting construction of a \$30 million dam on the Loukkos River, hailed as one of the most important projects under Morocco's new five-year plan. Construction of the hydropower plant at Ait Adel neared completion. Soviet-assisted power projects already in operation account for at least one-third of Morocco's total power supply. Work also was initiated on port storage facilities at Casablanca and Agadir, implementing a June 1973 protocol. A two-year contract was signed in June for Soviet geologists to resume mineral surveys in north Morocco and to continue prospecting in other areas. Shale oil development also has been mentioned for possible Soviet financing. Finally, a five-year agreement signed in March calls for a \$600 million trade turnover during 1974-78.

61. As for East European assistance, Romania continued work on copper mining and processing projects and agreed to participate in urban development programs. Poland delivered locomotives, presumably under an existing credit. Early in 1975, Warsaw plans to start equipment deliveries for a sulfuric acid plant - its largest project in the Third World. In line with 1973 plans, Morocco signed trade agreements that ended barter arrangements with Bulgaria, Czechoslovakia, Hungary, and Poland. China entered the Moroccan aid scene by sending its first survey team to study plans for a sports complex.

62. As for military aid, Moscow concluded two arms accords with Morocco. The first was a commercial deal covering some [] tons of ammunition, the second

was a [] million agreement for equipment, including air-defense missiles. Deliveries under this accord are to be spread over three years, with repayment in Moroccan goods.

Somalia

63. Somalia received only \$11 million in new economic credits in 1974, although it was the second-ranking African recipient of new Communist military aid ([])

64. Moscow continued to dominate Communist aid to Somalia. It provided nearly all of the new economic aid that was used for budgetary support, including a \$4 million oil subsidy. Moscow reduced Somalia's economic debt by \$13 million under a Soviet-Somali Treaty of Friendship.

65. Soviet project aid focused on equipment deliveries for the hydroelectric power and irrigation project at Fanole under an \$18 million credit extended in 1971. In mid-summer a bilateral fishing agreement was signed, and a joint Somali-Soviet fishing company started operations. In December, Moscow agreed to ship 5,000 tons of corn early in 1975 as grant aid.

66. Construction of the Belet Uen-Burao road, the principal project under China's \$109 million credit extended in 1971, is in full swing. The road may be completed by 1977. In February, the Hargeisa water supply project built with Chinese aid was put into operation. Later in the year the Chinese finished work on a cigarette and match factory. Work both on the Hammar Hospital and on agricultural projects and a grant shipment of 4,000 tons of sorghum rounded off the Chinese effort.

67. East European activity was small. Bulgarian technicians worked on tin deposits under a January 1972 agreement, and East Germany sent equipment as part of an \$800,000 credit extended in 1970 for prison reform.

68. A [] million military accord signed with Moscow i [] called for deliveries of MIG-21 aircraft, SA-2 surface-to-air missiles, and ground forces equipment. Equipment began arriving in Mogadiscio shortly thereafter as MIG-21s and SA-2s, the first in the Somalian inventory, were delivered. The Soviets also stepped up their training programs and continued to provide advisers and technical skills for military construction projects in Somalia.

Sudan

69. No new initiatives occurred in Communist-Sudanese economic aid in 1974, although Moscow did resume military deliveries. Peking still has the most active economic aid program, and during the year project assistance continued on the Wad Medani-Gedaref road, the conference hall in Khartoum, and the textile mill at Hasahaisa, all under a \$42 million line of credit extended in 1970. Peking also assisted in chrome prospecting and in building a fishing industry on Lake An Nubah as part of a 1971 credit that offered \$40 million for development projects. This credit also provided for the construction of paper factories that the Chinese reportedly agreed to in September.

70. The only Soviet projects to move forward were the Red Sea Hills geological survey, hospital construction, and the saw mill at Wau. All are funded by unused credits, some of which go back 14 years.

71. Romania's aid was keyed to unused 1971 credits for building a 25,000-spindle textile mill on the outskirts of Khartoum and an assembly hall at Omdurman.

72. After a two-year hiatus, Moscow resumed its military shipments with about million worth of ground forces equipment. Deliveries probably were arranged during discussions held in Khartoum in January and fell under a 1968 military accord. Peking's military program consisted solely of maintaining an in-country training mission.

Tanzania

73. Tanzania received \$150 million in new Communist aid in 1974. Of this total, \$75 million was economic aid, all supplied by China. Military aid, also about came from the USSR and Bulgaria

74. The new Chinese aid will be used to develop iron ore deposits in Chunya and coal deposits in Tukuyu and to construct a Chunya-Tukuyu rail line that will be extended to the Tan-Zam Railroad. The Tan-Zam is already in limited service between Dar es Salaam and Mwenzo just inside the Zambian border. Most of the 4,100 Chinese technicians in Tanzania are working on projects related to the Tan-Zam Railroad and on training.

75. Peking also maintained project assistance for the state farm at Mbarali and for a new pharmaceuticals plant to be completed in 1975. Chinese technicians were also active in Zanzibar, where they finished the sugar mill at Nahonda and continued constructing a saw mill at Temba.

76. The inertia of Moscow's economic aid to Tanzania continued in 1974. Less than \$3 million of a \$20 million line of credit extended in 1966 has been used, and there is nothing to suggest a speedup. Not much more can be said for East European efforts, although Bulgaria did agree to construct a tannery under an existing 1972 credit.

77. Moscow did make a mark in military aid as it agreed [] to deliver [] million worth of MIG-21 jet fighters, SA-2 surface-to-air missiles, and artillery. This equipment will be the most sophisticated in Tanzania's largely Chinese-supplied arms inventory. In addition, Bulgaria concluded its first arms accord with Tanzania covering anti-tank weapons.

78. Peking continues to maintain a 745-man military training and construction force in Tanzania and has agreed to extend its training mission for two more years. China may have agreed to supply Tanzania with additional small arms, artillery, and ammunition, but no deliveries were detected in 1974.

Zambia

79. New Communist economic aid to Zambia in 1974 consisted of a \$52 million project assistance credit from China and a \$3 million credit from the USSR for the purchase of two YAK-40 civil air transports. About one-third of the Chinese credit is for construction of the Serenje-Samfya road; the rest is for as yet unidentified technical and agricultural projects.

80. Work on the Tan-Zam Railroad accelerated in 1974. Only about 60 miles remain to be installed, and the line should reach its western terminus of Kapiri Mposhi in 1975. Passenger and freight service between Dar es Salaam and Mpika should begin in the fall and the entire line will be fully operational in 1976. The Chinese will turn the railroad over to the Tanzanians and Zambians only after at least six months of trial operations. Peking still needs to deliver additional locomotives, freight cars, and passenger cars and to complete construction of sidings and signal facilities.

Other African Countries

81. The USSR sent \$8 million worth of grain as grant aid to ten drought-stricken African countries. China offered similar aid valued at \$6 million to four countries. East European countries also sent token amounts. Except for Ethiopia and Somalia, all recipients were in West Africa.

82. The *Central African Republic* signed its first military aid agreement with the USSR in the first half of 1974. The initial delivery under this accord was airlifted to Bangui during October. It was followed by the delivery of small quantities of ground forces equipment unloaded in the ports of Douala, Cameroon, and Brazzaville, Congo, where it was transshipped by barge.

83. China continued work in *Congo* at the dam and hydroelectric complex on the Bouenza River and on a limestone crushing factory. Congo drew \$4 million on a 1970 Chinese credit for budgetary support. The USSR worked on the veterinary laboratory for which a grant was made in 1973.

84. Communist countries improved their relations with *Ghana*, with China making the greatest gains. In 1973, China reactivated some projects provided in pre-1966 credits; in 1974 the Chinese began to plan technical assistance for several of them. The USSR also has offered to review some pre-1966 projects. East European countries discussed possible future projects, limiting their activities largely to signing new agreements. In the military field, Ghana signed an arms agreement with Bulgaria, its first with a Communist country in more than nine years. The accord covered a small quantity of small arms and ammunition.

85. *Guinea-Bissau* became the newest recipient of Soviet military aid. A visit by a Soviet military delegation in November to assess the military needs of the newly established government led to a military aid agreement. An accord was expected, as Moscow was the major arms supplier to the National Liberation Government prior to independence. The first delivery of equipment arrived in December and consisted of shop-van trucks and ammunition. The cargo was offloaded at Conakry Port, then trucked to Bissau.

86. The USSR was active in *Mali*, exploiting the Kalana gold fields, conducting geological surveys, and providing agricultural technical assistance. The Chinese began work on a second sugar refinery at Seribala and were active in several small projects. The Chinese still have not acceded to Mali's major aid request to construct the Manantali Dam on the Senegal River. They did send a team to restudy the project, however.

87. Peking signed a \$5 million economic aid accord with *Niger* in July and later in the year sent some agricultural technicians to work at rice farms. China is the only Communist country offering development assistance to Niger.

88. There was no appreciable increase in Soviet or Chinese economic aid to *Nigeria*, despite President Gowon's visit to both countries. Peking sent agricultural development teams to five Nigerian states, but it maintains a low profile. The USSR continued mineral prospecting at Kaduna, and equipment and staff were sent to the oil training facility at Warri. Trade agreements were signed with Hungary, Czechoslovakia, and East Germany. A military agreement was signed with Moscow for MIG-21 aircraft, as well as radar and associated ground support equipment. The Nigerians are expected to pay cash on delivery. Nigeria disdained Western equipment, supposedly to show appreciation for Soviet support during the Nigerian civil war.

89. An August visit to China by *Rwanda's* Foreign Minister ushered in a new period of cooperation. Work on the Kigali-Rusumo road, China's largest project, was inaugurated officially one month after his return. Rwanda agreed to order \$2.5 million worth of Chinese goods to pay for local costs of development projects, and China reversed a previous decision not to build a cement plant. There was no change in economic relations with Moscow.

90. In September 1974, officials from *Togo* signed a new protocol with China that reportedly established procedures for utilizing Peking's \$45 million line of credit extended in 1972. Less than \$1 million of this credit has been drawn so far.

91. *Tunisia* and China signed their first development protocol to use portions of a \$40 million credit extended by Peking in 1972. Projects include construction of a 75-mile canal, a road, and a rolling stock assembly plant to use Chinese components. Tunisia has used the credit so far only to finance local costs for a Chinese medical team in Tunisia.

92. *Uganda* signed its first arms accord with Moscow since 1965. The agreement covers MIG-21 jet fighters, the first in Uganda's inventory. Ugandan air force personnel have already left for MIG-21 familiarization training in the USSR. Moscow previously supplied some MIG-15s and MIG-17s, T-34 tanks, and some miscellaneous ground forces equipment.

93. Czechoslovakia, following Moscow's lead, revitalized its military aid program in Uganda. An agreement for some [] million worth of armored personnel carriers and support equipment was concluded and deliveries have been completed.

94. Zaire's use of a \$100 million line of credit extended by Peking in 1973 was minimal. Several shipments of agricultural equipment were received, and Chinese technicians were active at experimental farms. Planning is under way to construct a conference hall in Kinshasa, and China expects to send 400 technicians and workers to start the project in November 1975.

95. Zaire, seeking to diversify its sources of supply, became one of China's newest military aid clients. A [] agreement, signed in December, calls for the delivery during 1975 of [] tanks, antiaircraft guns and artillery, [] jeeps, and small arms [] President Mobutu also is negotiating with Romania for training and delivery of small arms and ammunition.

East Asia

96. Communist countries gave only small amounts of aid to East Asian countries in 1974 (see Figure 5). Laos received its first aid since 1962 as China pledged \$25 million for commodity support and road construction. Vientiane also was negotiating an agreement with Moscow, but nothing materialized by the end of the year. Burma reportedly drew \$9 million against an existing \$24 million line of credit for commodity support extended by Peking in November 1971.

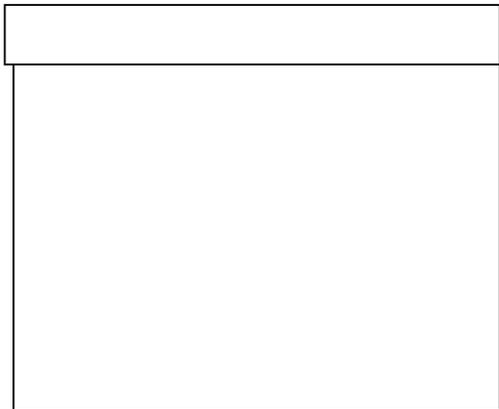
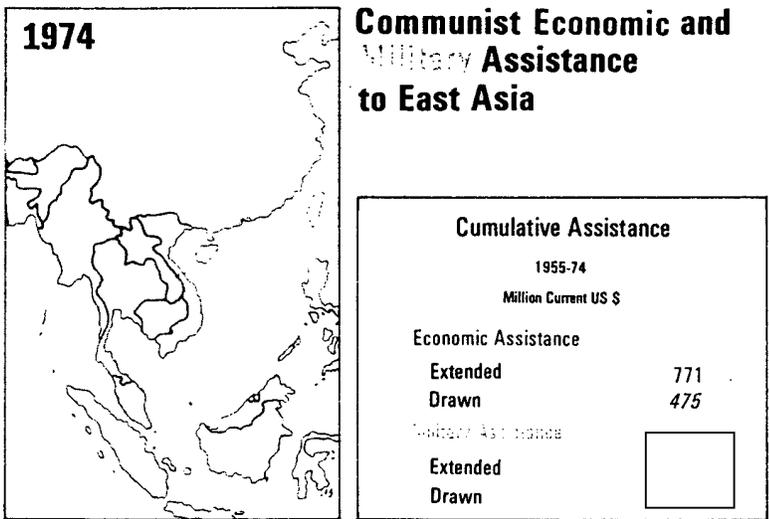
97. On the political front, China established diplomatic relations with Malaysia in May, signed its first governmental agreement with the Philippines in October, and received a Thai trade delegation soon after Bangkok lifted its ban on trade with China in December.

98. Indonesian-Communist relations focused on the USSR and Eastern Europe. Jakarta, ending an eight-year freeze in formal relations with the USSR, signed a trade agreement in March.

Indonesia

99. Jakarta formally sounded out prospects for obtaining Communist aid, anticipating a decline in Western aid. While critical of the harsh terms of Communist aid in the past, Indonesia can now afford the less concessional terms of such aid because of increased oil revenues.

FIGURE 5



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100. Jakarta ended an eight-year freeze in formal economic relations with the USSR, signing a one-year trade agreement in March 1974. At that time, aid was discussed for Indonesia's new five-year plan, culminating in a general economic and technical assistance agreement, signed in December. The USSR is expected to subject Indonesian project requests to a thorough review before making specific commitments.

101. Aid to Indonesia's development plan also was discussed with East European countries, and Jakarta reportedly submitted project proposals to most of them. However, the major activity with Eastern Europe was in trade, as Jakarta concluded new trade agreements with Hungary, East Germany, Romania, and Poland and will sign similar agreements with Bulgaria and Czechoslovakia early in 1975.

Laos

102. Peking extended a \$25 million credit to Laos in October, the first Communist assistance to that country in almost a decade. The credit is mainly for commodity procurement and road construction and is repayable over 10 years, following 15 years' grace. A Chinese team arrived in Laos at the end of December to study the road project.

103. At yearend, Vientiane sent a delegation to Moscow to negotiate the renewal of an unused 1962 Soviet aid agreement for construction of a hospital and a hydroelectric powerplant. Vientiane expects Moscow to match Peking's contribution to Laotian development.

Philippines

104. Chinese-Philippine relations were moving toward normalization in late 1974, as a trade agreement was signed that called for sizable, long-term Chinese crude oil shipments to the Philippines. Manila originally planned to conclude trade agreements with Moscow and Peking simultaneously, but in October a preliminary accord was signed in Peking for initial petroleum shipments of 15,000 b/d at concessionary prices. Chinese oil moved almost immediately, and in November a Philippine delegation to China drafted several contracts to sell agricultural products and metals. There were intermittent trade discussions with Moscow throughout the year. A draft trade agreement submitted by Moscow in 1973 still was being considered at yearend, despite favorable recommendation by the Philippine Department of Foreign Affairs.

105. The USSR, however, did gain initial entry in the Philippine merchant shipping industry, establishing a \$1.5 million joint shipping company in late July. Earlier in the year, Moscow offered shipping services at 15% below existing rates in return for bunkering facilities near Manila, but no action was taken on this initiative.

Malaysia

106. Malaysia's relations with the Communist world during 1974 were highlighted by the May decision to recognize China. Previously, Burma and Laos were the only non-Communist East Asian LDCs with diplomatic ties in Peking. At the end of the year, Malaysia was awaiting the findings of a Soviet feasibility study on the Tembeling hydroelectric project. The USSR is favored to be awarded the contract for the project. In December, Moscow agreed to assist development of the fishing industry. The terms were not disclosed. Malaysia also approved Soviet plans to establish a joint shipping company to transport increasing amounts of rubber the USSR intends to buy directly from Malaysia. Moscow currently buys most of its Malaysian rubber on the London market.

Thailand

107. During the year, Bangkok drafted its first trade agreements with Czechoslovakia, Hungary, Poland, and Romania and announced that the level of trade with the USSR in 1974 would double that in 1973. Thailand requested Bucharest to assist in power engineering, iron and steel, machine building, and extractive industry projects. Romania previously had sent technicians for geological exploration.

108. Contacts between Bangkok and Peking should increase in the wake of the repeal of Thai legislation that since 1959 prohibited trade with China. New measures already have established a state agency to administer all trade with Communist countries. Although Peking has questioned the workability of such an arrangement, Thai officials were in China in December to negotiate purchases of petroleum, newsprint, fertilizer, and agricultural equipment.

Europe

109. *Malta* is still the only non-Communist European country to receive Communist aid. Drawings against a \$45 million credit extended by China in 1972, however, amount to only \$6 million. A glass factory built under this credit was

completed in 1974, and about 25 Chinese technicians arrived to start construction of a 300,000-ton-capacity drydock.

110. Communist economic relations with *Greece* remained stable in 1974 as the Karamanlis government came to power. Moscow continued to deliver equipment for the \$89 million Philippi power project, even though a final decision on completing the plant is pending. Work moved ahead on the \$22 million Polish-built Orestias sugar refinery scheduled for completion in 1975. Poland put another sugar plant on stream at Xanthi in February. Both Bulgaria and Romania signed agreements in 1974 to set up joint ventures with Greek firms for processing animal skins, a major export to Communist nations.

111. Since the April revolution, *Portugal* has accepted and encouraged Communist moves to normalize trade and diplomatic relations. The signing of a trade agreement with the USSR calling for the exchange of Soviet steel and oil for Portuguese cork, almonds, and consumer goods was among Lisbon's more significant moves.

112. *Spain* also continued to expand trade with Communist countries in 1974. Half-year data show that trade turnover rose nearly \$160 million, or 65%, above the corresponding half of 1973. Poland and Romania were the principal trading partners, supplying sugar and lumber in exchange for Spain's iron and steel products.

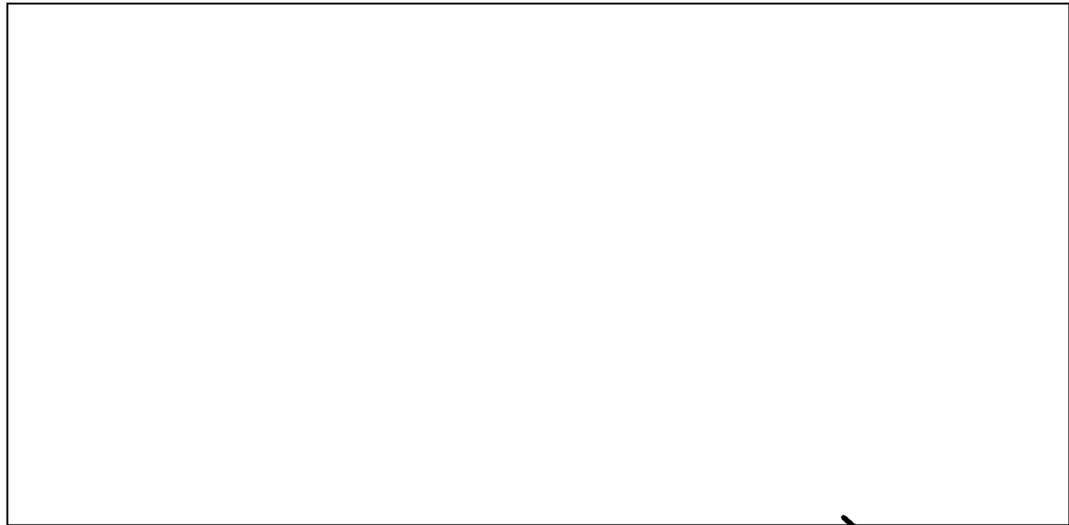
Latin America

113. Latin America received a record \$452 million in new economic aid from Communist countries in 1974. Argentina, the largest single recipient of new Communist pledges among all LDCs, took more than 95% of the total. Guyana, Colombia, and Bolivia, in that order, shared the remainder. Peru was the only recipient of new military pledges (see Figure 6), although Moscow was courting Bolivia and Ecuador.

114. The Communist thrust was shared almost equally by Moscow and its East European allies. China offered no new aid. Other notable developments in Latin American-Communist economic relations included:

- Soviet inroads in the coveted power generating equipment field with the conclusion of a \$64 million contract with Argentina;
- diplomatic relations established between Peking and Brasilia during the visit of a Chinese trade delegation in mid-August; and

FIGURE 6



Peru

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joint venture manufacturing arrangements between East European countries and Peru, Argentina, Chile, Mexico, and Ecuador.

Argentina

115. After a six-year hiatus, Communist economic aid to Argentina was resumed in 1974. With new pledges of some \$435 million, Argentina garnered more aid than any other LDC.

116. Moscow extended an open-ended credit in February for electric power project assistance. Data in 1974 suggested a value of \$215 million. Our most recent information, however, indicates that contractual arrangements in 1974 totaled only \$64 million, exclusive of a 15% downpayment, all for the Salto Grande hydroelectric project. Additional contracts have been signed in 1975 for several other power projects.

117. Credits extended by Czechoslovakia, Hungary, Poland, and Romania were as follows:

- In late February, Czechoslovakia provided an open-ended 10-year credit, mainly for electric power development. About \$40 million in equipment for powerplants is expected to come under the credit. Prague and Buenos Aires agreed to establish a joint company to produce power generating equipment for sale in Argentina and other Latin American countries.
- Hungary pledged \$20 million for capital equipment purchases.
- Poland extended a \$100 million credit, partially repayable in goods over 10 years. Part is to be used to construct a coal purification plant and to purchase mining equipment for the Rio Turbio power project. Warsaw also is expected to supply fish processing equipment for a joint fishing enterprise with Buenos Aires.
- Romania offered \$100 million in credits, its largest aid pledge in 1974, for mining, petroleum, and communications equipment. Argentina's first purchases under the 10-year credit included \$42 million in oil drilling equipment for delivery over the next two years.

118. Finally, Argentina's trade with Communist nations, particularly with the USSR, surged in 1974. Moscow purchased a minimum \$220 million worth of meat,

corn, wheat, and wool, more than double 1973 purchases. Peking brought more than a million tons of foodgrains under a three-year grain trade agreement signed in January. Buenos Aires also concluded a five-year trade agreement with East Germany, marking the renewal of formal trade exchanges after 12 years.

Bolivia

119. Bolivian dealings with Communist countries centered on mineral resource development. Moscow pledged more than \$1 million in new aid for mining machinery. This credit is repayable over five years at 5% interest. La Paz also purchased mining equipment and two tin volatilization plants under a \$28 million credit extended by Moscow in 1970. Moscow, in concert with two Western firms, also agreed to supply equipment for the tin smelter at Vinto. Other Communist aid consisted of Czech deliveries of antimony smelter equipment for a plant scheduled to be completed at Oruro early in 1975. Prague had extended a \$3 million credit for this purpose in 1971.

120. In mineral trade, Bolivia sold about 2,500 tons of tin and tin concentrates to Communist countries. Moscow bought 1,700 tons for some \$12 million; Czechoslovakia and Poland purchased most of the rest.

121. There were no dramatic military aid developments. A Bolivian military delegation visited the USSR on an inspection tour, but no arms deal was concluded.

Brazil

122. About \$210 million in existing Communist credits to Brazil remained largely unused in 1974. The only new allocation was for the purchase of electric generators for the Jorge Lacerda powerplant against a 1961 Czech credit. Prague also continued to provide assistance for the Promissao powerplant. For its part, Moscow, under a 1966 credit, delivered turbines for the Capivari powerplant.

123. Brazilian-Communist trade continued to expand in 1974, with turnover expected to reach \$600-\$800 million in 1974 based on long-term barter agreements. Soviet exports to Brazil increased markedly, reversing Brazil's large trade surplus with Moscow. The USSR, for example, sold nearly \$160 million worth of petroleum products to Brazil. Soviet imports topped \$100 million, and another \$100 million in sugar and coffee imports is scheduled for 1975.

124. Brazil established diplomatic relations with Peking during a Chinese trade delegation's visit in mid-August. Later in the year, China signed a five-year agreement to import 150,000-200,000 tons of sugar annually, which at current prices would be worth \$100 million annually. Price, however, is to be negotiated as each contract for 50,000 tons is signed. Brazil also sold more than \$73 million worth of goods, principally sugar, cotton, and sisal, to China during the first half of the year.

Peru

125. Although there is an active Communist economic presence in Peru, Lima is extremely cautious in negotiating specific aid projects. In May, Peking agreed to participate in the Chimbote irrigation project, the first specific project funded under a \$42 million credit extended in 1971. Peru also signed its first contracts with Poland against an existing \$8 million credit. Warsaw will supply port equipment and fish processing units for a new fishing complex at Tacna. Polperu, a joint-venture lumber complex called for in a 1972 credit for \$20 million, also was implemented. Warsaw will provide \$7 million to build the complex and will be repaid in lumber products. Other East European aid involved the delivery of \$10 million worth of educational equipment by Hungary, railroad cars by Romania, and power equipment by Czechoslovakia.

126. Peru received no new Soviet aid pledges, but signed contracts for several important projects tied to existing unused credits. Moscow signed a \$5 million contract for work on the first stage of the \$450 million Olmos hydroelectric project and agreed to supply \$9.5 million in oil storage tanks for the \$500 million Andean pipeline project. Both agreements will be financed by a \$26 million credit extended in 1970. Although Moscow continues to aid the Parta port project, its \$1.8 million offering in processing equipment fell far short of Peru's original expectations.

127. The most interesting new development in Lima's relations with Communist nations is the implementation of joint venture arrangements with East European countries. Under Peruvian law, such ventures are limited to less than 50% foreign ownership. Czechoslovakia, for example, holds a 30% share in a motorcycle manufacturing plant in Trujillo; the estimated capital cost of the plant tops \$9 million. Hungary signed two joint venture agreements: one sets up a \$10 million electric motor plant with a Hungarian firm holding a 49% interest; the other is for an Ikarus-280 bus assembly plant. Romania also is participating in two joint ventures - the \$60 million Antamina copper development project and a \$10 million machine tool plant in Trujillo.

128. As for military aid, a new [] million contract was signed with Moscow for [] tank transporters. Other Soviet arms, including surface-to-air missile systems, are being considered, but none was purchased. Moscow speeded shipments of T-55 tanks and small amounts of other ground forces equipment under the 1973 agreement. Although the armed forces are pleased with the tanks, there is some dissatisfaction with the training package. Fifteen Soviet tank technicians are in Peru, and 100 Peruvian military personnel went to the USSR during the year for training.

Other Latin American Countries

129. Only China and Romania have maintained diplomatic ties and trade ties with *Chile* since the September 1973 coup. Peking imported nearly \$73 million worth of copper, nitrates, and iodine in the first half of 1974 and sold nearly \$10 million worth of rice. Negotiations for a joint venture with Romania in copper smelting continues. Nonetheless, no aid was made available against Chinese or Romanian credits.

130. During the year, *Colombia* received a new \$6 million Soviet credit for the purchase of 200 trolley buses and actively promoted commercial ties with other Communist countries. Bogota is emphasizing trade in fertilizers and insecticides and technical aid to develop mineral and raw material resources. Colombia and Romania signed an agreement in November that calls for development assistance in coal and phosphate mining and petroleum exploration. Poland also pledged technical assistance in coal and phosphate exploration.

131. *Costa Rica* concluded its first commercial contract with Peking, a \$500,000 coffee sale, and the USSR became San Jose's second largest coffee market with \$2 million in orders for the first half of the year. A Soviet offer to supply \$10 million in trolley buses as part of an existing 1971 credit for \$15 million was pending at the end of the year.

132. *Ecuador* bought tractors from Czechoslovakia under a \$5 million credit extended in 1971. Quito agreed to enter joint-venture enterprises with Romania and Poland that involved up to 49% in foreign equity. In January, Ecuador and Romania agreed to a mutual assistance program in petroleum matters, including establishment of a joint company for oil development. Bucharest and Quito also are jointly constructing a \$4.6 million salicylic acid plant. Warsaw hopes to join with Ecuador in building an \$11 million tuna port and currently is conducting a joint fisheries research expedition. Ecuador is considering a Soviet invitation to send a military delegation to Moscow.

133. *Guyana's* relations with Communist countries improved somewhat in 1974. Preoccupied with bauxite nationalization efforts, Prime Minister Burnham canceled a planned October visit to Peking for discussions on new aid, but work progressed on use of a 1972 credit for \$26 million. Ground breaking for a large brick factory was scheduled for January 1975, and preparatory work for a cotton textile mill continues. The most significant development, however, occurred in trade as Peking made its first purchase of Guyanese sugar. The 30,000 ton deal is worth about \$15 million, more than double the value of their bilateral trade in 1973. Guyana also increased its purchases of Chinese equipment.

134. *Guyana* received its first economic pledge from East Germany, a \$10 million credit. Some of these funds have already been allocated for a rice bran oil extraction plant. The East Germans also are training local personnel in maintaining and operating mining equipment at the nationalized aluminum plant.

135. China became one of *Jamaica's* new sugar clients under a five-year accord, stipulating shipments of 200,000 tons. Deliveries during 1974 called for some 10,000 tons, worth \$5 million. Although Jamaica and Peking signed an economic and technical cooperation pact in February that called for some Chinese project aid, specific projects have not been identified.

136. *Mexico* still receives no Communist aid but expanded commercial relations with Communist countries. Initial trade agreements were signed with East Germany and Czechoslovakia, and negotiations began for joint ventures with Prague and Bucharest. A joint venture agreement was reached with Moscow to manufacture tractors.

137. *Nicaragua's* export trade with Communist countries took on a new look after the ban on such trade was lifted. Peking reportedly purchased \$15 million worth of cotton in the first half of the year, and several East European nations recently began negotiations for purchases from the 1974-75 crop.

138. *Uruguay* revitalized aid and trade relations with Communist countries. In August, about \$2 million in capital goods were purchased from Bulgaria as part of a 1971 credit for \$5 million. In September, two contracts were signed with Hungary, drawing down the remainder of a 1970 credit for \$9.1 million. Budapest will supply 15 railway coaches, spare parts, and a maintenance workshop as well as power transmission equipment early in 1976. Drawings against a 1969 Soviet equipment credit continued to be slow.

139. In foreign trade, the value of Uruguay's exports to Communist trading partners totaled \$17 million by mid-year, up one-third from a comparable period in 1973. Moscow entered the wool market for the first time and was the largest single buyer of greasy wool during the 1973-74 clip year. Communist countries took almost 40% of all wool exports.

140. *Venezuela* had limited economic dealings with Communist countries, although a number of them offered to trade technology and agricultural machinery for petroleum and iron ore. Caracas did buy some Hungarian buses, after being assured that Hungarian technicians would maintain the vehicles until training of indigenous personnel was completed.

Near East and South Asia

141. The Near East and South Asia continued to receive the largest share of new Communist economic and military aid, 45% and 85%, respectively. Nonetheless, the \$1.8 billion in new pledges represented a sharp decline from the \$2.9 billion 1973 agreements. Economic aid dropped 45% to \$650 million; military aid (\$1.1 billion) was down 35% from last year.

142. The USSR remained the top donor with more than 80% of new military credits and more than one-half of the economic pledges. Syria, Pakistan, and Bangladesh, in that order, were the major claimants for new economic aid - taking more than 90% of the total. Small amounts were offered to five other clients. India received no new credits (see Figure 7).

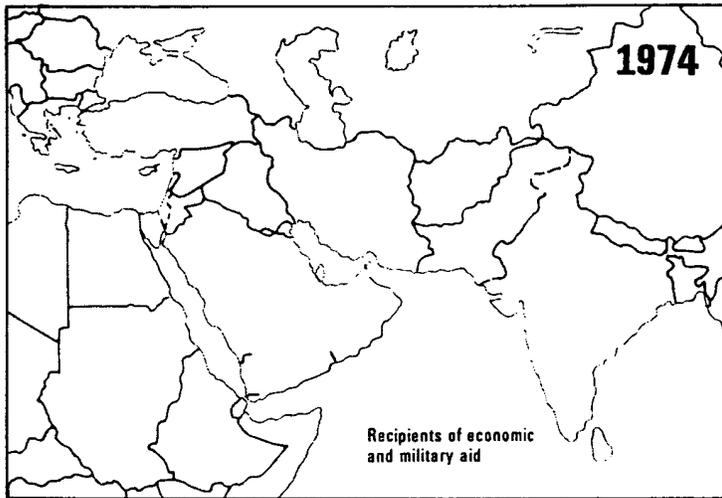
143. There were 10 recipients of new military credits, led by Syria, Iraq, and Iran. Egypt received hardly any military aid, a dramatic turnaround from 1973, when Moscow offered [] million.

144. Drawing against outstanding economic and military credits approximated \$700 million and \$1.2 billion, respectively. Nearly [] of arms deliveries to the region went to Syria and Iraq. Most of the rest was sent to India, Iran, and Egypt. India and Egypt took more than 60% of the economic aid deliveries.

Afghanistan

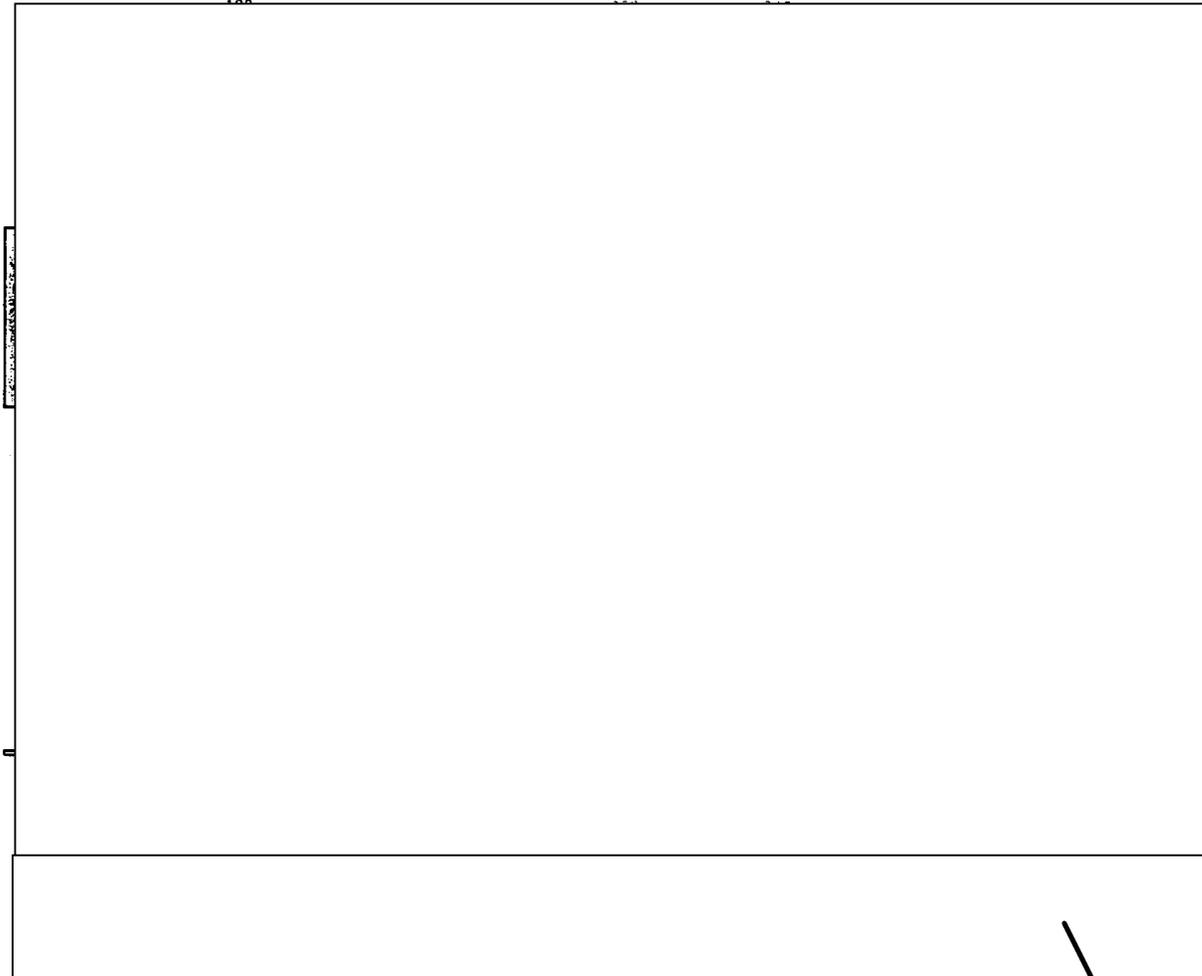
145. Communist aid to Afghanistan was limited to deliveries against unused economic and military credits. Kabul garnered no new aid credits.

FIGURE 7



Communist Economic and Military Assistance to the Near East and South Asia

Cumulative Assistance	
1954-74 Million Current US \$	
Economic Assistance	
Extended	12,145
Drawn	5,890
Military Assistance	
Extended	
Drawn	



146. Moscow agreed to double the price it pays Afghanistan for natural gas, to 95 cents per thousand cubic meters, effective October 1974. Afghanistan exports some 2.8 billion cubic meters to the USSR annually as repayment for aid.

147. Moscow agreed in October, under a 1972 credit, to construct a 100,000-ton-capacity oil refinery with storage and piping facilities at the Angot oil depot. Other Soviet initiatives under old credits included an agreement to assist in mineral and petroleum exploration and to construct a major bridge that will link both countries with direct road and rail transport.

148. After some 11 years of surveys and construction delays, Afghanistan's first fertilizer plant, the Mazar-i-Sharif facility, came on stream late in October. The plant, which was funded by \$18 million in Soviet credits, will have an annual capacity of 120,000 tons. Moscow will provide spare parts and technical assistance through 1976.

149. Afghanistan's aid relations with other Communist nations also improved. Prague initiated surveys for a trolley bus system, a cement plant, a thermal power station, and a coal mine. If the projects appear feasible, Prague will give construction support under a \$20 million credit extended in 1973. Chinese technicians continued to work on the Parwan irrigation system and soon will begin the \$5 million expansion of the Bagrami textile mill under an unused 1972 credit for \$45 million.

150. The record deliveries of Soviet armor to Afghanistan in 1973 continued as [] tanks, [] armored personnel carriers, and [] self-propelled antiaircraft artillery pieces were turned over to Kabul in 1974. In addition, [] MIG-17 aircraft to augment Kabul's fighter pilot training program and [] MIG-21s and an [] were flown in to replace aircraft lost in crashes. Deliveries of tank transporters, trucks, spare parts, ammunition, and support equipment raised the value of deliveries to a record [] million. To cope with the rapid influx of new equipment, Kabul sent some 410 military personnel to the USSR for training while some 470 Soviet technicians were in Afghanistan to assist the army and air force. Afghanistan's military dependence on Moscow has not been lessened despite some attempts to seek training and some equipment from India and Egypt.

Bangladesh

151. Bangladesh garnered more than \$103 million in new economic pledges from the Communist countries in 1974 - making it the fourth largest recipient.

152. East European Communist countries were the principal donors:

- Romania extended a \$50 million credit for a new spinning mill and to equip a petrochemical complex. Bucharest also added \$1 million to cover cost overruns on railroad equipment furnished under a previous credit.
- East Germany gave its first pledge, \$25 million repayable over 11 years at 2.5%. Dacca will use these credits to construct a calcium soda plant, a rice mill, and a typewriter factory.
- Bulgaria provided a \$500,000 food grant and allocated about one-half of a \$9.6 million credit extended in 1973.
- Czechoslovakia made no new pledges, but worked on several projects, including upgrading the capacity of the Khulna powerplants.

153. Poland's initiatives centered on implementing electrification and textile mill projects under a \$12 million credit offered in 1973. The USSR extended a new \$28 million credit for relief assistance. About half was in hard currency and the rest in commodities. Project assistance under existing credits was limited to the Ghorosal powerplant, nearly completed, and to drilling for oil and gas. Moscow agreed to help modernize the Chittagong petroleum refinery and to expand its steel mill. Both projects are still in the planning stage.

154. The USSR finally completed the \$20 million salvage program in the port of Chittagong. The operation was supposed to take two months; it took two years. The Soviets donated some of the salvage equipment to Bangladesh for use at the Maritime Institute they helped set up in Chittagong.

Egypt

155. Moscow's role as a donor of new economic aid declined in 1974 as Cairo was slow to accept new offers. The only new Soviet credit was a \$20 million grant for clearing mines from the Gulf of Suez, which was completed in November. Drawings on existing Soviet credits were in high gear, however.

156. A \$160 million agreement was signed in July, apparently to allocate unused funds from a 1971 credit.

- At least \$55 million was earmarked for a 50% expansion in the capacity of the Hulwan iron and steel complex to 1.5 million tons. When this project is completed, Cairo will approach self-sufficiency in steel.
- About \$45 million will go to expand the capacity of the Naja Hamadi aluminum plant from 100,000 tons to 166,000 tons. Initial plant operations, delayed because of a lack of bauxite, should start up in June 1975, with Guinean bauxite. Three-fourths of the output is for export, mostly to the USSR.
- \$60 million will be used to build cement and textile plants.

157. Soviet aid to Egypt's fishing industry and support for irrigation, rural electrification, and other projects continued. Studies on improving the Nile River, including plans to build five small dams, were completed. A new contract was negotiated to enlarge the capacity of the Soviet-built Alexandria shipyard, completed in 1968. A nuclear power station and a 3 million-ton-capacity iron and steel mill at Alexandria to be financed by Soviet aid were to be discussed during Brezhnev's aborted visit scheduled for January 1975.

158. Rescheduling Egypt's military debt was also to be discussed during the Brezhnev visit. Although Cairo apparently has met repayment obligations on its economic debt, most repayments on the military debt have been deferred through successive reschedulings since 1965.

159. Other activity centered on efforts to accelerate use of East European credits. Romania, Bulgaria, and Poland, for example, set up joint cooperation committees with Egypt to speed the use of unallocated aid funds. Bucharest discussed participation in chemical projects under a \$100 million credit and completed its largest aid project in Egypt - a 100,000-ton-capacity sodium products plant in Alexandria.

160. Virtually all East European countries signed trade protocols during 1974, emphasizing the sale of their machinery and equipment for Egyptian agricultural goods and cheap manufactures that Cairo has difficulty in selling elsewhere. Bulgaria, East Germany, and Hungary are estimated to have bought about 7,000 b/d of Egyptian crude oil during the year.

161. Moscow halted arms deliveries to Cairo in April when political relations between the two countries soured. Seaborne deliveries were resumed in August,

but major items of equipment were not involved. Consequently, only [] million in military equipment was supplied, only [] of deliveries in 1973 and the lowest in any year since 1966. The December meeting between Soviet General Secretary Brezhnev and Egyptian Foreign Minister Fahmi in Moscow did not result in new military aid agreements. The Soviets, however, apparently agreed to meet the unfulfilled elements of the 1973 commitment. Among East European countries, only Hungary offered new military aid, [] million covering small arms, ammunition, and support equipment.

India

162. With no new economic credits and [] million in new military aid, Communist economic relations with India lost some of the momentum of previous years. Despite mutual concerns over China and New Delhi's continuing dependence on Moscow for military support, the USSR refused a request to recommit unallocated project aid to finance the purchase of industrial raw materials. Moscow also demurred on a request for further large food assistance. Moreover, the USSR neither extended new aid for India's Fifth Plan (1 April 1974 to 31 March 1979) nor agreed to reschedule any of India's annual debt service of some \$200 million.

163. The second meeting of the Indo-Soviet Commission on Economic, Scientific, and Technical Cooperation that met in Moscow in September produced no more positive results than did the 1973 meeting. Protocols were signed to confirm previous commitments and in some cases to accelerate project construction schedules. Although discussions were held on setting up joint projects in third countries and production sharing in the USSR and India, no steps were taken to implement the recommendations.

164. Drawings on Soviet project aid remained sluggish as they have since 1970. Although aid deliveries were at a record \$300 million, they were inflated by huge emergency wheat shipments (about \$265 million) delivered under a 1973 commitment. Utilization of project aid for the year was only in the \$25 million range.

165. First stage operations at the Bokaro steel mill, although begun early in the year, will not reach scheduled capacity of 1.7 million tons until mid-1975 at the earliest - four to five years behind schedule. Late deliveries, labor disputes, and material shortages still stifle plant production at Bokaro, Moscow's major industrial aid venture in India. Studies are now under way to expand output at the Bhilai steel plant from its planned capacity of 4 million tons to an eventual

7 million tons. Preparatory work continued for the construction of several major plants agreed to in 1973, especially the Mathura oil refinery, an alumina plant in Madhya Pradesh, and copper ore mining at Malanjkhand. Construction was slow on several other projects, including the aluminum smelter at Korba (which is nearing completion of the first stage), oil and coal exploration, and exploitation and expansion of power facilities. A large new coal field was reported in Bihar during the year as a result of joint Soviet-Indian exploration efforts.

166. The trade surplus with the USSR was reduced markedly because of the 1974 Soviet wheat deliveries.

167. Indian economic activity with other Communist countries remained unchanged. Implementation on all projects was slow. No new aid came from East European countries, although the time period for drawing against Bulgaria's 1967 credits was extended. Work on details to implement ongoing aid projects and to increase trade turnover went on throughout the year. Finally, East Germany and India established a joint commission for economic, scientific, and technical cooperation.

168. Soviet military deliveries to India fell to [] million in 1974 – the lowest point since 1970. The decrease reflects a lull as old agreements are completed and deliveries under newer agreements begin rather than a shift in Soviet military aid policy.

169. Deliveries were highlighted by the arrival of two F-class submarines and a Petya-class destroyer escort funded under a 1971 agreement. Shipment of ground forces equipment began under a 1973 agreement for [] million, and full-scale production of MIG-21Ms at Hindustan Aeronautics got under way. Moscow accepted at least [] Indian MIG-21s for overhaul in the USSR. Toward yearend, there were unconfirmed reports that India would purchase [] MIG-23s.

170. Czechoslovakia and India signed a [] billion aid agreement in December. It covers T-55 tanks, OT-62 armored personnel carriers, truck-launched assault bridging, and L-39 trainer/light attack aircraft.

Iran

171. Iran received no new Communist economic aid in 1974, although new military credits were at a record high. Communist initiatives stressed completing on-going aid projects and expanding trade. Strains in Soviet-Iranian economic

relations were eased somewhat after an 85% increase in the price for Iranian natural gas. This settlement set the price at 57 cents per thousand cubic feet. The value of Soviet natural gas imports in 1974 probably reached \$185 million.

172. The Shah made an uneventful trip to Moscow in November. Both sides agreed in principle on new, undisclosed, long-range industrial development projects. At yearend, Moscow was considering aid to several projects, including development of gas fields in northeastern Iran. Work is under way to triple annual production at the Soviet-assisted Isfahan steel complex to 1.9 million tons by 1977, and a further Soviet expansion is planned. The Shah also agreed to resume trilateral talks with the USSR and West Germany on the sale of natural gas to Western Europe, which would involve construction of a second natural gas pipeline from Iranian fields to the Soviet border. The USSR would consume Iranian gas and substitute Soviet gas at its Western terminal.

173. Major developments in Communist aid included:

- installation of compressors on the Soviet-assisted gas pipeline to raise annual throughput capacity to 10 billion cubic meters of natural gas;
- discovery by a Soviet-managed geological survey of coal reserves totaling at least 100 million tons in south-central Iran;
- commissioning of the first of 11 Soviet-built prefabricated housing plants as part of a \$44 million credit extended in 1970; and
- delivery by Poland of equipment for textile plants earmarked in a 1973 credit.

Warsaw wanted to obtain 12,000 b/d of oil in 1974 as aid repayment, but price differences slowed oil deliveries.

174. Czechoslovakia, Hungary, and Poland agreed to remove the gold clause from their trade and payments on agreement with Iran. Trade is now denominated in either Iranian rials or an average of several Western currencies. Iran was unable to persuade Romania and the USSR to drop the clause.

175. Iranian-Communist trade will continue to grow as project aid is implemented and aid repayments rise. For example, the value of Soviet natural gas imports from Iran in 1974 probably was twice the 1973 level of \$91 million.

Gas exports in 1974 permitted Tehran to service its entire military and economic debt to the USSR and still left about \$90 million to be settled on current account. Iranian exports previously used to balance the Soviet trade account probably are being diverted to other markets.

176. Communist countries, which now absorb more than one-third of Iran's non-oil exports, signed new accords to further increase trade turnover. Iran signed a seven-year trade agreement with Romania valued at \$1.5 billion – the largest concluded with a Communist nation. Under the accord, Romanian agricultural products will be exchanged for Iranian industrial goods.

177. Large credits reportedly were offered to Poland and Bulgaria as advanced payments to establish joint agricultural enterprises. At yearend, a Bucharest request for an open-ended \$250 million credit was still pending because Tehran wanted to tie a large portion of the funds to joint agricultural ventures.

178. In the military sphere the Shah continued to supplement procurement of sophisticated weapons from the West with purchases of ground forces, military support, and engineering equipment from the USSR. Tehran signed a [] million accord in May, the largest deal since Iran started ordering Soviet equipment. Military deliveries under old credits hit [] million despite the fact that Soviet delivery schedules were lagging.

Iraq

179. Military aid – new commitments and deliveries under old credits – was the dominant element in the Communist-Iraqi aid dialogue in 1974. New Soviet military credits hit a record of \$ [] million,⁴ and East European countries added another \$75 million. These new accords not only guarantee the continued growth and modernization of the Iraqi armed forces but also replenish ordnance depleted in the Kurdish war.

180. Moscow also delivered [] million worth of equipment in 1974. A wide range of new weapons systems was introduced, including MIG-23 Flogger jet fighters, the SA-6 surface-to-air missile system, Osa-II guided missile patrol boats, and FROG-7 tactical surface-to-surface rockets. In addition, the SA-2 surface-to-surface missile system was reintroduced. Iraq received SA-2s in the early 1960s,

4. The figure may be as high as [] million based on a reported new agreement in December.

but they were subsequently transferred to Egypt because the Iraqis could not operate them.

181. Moscow enlarged its military advisory contingent from 750 in 1973 to 1,000 in 1974 to accommodate this surge in sophisticated weapon systems deliveries. Iraq sent 700 military personnel to the USSR for training, half to attend surface-to-air missile courses.

182. East European countries delivered a record \$56 million in arms and military support equipment in 1974. Bulgaria shipped about half of the [] million of unspecified military goods it agreed to supply during the year, and Romania completed deliveries of more than \$ [] million worth of military clothing ordered in mid-1974. Prague delivered L-29s and 30-mm artillery pieces as part of a [] million accord signed in 1972. Although most of the [] million in Hungarian military goods contracted for during 1974 was not delivered, Budapest did complete shipments for 57-mm artillery pieces ordered in 1971.

183. Oil developments dominated the economic aid picture. Both the second-stage development of the North Rumaila oilfield and the Basra oil refinery (the major Communist projects in Iraq) were completed. Production at the largely Soviet-developed North Rumaila oilfield now stands at 360,000 b/d and accounts for about one-fifth of Iraq's total output. Moscow also speeded work to increase capacity to 840,000 b/d by late 1975. Some of the oil from North Rumaila goes to the Czech-built refinery at Basra, and discussions were under way to double the capacity of the Basra facility to 140,000 b/d. Soviet construction of a 375-mile oil products pipeline between Baghdad and the Basra refinery proceeded, using about \$40 million of unused 1971 credits.

184. Iraq's oil barter arrangements with the Communist nations were set back early in 1974 when Baghdad temporarily stopped all crude oil shipments on Soviet account and demanded hard currency payments at a price equal to that charged Western customers. Soviet oil purchases from Iraq fell 65% to 75,000 b/d in 1974. East European nations took some barter oil despite prices of more than \$11 per barrel. Few long-term agreements were concluded, however, and prices were left open on those agreements. China, a net oil exporter, purchased Iraqi crude (10,000 b/d during 1974) for the first time.

185. In other developments, the USSR and Iraq signed protocols to build the Haditha hydropower complex, a cement plant, and an irrigation project and to conduct mineral prospecting. New Soviet financing probably will be needed to

complete this group of projects. Both sides also agreed to establish a joint fishing company based in Basra. The company is to be capitalized at \$34 million, of which 51% is to be funded by Iraq.

186. Hungary was awarded a contract, possibly as part of the \$50 million credit extended in 1972, to install facilities to handle liquid sulfur at the port of Umm Qasr. Budapest also agreed to go ahead with construction of a slaughterhouse, cold storage plants, and brick factories and agreed to accept 1,600 Iraqis for agricultural training. Poland accepted 140 Iraqis for training and intends to implement agricultural project aid under a \$100 million credit extended in 1972. The credit calls for repayment in oil. Finally, an Iraqi delegation visited China to draw up contracts for a yarn washing plant, the first project identified with the \$45 million credit extended by Peking in 1971. Chinese proposals on two bridges to be built in northern Iraq were also discussed.

North Yemen

187. The USSR contributed the only new Communist economic aid to North Yemen - 25,000 tons of wheat valued at \$5 million. Moscow also completed technical support for expanding the port of Hudaydah under a 1964 credit and may provide machinery and equipment for further expansion. Romanian specialists arrived during 1974 to survey oil deposits; studies already have been completed on petroleum storage and a pipeline. A team of North Koreans also was in San'a to survey sites for a vehicle and tractor spare parts plant. The Chinese initiated surveys to construct a cottonseed oil extraction plant under a 1972 aid agreement.

188. Moscow resumed military shipments, the first in three years. Deliveries included MIG-17s, IL-28 bomber, some medium tanks, small arms, spare parts, and ammunition. Moscow's renewed interest probably stems from the transfer of some West European-manufactured ground forces equipment from other Arab states to San'a last year, and Yemeni discussions with the United States for military training. Saudi Arabia's active interest in helping San'a modernize its armed forces may stimulate further offers of Soviet military assistance.

Pakistan

189. Pakistan was among the top claimants of new Communist economic aid in 1974 - ranking third among all LDCs. All of the \$216 million in new aid came from Moscow and was earmarked for the Karachi steel mill, the most important Soviet aid project in Pakistan. Moscow's pledges for that facility now approximate

\$425 million. Except for setting up an ancillary training center for 700 students, the USSR has yet to make major deliveries under these credits. Moscow did ship tractors, textile machinery, and a 1,000-kilowatt radio transmitter to be set up in Islamabad.

190. China focused on implementing some \$255 million in unused credits and grants. Late in the year Chinese technicians began limited testing of the foundry-forge constructed at Taxila under a Chinese grant. Work was finished on the Larkana sugar mill, slated to start operations in 1975. Peking agreed to help set up a urea fertilizer plant in the Northwest Frontier Province under a \$12 million grant. Construction of the Hattar refractory plant, also under a grant, was at a near standstill.

191. China began work on three textile mills, a stadium complex in Islamabad, and the transmission grid connecting Tarbela and Wah, all under a \$200 million credit extended in 1970. Early in the year, China sent 30,000 laborers to work on the Pakistan portion of the Karakoram highway because work had been delayed by a major landslide in the spring.

192. Romania, under a 1973 credit for \$25 million, is helping on a 2-1/2 year project to expand a refinery in Karachi. Bucharest also is negotiating to participate in the construction of a textile mill and a locomotive plant. Poland agreed to construct two sawmills and two sugar plants under some \$8.3 million in outstanding credits. Warsaw's program has been inactive since 1970, when a sugar mill at Hyderabad was completed. Bulgaria announced that it will set up a \$3.6 million leather tannery under an unused 1969 pledge.

193. Peking reaffirmed its military support with a new [] million accord for [] T-59 tanks, [] Shanghai-II-class motor gunboats, [] Huchwan-class hydrofoil motor torpedo boats, and [] MIG-19 jet fighters. The gunboats were delivered during the year; shipments of tanks and aircraft are still under way.

194. Pakistan ordered more than [] million of helicopter spare parts from the USSR for [] MI-8s purchased in 1968-69. Efforts to buy additional helicopters, however, have been delayed. The last increment of Czech trucks ordered in 1972 was delivered during 1974.

South Yemen

195. China and the USSR added to their economic positions in the Gulf of Aden area, possibly in response to Yemeni overtures to Western and Arab states for aid. In July, Moscow agreed to supply \$40 million in credits for projects under a 1972 accord, including a thermal powerplant, airfield modernization, and geological surveys. The USSR also won its bid to replace Algeria in a joint-venture oil company, and the Soviet-Yemeni joint fishing company began operations.

196. An economic and technical cooperation agreement was signed in November during the visit of a Yemeni delegation to Peking. China repeated an earlier offer to expedite food grain shipments and to speed implementation of \$77 million in credits. Bulgaria agreed to increase its aid to \$10 million. Sofia also signed a \$15 million land reclamation contract, which will be funded by the Kuwait Fund for Arab Economic Development. Hungary supplied \$100,000 worth of medical equipment.

197. Moscow sent [] [] million in arms to Aden, the most in any year since shipments started in 1968. Deliveries included [] MIG-21s and miscellaneous ground force equipment, funded under a 1973 accord. In addition, Hungary offered new aid covering some [] million in uniforms, medical supplies, and foodstuffs.

Sri Lanka

198. Using outstanding credits, Moscow beefed up project aid to Sri Lanka in 1974. Soviet technicians began to expand the Ceylon Steel Corporation mill built with Soviet aid in the early 1960s and to prospect for oil. Equipment was delivered for a flour mill and a housing plant. A multipurpose dam and irrigation project, the center of aid discussions during Prime Minister Bandaranaike's visit to Moscow in November, also was surveyed. Moscow has agreed to assist in the \$100 million project, but a firm financial commitment is not expected until early in 1975.

199. China delivered 100 tractors as new grant aid and \$14 million worth of rice under a December 1973 grant. The Pugoda textile mill began operations, and construction of a finishing mill to complete the complex was initiated. Minneriya was chosen as the site for another Chinese-assisted textile complex, to be funded from an \$8 million credit extended in 1972.

211. Czechoslovakia concluded a military aid agreement with Lebanon during 1974 covering [] million in small arms and ammunition. Czechoslovakia has provided small quantities of this type of equipment in previous years for cash.

212. Peking began to implement several aid projects in *Nepal* under a 1972 grant for \$35 million. A trolley bus system connecting Katmandu and Bhaktapur is scheduled to be completed late in 1975. Construction of the \$4.8 million Katmandu ring road is moving ahead, as is work on a brick plant and a textile mill. Nepal's reliance on Peking for industrial goods increased under new trade agreements that will make China the major source of cement, iron rods, and paper.

213. China also concluded its first military aid accord with Nepal under which communications and power generating equipment will be provided to the Napalese army. Nepal still remains dependent on India for its weaponry.

214. The *Persian Gulf states* intensified their economic dialogue with Communist countries. *Bahrain* concluded its first direct governmental agreement with a Communist country in May with a \$2.3 million cash sale of 2,000 tons of domestically produced aluminum ingots to China; sales to China in 1973 were less than \$100,000.

215. Moscow still tries for a stronger economic position in *Kuwait*, despite its failure to win a \$170 million contract to build four powerplants in that country. The Soviet oil minister visited Kuwait during the year, and Soviet trade organizations are seeking close ties with their Kuwaiti counterparts. Romania and Kuwait signed their first official trade and economic cooperation agreements calling for participation by Bucharest in chemical, petroleum, and construction projects over the next few years.

216. In what is believed to be a first for the Arab oil producers in economic relations with Communist nations, Kuwait's International Investment Company issued \$40 million in eight-year, 10% bonds to Kuwaiti subscribers on behalf of Hungary. The repayment schedule provides a three-year grace period.

217. Most East European states sent trade delegations to the *United Arab Emirates*. Romania bought 7.5 million barrels of crude oil from *Abu Dhabi* for nearly \$14 per barrel. In other activities, the USSR was awarded a contract to supply 120 transformers worth \$6 million to Abu Dhabi - the first Soviet contract with a UAE state.

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