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# **Communist Aid Activities in Non-Communist Less Developed Countries, 1980**

**A Research Paper**

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*ER 81-10168  
May 1981*

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# **Communist Aid Activities in Non-Communist Less Developed Countries, 1980**

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## **A Research Paper**

*Information available as of 24 March 1981  
has been used in the preparation of this report.*

The author of this paper is [Redacted] Office of  
Economic Research. Comments and queries are  
welcome and should be directed to the Chief, Trade  
and Aid Branch, Near East-South Asia Division,  
OER, [Redacted]

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The substance of this publication has been  
coordinated with the Bureau of Intelligence and  
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Intelligence Agency, and the Agency for  
International Development. [Redacted]

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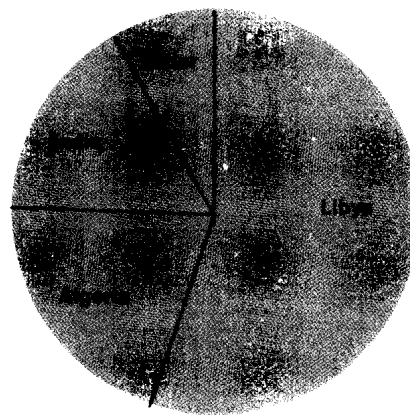
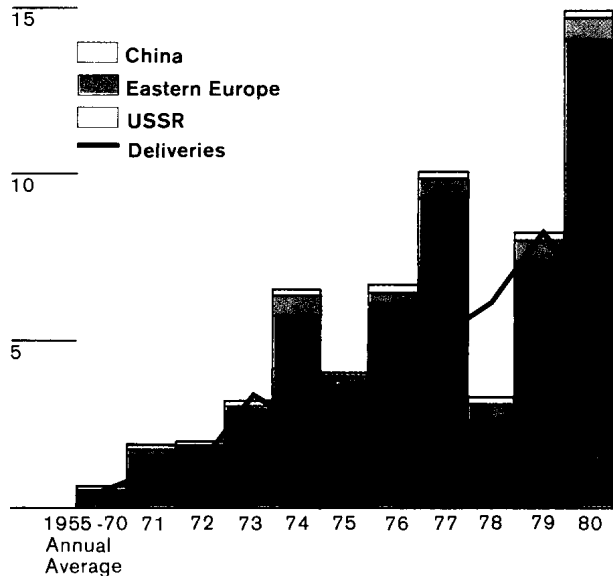
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Figure 1

Communist Countries: Aid Agreements With Non-Communist LDCs

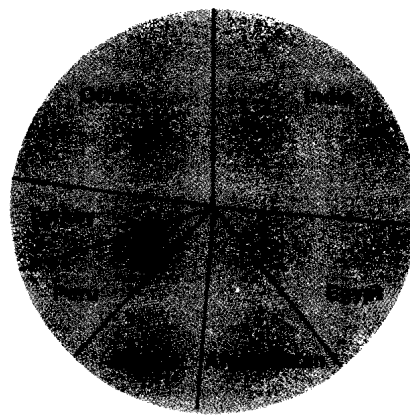
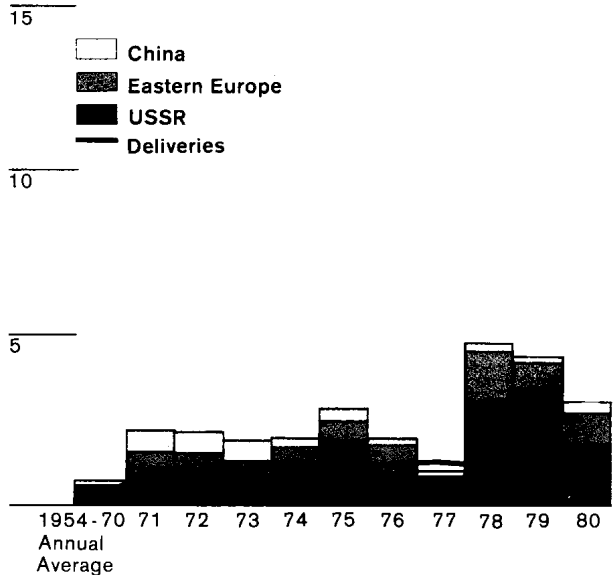
Military

Billion US \$



Economic

Billion US \$



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**Communist Aid Activities  
in Non-Communist  
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**Summary**

In 1980, record-breaking Soviet arms sales and large economic accords with select LDCs gave new impetus to Soviet penetration of the Third World. Bolstered by large amounts of East European assistance to Soviet clients (\$625 million of military and nearly \$1 billion of economic aid) and accompanying high levels of Cuban and East European personnel, the USSR strengthened its supplier-advisory position in a number of key Third World countries. China's military sales failed to pick up momentum, despite an all-out sales campaign begun early in the year. Nevertheless, its commitments of economic aid regained some lost ground, rebounding to \$325 million—a level not reached since 1975.

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Massive orders from Libya, Algeria, and India drove Soviet arms sales to the Third World to \$14 billion in 1980—a record even in real terms, and nearly double the 1979 total. Libya, whose \$8 billion order moved it to the top of Moscow's arms buyers list, accounted for nearly 60 percent of Soviet sales, followed by a long-delayed multiyear purchase accord by Algeria, reportedly worth at least \$3 billion. As in most recent years, Moscow concentrated its sales efforts on the wealthy radical Arab states, and there is ample evidence to suggest that without the Iraq-Iran conflict, Soviet arms gains would have soared even higher last year. Moscow's continued desire to perpetuate relationships with governments that are politically or strategically important to Soviet interests was the motivation behind the year's third major deal, a \$2.4 billion agreement with India.

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As in the case of the military program, a few large commitments to favored LDCs drove Soviet commitments of economic aid to \$1.8 billion in 1980. Although well below the 1979 peak, 1980 was Moscow's fourth highest commitment year, still surpassing most earlier years in real terms despite the effect of higher prices.

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The large amounts and character of Soviet economic assistance to India, Afghanistan, and Ethiopia—which accounted for about two-thirds of the USSR's 1980 aid—reflected Moscow's deep political interests in those countries. The \$800 million credit to India was the largest ever to that strategically located country and was provided on exceptionally easy repayment terms. At the same time, Moscow made an unprecedented \$330 million of grant aid available to Ethiopia and Afghanistan—for unusually large amounts of commodities to Afghanistan and for oil subsidies to Ethiopia. Other credits to Peru and Algeria for power plants were trade associated, carrying the usual harder repayment conditions.

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Although it is unlikely that Moscow can match the \$14 billion 1980 arms sales figure this year or next, we feel certain that orders for Soviet arms will remain strong as major buyers complete ongoing negotiations for new military supplies. Moreover, the surge in arms sales this year virtually ensures a continued upward trend in Soviet arms delivered in the next two to three years, resulting in annual hard currency earnings in excess of \$3 billion. Moscow and Eastern Europe also have several multimillion-dollar development agreements in the discussion stage, which should sustain recent economic agreement levels. The USSR and Eastern Europe will continue their profitable sale of technical services—an effort that earns at least half a billion dollars of hard currency annually. [Redacted]

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Cuba, with 31,000 military personnel in the Third World, continued to support Moscow's military supply initiative, particularly in Africa. [Redacted]

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China's military sales failed to pick up momentum, despite an all-out sales campaign begun early in the year. Nevertheless, its commitments of economic aid regained some lost ground, rebounding to \$325 million—a level not reached since 1975. [Redacted]

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North Korea became a major arms source to LDCs for the first time last year. [Redacted]

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[Redacted]

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The data on economic and military agreements reflect the latest information available [Redacted] Values of military agreements and deliveries are based on Soviet trade prices which are usually quoted in rubles and then converted by us into US dollars at current rates. [Redacted]

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The term *Communist countries* refers to the USSR, China, and the following countries of Eastern Europe: Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania. Included [Redacted] also are data on Cuban, North Korean, and Yugoslav aid to and personnel present in LDCs. [Redacted]

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The term *less developed countries* 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, Portugal, and Spain in Europe; (4) all countries in Latin America except Cuba; and (5) all countries in the Middle East and South Asia except Israel. Cambodia, Laos, and Vietnam, which became Communist countries in 1975, are reported on for prior years for historical reasons. [Redacted]

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Within the aid context, the terms *extensions*, *commitments*, and *agreements* refer to pledges 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. For *economic* aid, credits with repayment terms of five years or more are included. Where terms are known, the credits are designated as "trade credits" if amortization is less than 10 years. For *military* transactions, all sales are included—whether for cash or provided under credits or grants. The terms *drawings* and *disbursements* refer to the delivery of goods or the use of services. [Redacted]

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**Heavy Arms Sales in 1980**

Massive orders from Libya, Algeria, and India drove Soviet sales of military equipment to the Third World to a record \$14 billion in 1980 (table 1). Together the three major arms buyers accounted for more than 95 percent of the total, with Afghan, Ethiopian, Peruvian, and Tanzanian purchases making up much of the remainder. [ ]

*Eastern Europe's* \$625 million of sales in 1980 matched 1977-79 annual levels. More than 60 percent of 1980 sales went to Libya and Iraq as East European countries assumed a major resupply role (presumably with Soviet consent) in Iraq's war with Iran and supplemented Libyan orders from the USSR with munitions, spare parts, and support items. [ ]

*Chinese* sales (\$115 million) fell to one-half the 1979 total despite a government marketing campaign to boost overseas orders for military equipment. Pakistan, China's largest arms customer, accounted for more than one-half of total sales in 1980, while Bangladesh (with purchases of \$17 million worth of tanks, artillery, and mortars) and a few African countries made up the remainder. [ ]

*North Korea* broke into the top 10 rank of world arms suppliers for the first time last year, outselling neighboring China almost four to one. Libyan and Iranian purchases of ground weapons and munitions made up 90 percent of P'yongyang's \$421 million of military sales. [ ]

**The USSR: Aggressive Arms Sales**

Lengthy negotiations had signaled big deals with Libya, Algeria, and India for 1980, but the value and scope of the new agreements went well beyond our earlier estimates and surpassed any previous orders placed by these governments with the USSR. If not for the outbreak of the Iran-Iraq war, which halted Soviet sales to those countries, Moscow's total arms sales might have climbed even higher. [ ]

Soviet sales, which began rising sharply in the 1970s, were triggered by the opening of Moscow's modern arsenal to LDCs as a reaction to Israel's deep penetration raids of Egypt, and a burgeoning new military supply program in the Arab states. Except for select cases in the Middle East, before that time Soviet arms supplies had consisted largely of outmoded, reconditioned equipment to a few countries, often unable to buy arms from other suppliers. The increase in the value of sales during the 1970s reflects the more advanced and costly weapons sold and the fact that the USSR began charging much higher prices for its equipment. But volume too was up. After 1973, individual sales became larger and less frequent, mostly because of longer leadtimes for advanced equipment—

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one to three years—and the need to schedule requirements further ahead. [ ]

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Moscow's arms sales drive has been dynamic, aggressive, and focused on the countries on its borders and in strategic locations of the Middle East and the northern tier of Africa. Together these countries have accounted for more than three-fourths of total Soviet arms transactions with the Third World since Moscow's first sale of equipment (to Egypt) in 1955. Even though Moscow has lost a few important clients, it has more than replaced these with higher sales to other clients, resulting in a rise in 1980 sales to equal roughly those of the United States for the first time (if calculated in terms of what it would have cost LDCs to buy the arms from US firms; although in terms of the actual dollar cost to LDCs, Soviet sales surpassed those of the United States by 40 percent). [ ]

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The regional arms buildup following the Middle East war and the increased wealth of the Arab states accentuated the concentration of sales to the region, with Soviet performance turning more and more on the buying practices of this select group of clients. In 1980,

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Table 1

Million US \$

Communist Military Agreements Concluded With LDCs, 1980<sup>a</sup>

	Total	USSR	Eastern Europe	China	North Korea	Other
<b>Total</b>	<b>15,259</b>	<b>13,976</b>	<b>625</b>	<b>113</b>	<b>421</b>	<b>124</b>
<b>North Africa</b>	<b>11,467</b>	<b>11,000</b>	<b>107</b>	<b>10</b>	<b>250</b>	<b>100</b>
Algeria	3,000	3,000	..	..	..	..
Libya	8,457	8,000	107	..	250	100
Tunisia	10	..	..	10	..	..
<b>Sub-Saharan Africa</b>	<b>438</b>	<b>252</b>	<b>157</b>	<b>25</b>	<b>..</b>	<b>4</b>
Angola	31	13	18	..	..	..
Ethiopia	131	126	5	..	..	..
Guinea	27	27	..	..	..	..
Madagascar	13	12	1	..	..	..
Mozambique	41	..	41	..	..	..
Tanzania	100	54	46	..	..	..
Zambia	50	10	40	NA	..	..
Zimbabwe	11	..	..	10	..	1
Other	34	10	6	15	..	3
<b>East Asia</b>	<b>1</b>	<b>..</b>	<b>..</b>	<b>1</b>	<b>..</b>	<b>..</b>
Thailand	1	..	..	1	..	..
<b>Latin America</b>	<b>142</b>	<b>135</b>	<b>NA</b>	<b>..</b>	<b>..</b>	<b>7</b>
Guatemala	2	..	..	..	..	2
Nicaragua	5	..	NA	..	..	5
Peru	135	135	..	..	..	..
<b>Middle East</b>	<b>555</b>	<b>34</b>	<b>336</b>	<b>1</b>	<b>171</b>	<b>13</b>
Cyprus	30	..	30	..	..	..
Egypt	59	11	7	1	40	..
Iran	132	NA	..	..	131	1
Iraq	299	11	276	..	..	12
South Yemen	20	10	10	..	..	..
Other	15	2	13	..	..	..
<b>South Asia</b>	<b>2,656</b>	<b>2,555</b>	<b>25</b>	<b>76</b>	<b>..</b>	<b>..</b>
Afghanistan	173	148	25	..	..	..
Bangladesh	17	..	..	17	..	..
India	2,407	2,407	..	..	..	..
Pakistan	59	..	..	59	..	..

<sup>a</sup> Including all validated military agreements for military supplies provided (a) for cash, (b) under credit arrangements, or (c) as grant aid. Values of military agreements are based on export prices charged LDCs.

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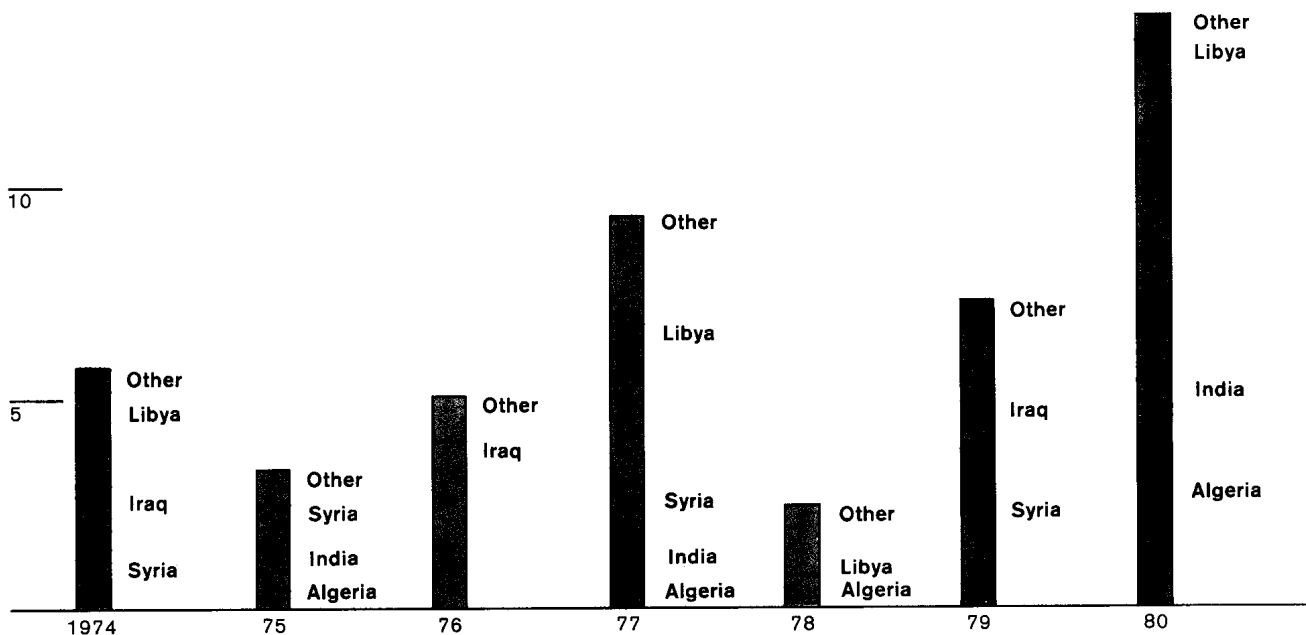
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**Figure 2**

**USSR: Military Agreements By Major Non-Communist LDC Recipient**

Billion US \$  
15  
10  
5



[Redacted]

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for example, Libya's order accounted for about 60 percent of Soviet sales; Algeria's, another 20 percent.

[Redacted]

the next couple of years. We also expect these shipments to further upgrade the Libyan arsenal with higher performance MIGs and more lethal ground weapons.

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**The Big Three in 1980**

Libya ordered up to \$8 billion of Soviet arms in 1980, boosting the value of orders placed with Moscow since the 1973 Middle-East war to nearly \$15 billion. Tripoli now leads Moscow's list of arms clients and assumes second rank behind Saudi Arabia among active arms buyers in the Third World. The new deal (the third in a series of major Soviet buys), together with another \$2 billion of orders placed with other suppliers in 1980, equaled the value of all Libyan military purchases made during the 1974-79 period and will drive annual Soviet deliveries to Libya up to \$2 billion or more over

Since the 1973 war, the Soviets have activated relations with Libya to bolster Moscow's deteriorating position in the Middle East. The USSR has overlooked deep-rooted political differences for economic and political gain. Aside from large hard currency earnings, Moscow has gained access to Libyan port facilities for its merchant vessels; has gradually been able to expand the number of military and economic technicians in Libya; and has gradually developed a viable working relationship in the Libyan leadership. The two

nations, united in their antipathy for Egypt's negotiated settlement with Israel, have also pursued joint interests in Libya's support of rebel groups and other LDCs not openly supported by the USSR. [redacted]

Heavier Soviet arms deliveries should be accompanied with a like increase in the Soviet military presence in Libya—now estimated at 1,800 military advisers and technicians. [redacted]

The *Algerian* agreement, reported in 1979, was not actually finalized until 1980. Algiers set aside its disapproval of the Soviet invasion of Afghanistan in closing its biggest military deal yet with Moscow. The \$3 billion agreement is nearly twice the value of all earlier orders combined, and scotches speculation that Algeria was attempting to lessen its dependence on the USSR for arms by diversifying. Under the 1980 accord, Algeria will be able to field several new T-72 tank brigades, improve its close air support capability with more helicopter gunships, and increase the size of its fleet. [redacted]

Political considerations dominate the Soviet-Indian military relationship. New Delhi's \$2.4 billion in new Soviet hardware purchases will keep the Indian military closely tied to Moscow, laying to rest the diversification efforts implemented under the previous government. As in the past, unusually generous repayment terms and inclusion of licensing privileges not afforded other clients made the Soviet offer irresistible and underscored India's status. The terms could have been influenced by the Soviet need to mend fences with India over Afghanistan or in recognition of the Gandhi government's return to power. [redacted]

Indian military capability will undergo substantial improvement as a result of the new equipment acquisitions, which began arriving before the year ended. Hundreds of high performance MIG fighters (including India's first MIG-23s and MIG-25s), specially designed cargo and troop-carrying transports, large numbers of armored vehicles and additional missile-carrying naval vessels will be added to the inventory. [redacted]

**The Sales Program**

Despite the concentration of Soviet arms on a handful of key LDCs, the USSR still seizes opportunities to sell

arms for political gain anywhere in the Third World. Despite the inclination of a number of Soviet arms customers to reduce their dependence on Moscow and diversify their supplier base, the advantages of buying Soviet arms often outweigh such considerations. Reversals in the Soviet program usually have stemmed from political changes in the LDCs, rather than buyer dissatisfaction. Thus, sales have increased and the buyer list expanded because of (a) fast delivery, (b) practically free technical services, and (c) access to highly advanced equipment—all giving the Soviets an edge over other suppliers. [redacted]

Demand also continues high, even in the face of a more hardnosed Soviet program. Earlier financial inducements (large discounts from list price, eight-to-10-year deferred payments at 2-percent interest, and acceptance of local goods in repayment) were largely eliminated by the mid-1970s except as political concessions—as in the recent sales to India. With few exceptions, Soviet sales now:

- Require payment in hard currency.
- Allow extended repayment periods or discounts only to select buyers.
- Often require rich buyers, such as Libya, to pay on delivery. [redacted]

Nearly 16,500 Soviet personnel supported the arms offensive in 1980, with assignments in 26 countries. The number in any one country varies widely depending on (a) the size of the program, (b) LDC skills, and (c) the policies of the recipient country. In India, the Soviet presence has always been kept at a minimum (150 in 1980); in Syria it has played a critical role. As late as midyear 1980, the 3,000 Soviet technicians in Syria reached down to the battalion level (and in some cases even the company level). Cuban support (31,000 strong) for the Soviet effort has been concentrated almost entirely in black Africa, as is the modest East European effort. [redacted]

Almost 95 percent of the 31,000 Cuban military personnel in the Third World were stationed in Angola and Ethiopia. While Castro has been willing to supply military services to these countries to enhance his own image as a Third World leader, the large-scale Cuban presence has been at Soviet behest. Cubans perform

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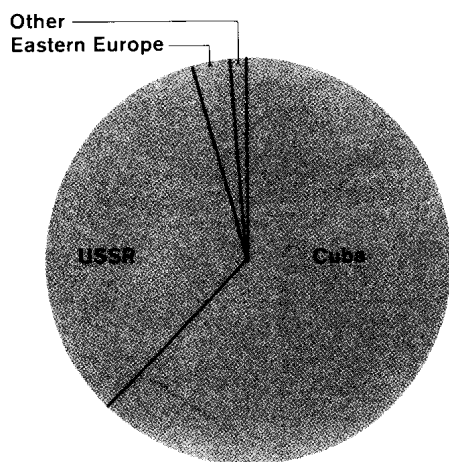
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**Figure 3**  
**Communist Military Personnel in**  
**Non-Communist LDCs, 1980**

Total: 49,300



[Redacted]  
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maintenance functions on Soviet-supplied equipment, train local personnel, and sometimes actually support combat operations. The only large Cuban contingents outside of Africa are in Nicaragua, where at least 200 Cubans provide advisory services, and in South Yemen. [Redacted]

Military personnel from LDCs trained in the USSR also increased (by 50 percent to about 2,750), primarily because of the large numbers of North Yemenis sent to the USSR for pilot and aircraft maintenance training, and the 800 Afghan recruits selected for various kinds of military instruction. [Redacted]

**Deliveries Less Buoyant in 1980**

Soviet arms deliveries in 1980 fell 25 percent below the 1979 peak level as Moscow cut off shipments to Iraq after the outbreak of war with Iran and the number of big-ticket deliveries to Libya declined temporarily. Still, deliveries of \$5.7 billion in 1980 ranked as the second highest on record—two and a half times more than deliveries in 1974. [Redacted]

As a result of 1979-80 sales, equipment deliveries should increase in the next several years. Improved air and sealift capabilities—especially the upgrading of arms handling facilities at the Black Sea port of Nikolayev—will facilitate the expansion. Cargo handling ability at the port, when finished later this year, will more than double, and help reduce the backlog of orders that has begun to build. Based on preliminary research we believe that total Soviet arms deliveries have actually run 15 to 20 percent a year above our estimates because these do not include undocumented follow-on support or services associated with LDC use of the equipment provided Moscow's LDC customers. The follow-ons consist of (a) maintenance, support—such as spare parts, supplies equipment, and tools for servicing and repair of weapons—and overhauls and repairs performed for clients by the Soviets in the USSR; and (b) all types of ordnance. The associated services include training and technical assistance and construction of military facilities. [Redacted]

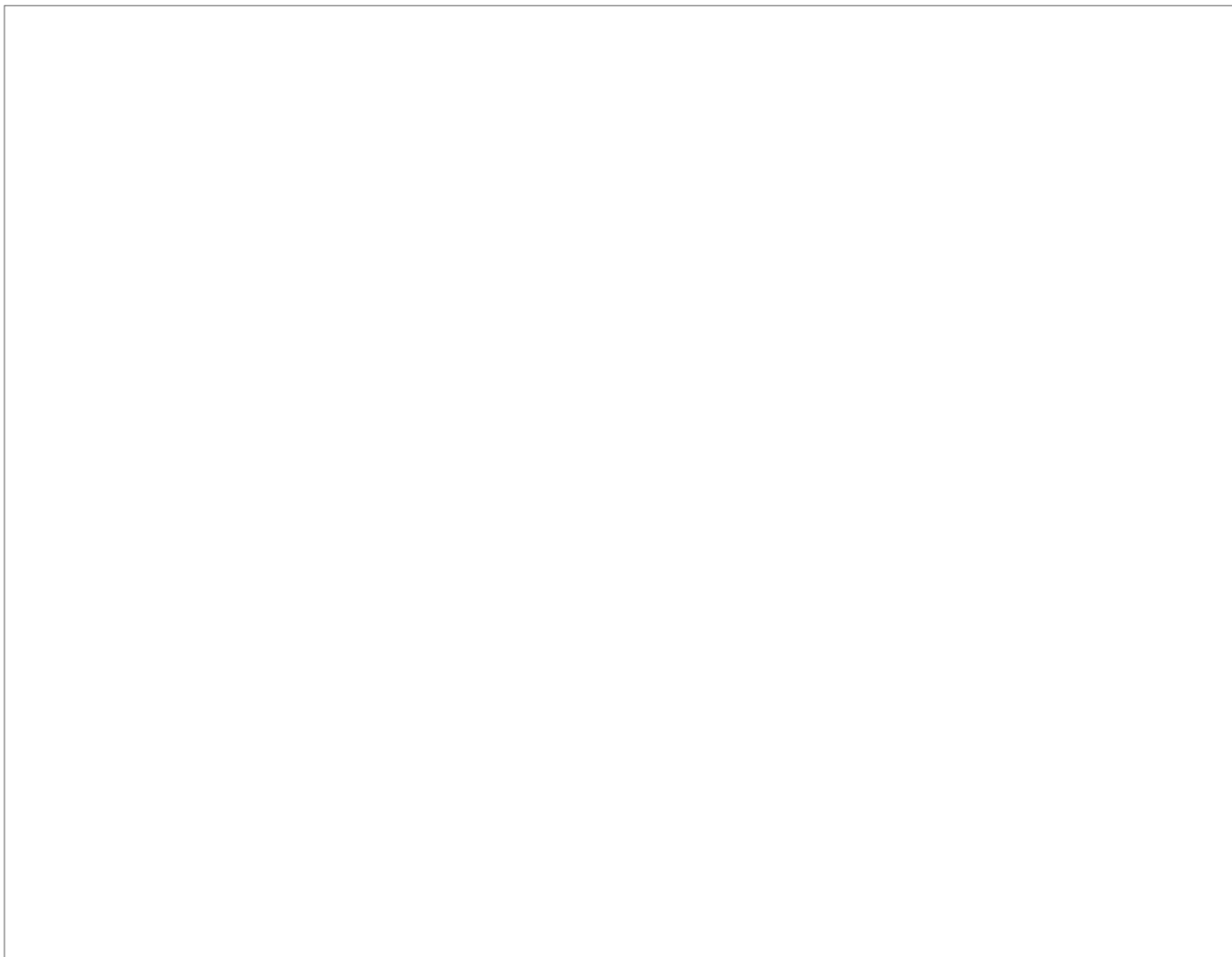
Continuing research, [Redacted] is looking into the add-on value of goods and services not included in the initial arms sales package, taking into account the flow of items required annually to service previously delivered equipment and to replace and add to ordnance stocks. We calculate that such deliveries could have amounted to as much as \$1 billion in 1980. [Redacted]

**Looking Ahead**

Massive orders by LDC buyers and strong delivery levels rounded out a decade of progressively larger weapons transfers that made the USSR a ranking arms supplier, a position it will try to protect into the 1980s. [Redacted]

Although it is unlikely that Moscow can match last year's \$14 billion arms sales figure this year or next, we feel certain that orders for Soviet arms will remain strong—probably in the \$8-10 billion a year range. This will again depend on the actions of Moscow's big customers:

- Syria is on the verge of concluding record reorders.
- Algeria and India are slated to make additional buys.



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- Iraq will want to replenish its depleted stocks quickly after the war with Iran.

viet- and Chinese-made hardware; and (c) technical services.

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**China's Move Into the Sales Market**

China ended its traditional military assistance program in January 1980 by adopting a commercial arms export policy. Under the new policy, Beijing will sell an expanded array of weapons to virtually any buyer for hard currency instead of the limited weapons categories supplied earlier to select Third World countries at little or no cost. Because China cannot compete directly with major suppliers in the advanced armaments market, it hopes to establish a demand for its military goods by meeting specified LDC needs for (a) reliable, older design, low-cost weapons, small arms, and ammunitions; (b) spare parts for older So-

China still will make liberal price and payment concessions to politically important clients, such as Pakistan. Nonetheless, sales dipped (to \$115 million) in 1980—far below the \$205 million high in 1979 and well off the 1980 sales target. Beijing did add Thailand to its list of arms clients with a \$1 million sale of mines and antitank rockets that marked Bangkok's first arms buy from a Communist supplier.

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**North Korea: Arms Merchant to Watch**

In contrast with the Chinese, North Korea trebled its arms sales, garnering \$420 million in new orders in 1980. Fortuitous sales to isolated Iran (\$130 million) and record-setting reorders by Libya (\$250 million)

and Egypt (\$40 million) raised P'yongyang from obscurity to ninth rank as a world's arms supplier.

In its desperate quest to raise hard currency earnings, North Korea has used its relatively large military production base to exploit opportunities in the lucrative Middle East arms market. Iraq's surprise attack on Iran last fall provided an extraordinary opportunity for P'yongyang to reap immediate large financial paybacks as well as political gains.

**Economic Aid: Still at High Levels**

As in the case of the military program, large commitments to a few politically favored aid recipients characterized Soviet economic aid to LDCs in 1980 (table 2). Despite a nearly 50-percent reduction in commitments from the 1979 record,<sup>1</sup> a still-substantial \$1.8 billion of new aid was extended on generally more concessionary terms than before. Of the nearly \$1 billion of *East European* aid—about the same amount as provided in 1979—85 percent was concentrated on four recipients. *China's* pledges, falling back to mid-1970 levels, made nearly equal amounts available to countries in Sub-Saharan Africa and the Middle East—South Asian region.

**The USSR: Big Recipients Dominate**

Moscow's \$1.8 billion of pledges to select aid recipients in 1980 (the fourth highest Soviet year on record) again set the pace for the program, demonstrating the Kremlin's intent to pursue economic aid programs as an important tool for penetrating LDCs (figure 5). As in every other big commitment year, in 1980 large credits to a few LDCs (India, Algeria, Peru, Afghanistan, and Ethiopia) controlled the aid total. Discussions on multibillion-dollar contracts with other recipients were not completed by yearend.

<sup>1</sup> The comparison with Soviet aid performance in 1979 is based on new information that raises our commitment estimate in that year from \$1.7 billion to \$3.3 billion. The revised Soviet figure includes: (a) \$1.2 billion of 10-year, 4-percent credits for the Ajaokuta steel mill in Nigeria, and (b) \$410 million of aid to Afghanistan for oil development and exploiting copper reserves at Ainak.

Again in 1980 Moscow's aid targeted public sector enterprises. Its largest pledges were for heavy industry and power—Moscow's specialty areas in LDCs. An \$800 million pledge to *India* was Moscow's largest credit of the year. Though no match for the open-ended, wide-ranging frame agreements of the 1970s and the billion-dollar or more single project accords of 1978 and 1979, the new aid was the largest single credit Moscow has ever extended to India (even in real terms). The agreement, signed during Brezhnev's visit, supplemented the \$2 billion of credits Moscow provided New Delhi in the past 25 years for public-sector heavy industrial development. Together with the large military accords of 1980, the new economic assistance was intended to repair and strengthen Soviet ties with the returned Gandhi government.

Unprecedented grants of \$330 million to *Afghanistan* (for commodities) and to *Ethiopia* (as oil price subsidies) were in addition to \$85 million of other development aid to the two countries. Assistance to *Peru* (\$250 million) and *Algeria* (\$315 million) was for power installations. The aid carried far less attractive repayment terms (up to 10 years and interest ranging upwards from 4 percent) than provided Moscow's other clients.

On the whole, however, the aid was far more concessionary than earlier programs because of the political motivation for assistance to India, Afghanistan, and Ethiopia (together accounting for two-thirds of the total). The credits to India are repayable over 12 years, after a three-year grace, at 2.5 percent, compared with the usual 12-year, 2.5 percent offered India and most other favored clients. The emergency aid to Afghanistan and Ethiopia represented the largest amount of grant aid ever provided LDCs by Moscow and made unusually large amounts of commodity assistance available to these recipients.

Soviet deliveries reached a new peak because of the \$155 million emergency commodity aid delivered to Afghanistan and the large oil subsidies provided Ethiopia. At the same time, Brazil, India, Iraq, Pakistan, and Turkey received larger amounts of heavy equipment as the USSR moved up completion dates for major projects. These disbursements do not include



Table 2

Million US \$

Communist Economic Aid Extended to LDCs, 1980<sup>a</sup>

	Total	USSR	Eastern Europe						China	
			Total	Bulgaria	Czecho- slovakia	East Germany	Hungary	Poland		Romania
<b>Total</b>	<b>3,022</b>	<b>1,785</b>	<b>914</b>	<b>..</b>	<b>140</b>	<b>77</b>	<b>1</b>	<b>367</b>	<b>329</b>	<b>323</b>
<b>North Africa</b>	<b>315</b>	<b>315</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
Algeria	315	315	..	..	..	..	..	..	..	..
<b>Sub-Saharan Africa</b>	<b>403</b>	<b>179</b>	<b>63</b>	<b>..</b>	<b>2</b>	<b>32</b>	<b>..</b>	<b>..</b>	<b>29</b>	<b>161</b>
Djibouti	30	..	..	..	..	..	..	..	..	30
Ethiopia	177	175	2	..	2	..	..	..	..	..
Guinea	37	3	..	..	..	..	..	..	..	34
Kenya	48	..	..	..	..	..	..	..	..	48
Madagascar	29	..	29	..	..	..	..	..	29	..
Somalia	10	..	..	..	..	..	..	..	..	10
Tanzania	6	..	..	..	..	..	..	..	..	6
Zambia	39	..	32	..	..	32	..	..	..	7
Zimbabwe	26	..	..	..	..	..	..	..	..	26
Other	1	1	..	..	..	..	..	..	..	..
<b>East Asia</b>	<b>40</b>	<b>..</b>	<b>40</b>	<b>..</b>	<b>40</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
Burma	40	..	40	..	40	..	..	..	..	..
<b>Latin America</b>	<b>411</b>	<b>251</b>	<b>160</b>	<b>..</b>	<b>..</b>	<b>10</b>	<b>..</b>	<b>150</b>	<b>..</b>	<b>..</b>
Bolivia	10	..	10	..	..	10	..	..	..	..
Brazil	150	..	150	..	..	..	..	150	..	..
Grenada	1	1	..	..	..	..	..	..	..	..
Peru	250	250	..	..	..	..	..	..	..	..
<b>Middle East</b>	<b>633</b>	<b>..</b>	<b>537</b>	<b>..</b>	<b>5</b>	<b>15</b>	<b>..</b>	<b>217</b>	<b>300</b>	<b>96</b>
Cyprus	5	..	5	..	5	..	..	..	..	..
Egypt	396	..	300	..	..	..	..	..	300	96
South Yemen	15	..	15	..	..	15	..	..	..	..
Turkey	217	..	217	..	..	..	..	217	..	..
<b>South Asia</b>	<b>1,220</b>	<b>1,040</b>	<b>114</b>	<b>..</b>	<b>93</b>	<b>20</b>	<b>1</b>	<b>..</b>	<b>..</b>	<b>66</b>
Afghanistan	354	240	114	..	93	20	1	..	..	..
Bangladesh	33	..	..	..	..	..	..	..	..	33
India	800	800	..	..	..	..	..	..	..	..
Pakistan	33	..	..	..	..	..	..	..	..	33

<sup>a</sup> Excluding economic and technical agreements that were not known to provide credits.

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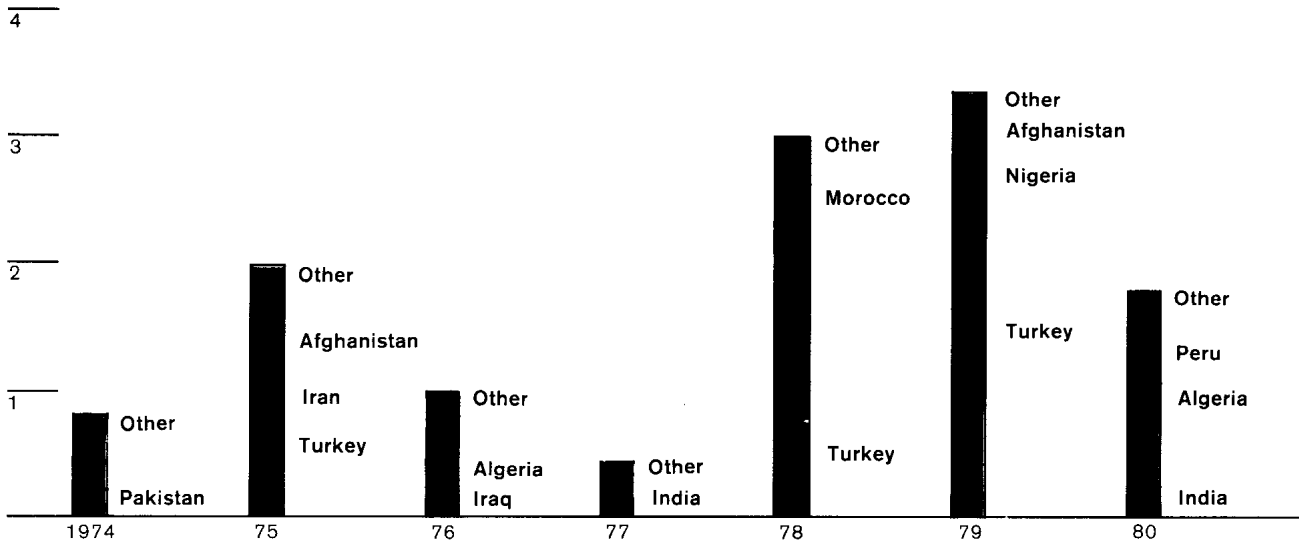
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Figure 5

USSR: Economic Agreements by Major Non-Communist LDC Recipient

Billion US \$  
5



[Redacted]

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possible Soviet balance-of-payments support through the trade account (in the \$100 million a year range in 1978-80) to poorer clients, such as Ethiopia and South Yemen. [Redacted]

Soviet aid in 1980 was pushed up by the higher prices charged for goods and services, a prominent factor in rising aid totals for most of the past half dozen years. While we are not able to quantify the exact amount of inflation in the figures, we estimate that prices have probably more than doubled since 1980. For example, the price quoted by Moscow for increasing capacity by half at the Soviet-built Turkish aluminum plant was more than twice the cost of the original facility, completed in 1972. We also estimate that costs of Soviet steel mills and power plants agreed to in 1980 were at least 150 percent higher than for comparable facilities

in 1970-71. These increases would not be out of line with world market prices on which Moscow says it bases its quotation. [Redacted]

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None of the large multiyear framework accords signed in earlier years was agreed to in 1980, thus eliminating this major factor in raising the amount of the annual aid total. [Redacted]

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**Eastern Europe: A Few Large Allocations**

East European aid pledges showed a similarly narrow pattern of distribution among recipients, with several large lines of credit dominating the total. Big allocations to four major recipients were all for equipment purchases. In spite of domestic problems at home, Poland provided record amounts of credit, mostly to

correct trade imbalances with Turkey and Brazil by increasing their ability to buy Polish machinery and industrial equipment. Czech development assistance to Afghanistan—extended to cover escalating costs of plants being built under 1973 credits—was more concessional, as was Romania's 10-year, 2.5 percent credit to Egypt. [redacted]

**China's Program: A Modest Effort**

China's \$325 million program, which rebounded in 1980 from a 10-year low the year before, did not approach the eye-catching aid levels of the early 1970s. The more modest, more widely spread undertakings—still concentrated heavily on black Africa—were in tune with Beijing's recently announced policy of help to poor countries for developing closer cooperation. China's largest single credit (\$96 million) renewed a 1964 aid package for Egypt and increased the dollar amount to cover losses from changes in the exchange rate. Bangladesh and Pakistan also were remembered with \$35 million apiece for development projects. [redacted]

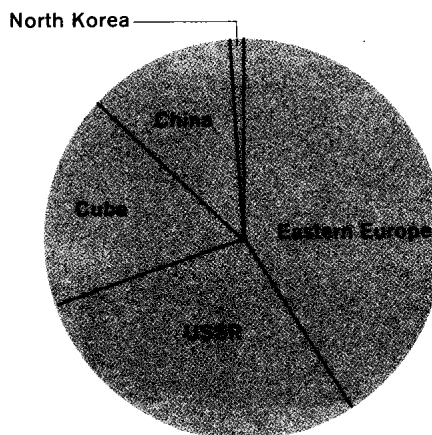
**Technical Services: Still a Big Moneymaker**

There were more than 115,000 Communist personnel working in LDCs in 1980 who not only rendered important services as administrators, technicians, doctors, and educators, but also provided their own governments a steady flow of hard currency under commercial contracts. The USSR earned \$150 million from nearly 35,000 personnel based in the LDCs. Eastern Europe earned at least \$350 million from its 50,000 technicians stationed abroad, while Chinese and Cuban earnings were far more modest. The Chinese marketed their services—through the two-year old China Construction and Engineering Corporation (CCEC)—at bargain rates (from \$6,000 a year for a laborer to \$25,000 for a project manager) while the Cubans often receive only subsistence pay—about \$500 a year. They have, however, begun to divert their technicians to higher paying jobs in hard currency countries. Algeria and Libya, for example, pay Havana \$20,000 a year for technicians, while Angola pays \$7,500. [redacted]

The Soviets and East Europeans continued to charge heavily for their services—up to \$55,000 a year for project managers and \$40,000 to \$45,000 for geologists, interpreters, and other less senior personnel. [redacted]

**Figure 6  
Economic Technicians From Communist Countries in Non-Communist LDCs, 1980**

Total: 116,800



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**LDC Training: Continued Growth**

The USSR and East European countries made available in 1980 some 7,500 additional places in their institutions for training LDC nationals in academic disciplines. This brought total academic trainees in Council for Mutual Economic Assistance (CEMA) countries up to about 63,000 at yearend—nearly one-half the number that has gone to these countries for training since 1955. The USSR accounted for about 55 percent of the total enrollment in 1980; Eastern Europe the remainder. An additional 3,700 LDC personnel were sent for training in special skills during 1980. [redacted]

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As a follow-on to the youth program introduced by Castro in 1978, Cuba was providing training for more than 10,000 foreign secondary school pupils—largely from Africa and the Caribbean—in 15 special schools on the Isle of Youth. [redacted]

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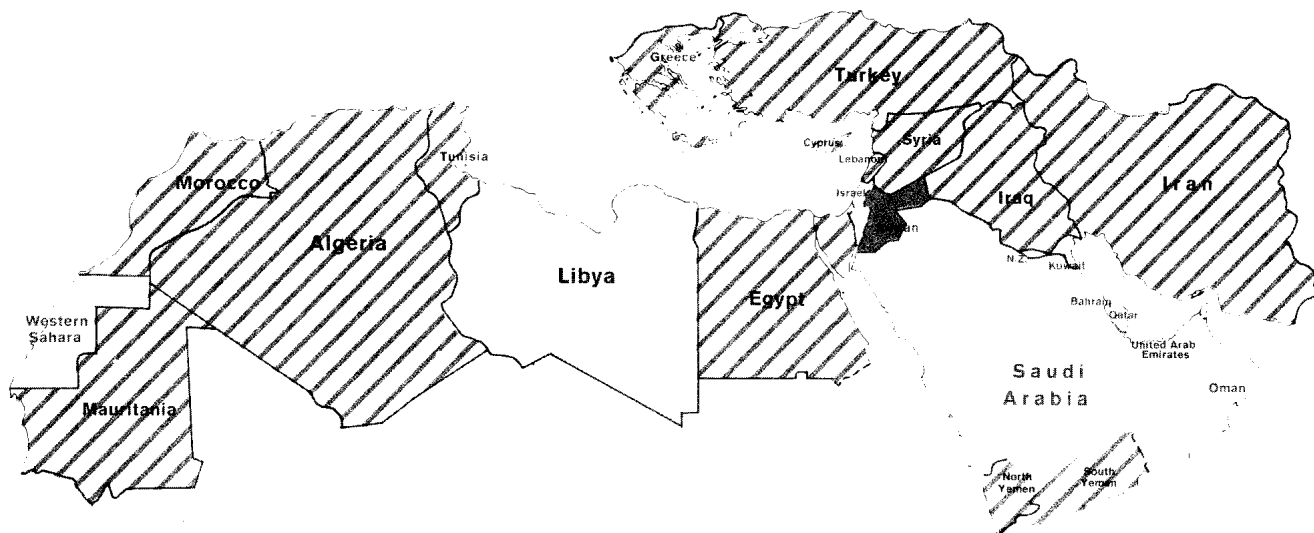
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Of the new academic students arriving in the USSR and Eastern Europe, about 50 percent came from Africa, an area always favored by the Communists, although Jordanian students made up the largest single contingent, and Afghan students the second largest. Most of the students in the USSR were on tuition scholarships, including personal allowances of about 90 rubles a month. East European countries have not been so generous, sometimes charging hard currency for attendance at their institutions, especially for Arab students.

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**Figure 7**  
**Middle East-North Africa: Communist Military and Economic Agreements, 1955-80**



**Agreements, 1980 (million US \$)**

Donor-Recipient	Military	Economic
<u>USSR</u>		
Libya	8,000	0
Algeria	3,000	315
Other	34	0
<u>Eastern Europe</u>		
Egypt	7	300
Iraq	276	0
Turkey	0	217
Other	160	20
<u>China</u>		
Egypt	1	96
Other	10	0
<b>Total</b>	<b>11,488</b>	<b>948</b>

- Economic agreement
- Military agreement
- Military and economic agreement

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Boundary representation is not necessarily authoritative.

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**Appendix**

**Regional Developments, 1980**

**The Middle East and North Africa**

Moscow has tried to steer a middle course in the Iran-Iraq war, not providing major military supplies to either combatant. However, East European countries (with Soviet sanction) emerged as important military suppliers to Iraq with agreements totaling \$275 million, and as suppliers of food and other essential goods to Iran. Elsewhere in the area, the USSR sold record amounts of military supplies to Libya and Algeria, signed a friendship treaty with Syria, and advanced its position on the Arabian Peninsula with large deliveries of military equipment to both Yemens. [redacted]

For Communist countries, the disruption of oil supplies from Iran and Iraq was a disturbing development. The cutoff of Iraqi supplies forced Moscow to find new sources of oil for its regular shipments to India and Turkey, although Iran still provided 28,000 barrels per day (b/d) of crude to Bulgaria, Hungary, and Romania, mostly in return for food. At yearend Tehran also agreed to send oil to India on the Soviet account (Moscow's first oil purchase from Tehran), but refused to resume gas deliveries that had been cut off in the spring because of a price dispute. [redacted]

Economic assistance played its traditional subsidiary role. Nonetheless, aid was proffered in large amounts to preferred LDCs such as Algeria, which received a \$315 million development credit (Moscow's largest ever to that country). The USSR also signed an agreement with Morocco to go ahead with the \$2 billion Meskala phosphates project. [redacted]

Spearheaded by Romania's \$300 million of trade credits to Egypt and Poland's \$217 million for power development in Turkey, Eastern Europe broke previous records with more than half a billion dollars of economic assistance to Middle Eastern countries in 1980. For the first time in the past decade, however, the number of East European technical economic personnel in the region declined because of a drop in the number of Romanians in Syria. Their number in

**Table 3** Number of Persons

**Communist Economic Technicians in the Middle East and North Africa 1980**

	Total	USSR	Eastern Europe	China	Cuba
<b>Total</b>	<b>73,000<sup>a</sup></b>	<b>21,915</b>	<b>40,850</b>	<b>4,000</b>	<b>5,470</b>
Algeria	11,080	6,000	4,550	360	170
Libya	28,655 <sup>a</sup>	1,000	23,900	5	3,000
Iran	2,275	2,200	75	..	..
Iraq	12,610	7,000	3,610	..	2,000
South Yemen	3,200	2,000	700	200	300
Syria	3,250	1,000	2,225	25	..
Other	11,930 <sup>a</sup>	2,715	5,790	3,410	..

<sup>a</sup> Including 765 North Koreans in Libya and North Yemen.

[redacted] 25X1

North Africa—still the largest Communist non-military contingent in the Third World—remained virtually unchanged (see table 3). [redacted] 25X1

**Middle East**

**Egypt: A Waning Relationship**

The USSR made no headway in mending relations with Egypt in 1980 despite the progress of other Communist countries. Negotiations for a new Soviet-Egyptian agreement came to naught, and Sadat reduced the number of Soviet technicians still working at Soviet-built plants in Egypt. Nonetheless, Egyptian personnel continued to go to the USSR for training in Soviet industrial plants, and Cairo followed its 1978-79 truck purchases from the USSR with an \$11 million order for 600 military trucks. [redacted] 25X1

At the same time, Cairo continued to seek compatible equipment from non-Soviet Communist sources to keep its aging inventory of Soviet military equipment

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operational. It placed an order with North Korea for \$40 million of artillery tank gun barrels, small arms and ammunition, trucks, and spare parts; and by yearend was close to signing a purchase agreement with China for tank gun barrels and F-7 aircraft. Cairo took delivery of 50 F-6 Chinese fighter aircraft ordered in 1979. China, also anxious to capitalize on Soviet failures, renewed a 1964 economic credit, making some \$95 million available for drawdown. [redacted]

Egypt received a record East European credit in 1980—a \$300 million trade credit from Romania—for building a cement plant and making railway improvements. At the same time, Hungary signed contracts under 1975 credit lines for additional assistance to agricultural development, and East German–Egyptian trade was shifted from clearing to hard currency payments in a five-year trade and payments agreement, signed in February. [redacted]

#### **Iraq: Relations With USSR at a New Low**

Iraq's disapproval of the Soviet invasion of Afghanistan was capped by Soviet refusal to deliver military equipment to Baghdad following Iraq's September invasion of Iran. [redacted]

***Downturn in Military Relations.*** Except for a trickle of spare parts and munitions, all of Baghdad's nearly \$500 million of Soviet arms receipts in 1980 arrived before the attack on Iran. Delivery levels prior to the outbreak of the war, however, had surged to a record \$1.8 billion in 1979—a sign in retrospect that Iraq was stockpiling for a possible confrontation. There is little doubt that Iraqi military planners had counted on Soviet deliveries remaining heavy right up to the start of the offensive; but Moscow, piqued over Baghdad's condemnation of Soviet actions in Afghanistan, reportedly demonstrated its displeasure by bottling up some of the \$2.5 billion worth of Iraqi hardware in the the pipeline during the first half of the year. [redacted]

The Kremlin's refusal to mount a resupply operation or to honor contracts already signed generated more public condemnation from Baghdad and forced Iraq to negotiate with other Warsaw Pact countries that (with Soviet permission) provided some critical spares and Soviet-type equipment. In addition to the \$40 million of East European armaments delivered under agree-

ments signed before the war broke out, Iraq concluded a series of immediate delivery contracts with Eastern Europe for critical items:

- Unspecified quantities of ammunition from Bulgaria.
- \$65 million from East Germany to build military storehouses and provide special materiel.
- \$50 million from Hungary from small arms and anti-aircraft guns. 25X1
- \$80 million from Poland for at least 120 T-55 tanks and other armaments.
- \$60 million from Romania for artillery pieces and other unspecified arms and support items. [redacted] 25X1

Yugoslavia continued work on \$850 million in construction contracts for developing a small arms and ammunition industry in Iraq. [redacted] 25X1

***Economic.*** The USSR maintained an air of normalcy in economic relations with Baghdad. After the war began, Moscow signed a contract to construct the 100 kilometer (km) Meshahda-Karkh petroleum pipeline and bid on several new development projects including: (a) an oil refinery at Halfayah, (b) a subway for Baghdad, (c) development of al-Faw port, and (d) facilities at the Haditha power project. Progress on projects already under way was stymied by the closure of Iraqi ports and a 10,000-ton backup of equipment for Soviet projects. Hostilities also damaged the Soviet-built power stations at Nassiriyah and Darbendi-Khan, required the evacuation of several thousand Soviet technical personnel, and caused a virtual halt to water injection at the Soviet-developed Rumaila oilfield. [redacted] 25X1

Hungary and Poland, confronted with similar problems, each withdrew 500 technicians, mostly from oil projects in battle areas. By yearend, however, technicians had begun to drift back to project sites. Prague contracted to repair the war-damaged Czech-built refinery at Basrah, and Bulgaria began work on the \$68 million Samara bridge project. Of deepest concern to CEMA countries was the cutoff of Iraqi oil, denying Eastern Europe 200,000 b/d and the USSR 50,000 b/d (mostly for Turkey and India). [redacted] 25X1

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**Iran: Relations With the USSR Disrupted**

Continuing strains with the Khomeini regime plagued the implementation of existing economic accords while Moscow's policy of evenhandedness in the Iran-Iraq war deprived Tehran of scheduled military supplies from the USSR. [redacted]

**Military.** Before Iraq's attack on Iran, the USSR had sent Tehran 100 BMP military vehicles (valued at \$80 million). Afterwards, Moscow, portraying itself as a neutral, refused to supply major military equipment owed Iran under the nearly \$500 million of outstanding contracts. North Korea became the only direct Communist source of armaments, agreeing to sell \$130 million worth of small arms, mortars, antitank weapons, and ammunition. [redacted]

**Economic Relations.** Even before hostilities, project activity had ground to a near halt despite Moscow's contingent of some 2,200 technical personnel at job sites. After the outbreak of war, about 500 Soviets were evacuated. Although in 1980 the USSR was able to buy Iranian oil for the first time (for its Indian account), Iranian natural gas still was not being pumped to the Soviet border at yearend. [redacted]

East European countries that had supplied food and raw materials to Iran after Western sanctions were imposed continued to receive Iranian oil—at least 28,000 b/d of bartered crude going to Bulgaria, Hungary, and Romania after the war began. Poland and East Germany also negotiated contracts for 1981. [redacted]

**North Yemen: A Military Show**

Large-scale arms deliveries and a doubling of the number of Soviet military advisers in North Yemen highlighted the continuing improvement in Sana's relations with Moscow, noted since the signing in 1979 of the huge \$717 million agreement for military assistance. [redacted]

Despite Saudi threats to cut off financial aid to Sana, Moscow has rebuilt its ties with the Yemen Arab Republic (YAR) through large volume, and fast delivery of modern weapons that Western suppliers are unwilling to provide, which can be easily integrated into Yemen's Soviet-equipped military establishment. Deliveries in 1980 topped \$400 million—nearly double

the value of all previous Soviet shipments—and included SU-20/22, MIG-21 jet fighters, ZSU-23-4 radar-controlled antiaircraft guns, SA-2 missile equipment, T-55 tanks, BM-21 rocket launchers, and BRDM-2 armored vehicles. An increase in the number of Soviet military personnel (to about 300) and the dispatch of 1,200 North Yemen cadets to the USSR for military training also helped revitalize Moscow's relations with the YAR Government. [redacted]

China continued as the most active Communist participant in North Yemen's economic program, with 2,000 technicians working on road construction, health care, and industrial development. The Chinese also (a) agreed to build government office buildings in Sana and other urban areas, (b) bid on commercial contracts, with some success, and (c) entered into joint ventures with Yemeni companies. Work on the cement plant being built by the USSR at Bajil was suspended because of problems with local contractors. [redacted]

**South Yemen: Virtually a Client State**

Even though South Yemen signed no major new contracts with Communist countries in 1980, military shipments under old accords were the second highest on record, and a larger CEMA country presence underscored Aden's increasing dependence on these states. [redacted]

**Military.** South Yemen's small armed forces, struggling to absorb over half a billion dollars worth of modern Soviet weapons received since mid-1978, ordered only \$10 million of trucks from the USSR in 1980 and a like amount of communications equipment from Hungary. The \$190 million of Soviet arms delivered in 1980 included a squadron of MIG-21 fighters, OSA-II guided-missile patrol boats, T-62 tanks, and BM-21 rocket launchers. The USSR also added 200 military advisers to the 800 already in country. [redacted]

**Economic.** East Germany was the only Communist country to extend new economic assistance to Aden in 1980—\$15 million for unidentified construction projects. Soviet activity focused on carrying forward programs under the more than \$100 million dollars of undrawn credits. A joint economic commission, established in May, will oversee the program and iron out



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problems in fulfilling contract obligations. The May accord also allocated funds for (a) constructing a desalinization plant and a 30-MW power plant, eventually to be expanded to 100-MW; (b) planning water and land use for expanding the irrigation program; and (c) exploring for oil—a \$55 million obligation. [redacted]

#### **Syria: Relations With Communist Countries Strengthened**

Moscow viewed Syria's signing of a friendship treaty with the USSR as a major foreign policy triumph. For Syria, the treaty was a recognition of its need for closer relations with Moscow to counteract regional developments, especially those stemming from the Camp David accords. [redacted]

**Military Deliveries Peak.** In 1980, Syria account for one-third of total Soviet arms deliveries, amounting to a record \$1.8 billion dollars—more than twice as much as shipped to any other LDC. Much of the equipment included the latest types of Soviet weapons, including Syria's first IL-76 long-range transports. Additional receipts of MIG-23 and MIG-25 fighters, SU-20/22 fighter-bombers, T-72 tanks, BMP infantry combat vehicles, and AA-6 Acrid air-to-air missiles were also noted. Syria, looking increasingly to Moscow for military support, had by yearend increased the number of Soviet military advisers in country to a record 3,000, who had penetrated the service structure down to the battalion level (in some cases the company level). Damascus also had begun negotiations for another major arms agreement, which probably will be finalized sometime in 1981. [redacted]

East European countries delivered \$135 million worth of equipment—mainly Czech T-55 tanks and L-39 jet trainers ordered in 1978-79. Czechoslovakia and Romania signed new agreements for an estimated \$6 million worth of small arms, spare parts, and unspecified equipment. [redacted]

**Economic Relations.** Syrian-Communist economic relations maintained their status quo in 1980. No new agreements were signed, and no new projects were initiated. The Syrians were disappointed that the Soviets refused to build a nuclear power plant they had promised earlier because Soviet studies concluded that it was not needed. Work continued, nonetheless, on Soviet railway, port, power, and land reclamation

projects, and Moscow completed the rail line between Latakia and Qamishli. [redacted]

Romania, Syria's largest East European donor, sent a delegation to Damascus in March to discuss Syria's aid requirements for consideration in Romania's new five-year plan. Bucharest's exports to Syria in 1980 were reduced by one-half (to \$100 million) as projects under way neared completion. Among other East European donors, Bulgaria agreed to step up the tempo of its assistance to agro-industrial projects. The Bulgarians proceeded with designs for the 1.5 million hectare Tigris irrigation system that will adjoin the 1.3 million hectare Bulgarian-built Kebir system. An East German protocol on economic and technical cooperation was signed in June, probably allocating some of the \$350 million of aid and trade credits still outstanding. This was followed by a Syrian contract for 200 rail cars. [redacted]

#### **Turkey: Bilateral Economic Ties With Moscow Continue Strong**

The military government in Turkey that replaced the leftist Ecevit regime in September, though more skeptical of Moscow's intentions and perturbed over the Soviet invasion of Afghanistan, has tried not to jeopardize relations with the USSR and Eastern Europe. The government wanted to guarantee continued Soviet oil supplies to Turkey and the continuation of project assistance under the Soviet-Turkish framework agreement. [redacted]

Disappointed that the Soviets would not provide the 60,000 b/d of crude oil agreed to in 1978, the Turks settled for 26,000 b/d—all transshipped from Libya and Iraq. [redacted]

The large open-ended 1975 Soviet agreement, which makes sizable amounts of assistance available for heavy industrial projects, is a development source Turkey feels it cannot afford to let go. Thus, in 1980, Moscow proceeded with technical reports for a heavy industrial equipment plant and drafted an agreement to enlarge the Soviet-built Aliaga refinery and the Seydischir aluminum complex. It also prepared a feasibility report and designs for a 350,000-ton rolled-steel facility. [redacted]

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East European countries were particularly active in Turkey. Warsaw reportedly agreed to extend \$217 million of new credits (undoubtedly trade credits) that provided \$65 million for a third generator at the Polish-built Yatagan power plant and \$152 million for a thermal power plant at Sekkoy. East Germany agreed to construct seven industrial projects in Turkey in return for Turkish goods, and a Czech-Finnish company was awarded a contract for expanding the SOMA B thermal power plant, originally built by Czechoslovakia and Finland. [redacted]

**Other Middle East Countries**

*Cyprus* received a \$5 million supplement to its 1976 credit from Czechoslovakia for importing complete plants and equipment. [redacted]

Moscow's failure to provide more oil and the electricity and natural gas, promised in 1979, clouded the USSR's relations with *Greece* in 1980. The USSR also refused to assure a market for output from a proposed joint alumina plant that the two countries have been discussing for the past three years. [redacted]

*Jordan's* relations with the USSR cooled at the end of the year when Moscow canceled King Hussein's scheduled visit to the USSR for discussions on military supplies. The USSR, however, agreed to study the feasibility of a 300- to 400-megawatt (MW) power plant, fired by locally produced oil shale. Romanian technicians worked on the third-stage expansion of the Zarqa petroleum refinery and a high-voltage electric network for southern Jordan—probably on a commercial basis. China and Jordan formed a joint venture for constructing projects in the Middle East. The first project was a youth rehabilitation center near Amman for which China provided some building materials and dispatched 350 technicians. [redacted]

*Kuwait* signed a contract allowing Romania to import 15,000 b/d of crude oil for hard currency; China agreed to provide 125 workers to Kuwait under commercial contract; and Czechoslovakia tried, without success, to persuade Kuwait to barter oil for power and cement installations, refinery equipment, food processing plants, and prefab housing. [redacted]

**North Africa**

**Algeria: Military Aid Still the Vital Tie**

The strength of the Soviet-Algerian relationship remains rooted in the military despite additional economic aid provided in 1980. An arms accord with the USSR, reported as a \$2.2 billion agreement in 1979, was not finalized until 1980. The 1980 pact is valued at about \$3 billion, bringing total Soviet-Algerian arms agreements since 1962 up to about \$5 billion and making Algeria the fifth-ranking buyer of Soviet weaponry. [redacted]

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Some ground weapons ordered under the new accord were delivered in 1980. The Algerian Navy also became the first in the North African-Middle East region to receive a Nanuchka-class guided-missile coastal patrol craft—one of three purchased in 1977—and a Koni-class frigate. [redacted]

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**More Economic Aid.** The signing of a \$315 million contract for a power plant, mining development, and educational assistance brought total Soviet credits under the 1976 framework agreement up to \$600 million. The 630-MW power plant will support the reduction process at the proposed M'sila aluminum plant for which Moscow had previously extended \$290 million of credits under the framework agreement. [redacted]

As part of the effort to bring capacity at the Soviet-built Annaba steel mill up to 2 million tons by 1983, a new blast furnace was commissioned in August. This raises the mill's annual capacity by 1.6 million ingot tons. Only East Germany, among the other Communist countries, undertook new initiatives—the renewal of a 1977 economic and technical cooperation accord and agreement to build cement, cable, and agricultural equipment plants. [redacted]

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**Libya: Moscow's Number-One Arms Client**

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Despite Soviet reservations over the compatibility of Communism and Libyan radical Arab nationalism, the USSR continued to capitalize on Tripoli's fervor for building an arms arsenal. A 1980 arms agreement reportedly worth up to \$8 billion (Moscow's largest ever with a Third World country) was yet another step

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toward expanding Soviet-Libyan relations and introducing more Soviet technical personnel into the country. The new accord pushes total Soviet sales to Libya to nearly \$15 billion, equivalent to 70 percent of Libya's total arms purchases since Qadhafi took control in 1969, and made Libya the USSR's leading arms customer. [redacted]

As has been noted since early 1974, Moscow showed little restraint in responding to Libyan requests for advanced weaponry. The Soviets are anxious to garner the hard currency and possibly to use the Libyans to support Soviet ambitions in the Middle East. [redacted]

[redacted] the equipment ordered provided for across-the-board upgrading of Qadhafi's huge arsenal. It could also be used as a source for equipment that Libya may send to Syria, Iran, and other LDCs. [redacted]

Libya's reasons for acquiring this huge arsenal in the face of limited technical capability is debatable. Its use for support of Libyan objectives in other LDCs, however, has been documented. For example (a) Iran has received Soviet-origin ordnance, spare parts, and ground equipment from Libya for the war against Iraq; (b) Chad's present pro-Libyan regime was installed and maintained by Libyan military intervention; (c) Syria received MIG-23 aircraft to replace those destroyed in engagements with Israel; (d) Polisario forces in Western Sahara have been receiving Libyan weapons support indirectly through Algeria; (e) Somalian dissidents operating against the present government are being supported with Libyan money, arms, and training; and (f) other dissident groups have received military training in Libya. [redacted]

Bulgaria signed an unprecedented \$99 million contract for unspecified military goods in 1980, while North Korea and Yugoslavia closed deals together worth some \$350 million for ground weapons and technical assistance. [redacted]

**The Economic Relationship.** Technical assistance remained the backbone of Eastern Europe's program in Libya as about 24,000 East Europeans provided a broad range of services on a commercial basis. The Soviet presence remained at the 1,000-man level estab-

lished in 1979, as the USSR continued work on commercial contracts under an economic and technical cooperation agreement signed in 1976. Moscow bought 30,000 b/d of crude oil for shipment to Greece and Turkey, and Tripoli promised additional supplies to replace Iraqi oil in 1981. [redacted]

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#### Other North Africa

China remained the most influential Communist country in *Mauritania*, as it completed a hospital at Selibaby, accelerated construction activity at Nouakchott port, and began work on a 10,000-seat Olympic stadium in the capital. The USSR renewed the fisheries licensing agreement that had been canceled in 1978, and Romania and Mauritania entered into a joint fishing venture. Both accords were under review at yearend. [redacted]

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The on-again/off-again Meskala phosphate complex in *Morocco* seemed firmly headed for implementation at yearend with the signing of a contract to begin construction early in 1981 and scheduled initial operations in 1983. Rabat also agreed to sell the USSR phosphates from other Moroccan fields, and Moscow again raised the question of participating in oil shale development at Timahdit. [redacted]

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East Germany signed the only new Communist-Moroccan economic agreement—its first with Morocco—for cooperation in metals and minerals exploration. Romania, Morocco's most active East European contractor, agreed to cooperate further in mining and transportation development. [redacted]

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The Communist presence in *Tunisia* tripled in 1980 to 1,165 as China accelerated construction of the Madjerda-Cap Bon Canal. Sixty Soviets arrived to work on the \$75 million Soviet-financed Joumine Dam at Mateur, joining the 275 Soviet teachers and doctors in country. About 15 Soviet ships were repaired at the Menzel Bourguiba shipyard in 1980 under the 1978 agreement. Moscow also offered to increase the number of boats brought in for repairs and to provide technical help in order to expand Tunisian services to Soviet ships. [redacted]

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**South Asia**

New Soviet overtures to India and an even deeper entrenchment into Afghan affairs characterized the USSR's 1980 stance in South Asia. At the same time, the Soviet presence in Kabul heightened Pakistan's regional uncertainties and precipitated Islamabad's turn to China for new economic and military aid, and to its Arab benefactors for financial assurances. [redacted]

**Afghanistan: Dependence on the USSR Grows**

The seating of the new Babrak Karmal regime in Afghanistan backed by an expanded Soviet military presence and large amounts of emergency commodity assistance gave Moscow direct control over Afghani government affairs. [redacted]

**Economic Aid.** The USSR agreed to (a) provide \$230 million of emergency commodity and food assistance, all as grants—with \$155 million for delivery in 1980, and (b) increase Soviet payments for Afghan natural gas, bringing the total to more than \$200 million a year—equivalent to one-third of Kabul's export revenues. We also have reporting on \$410 million of Soviet aid extended in 1979 but not previously noted, that includes \$106 million for oil development and \$304 million for exploitation of the Ainak copper reserves. The 1979-80 aid pledges bring Soviet commitments since the Marxist takeover in 1978 to nearly \$700 million (\$1.9 billion since 1954), maintaining Kabul's fourth ranking among Moscow's Third World economic aid recipients. [redacted]

Continued rebel activity reduced the scale and scope of Communist project activity and led to a reduction in the number of technical advisers. Nonetheless, the USSR was able to complete the \$56 million Jeraqduq gas desulfurization unit, and exploratory work uncovered reserves of 100 million barrels of crude oil at six locations and 40 trillion cubic feet of natural gas. [redacted]

In addition to the estimated flow of some \$185 million of Soviet goods and project assistance to Kabul in 1980, the 85,000 Soviet troops stationed in Afghanistan imposed an additional drain of more than 425 million rubles. [redacted]

East European countries willing to support the Soviet position in Afghanistan pledged an additional \$115 million of aid. The Czechs extended \$90 million of the total for coal, power, and other development projects and East Germany \$20 million as part of its first economic cooperation agreement with Afghanistan.

Bulgaria promised to accelerate assistance to agriculture and light industry but was unable to implement projects because of civil unrest. [redacted]

**Military Stranglehold.** The overwhelming Soviet presence was extended to every level of the Afghan military and security forces. While the 4,000-man Soviet advisory team was kept at the 1979 level, the 50,000 Soviet troop contingent rose to 85,000 by yearend 1980. Because of difficulties in separating Soviet military deliveries for Afghan Government use from those sent to Soviet forces, we can account only about \$20 million of ground support items specifically for Afghan forces in 1980. [redacted]

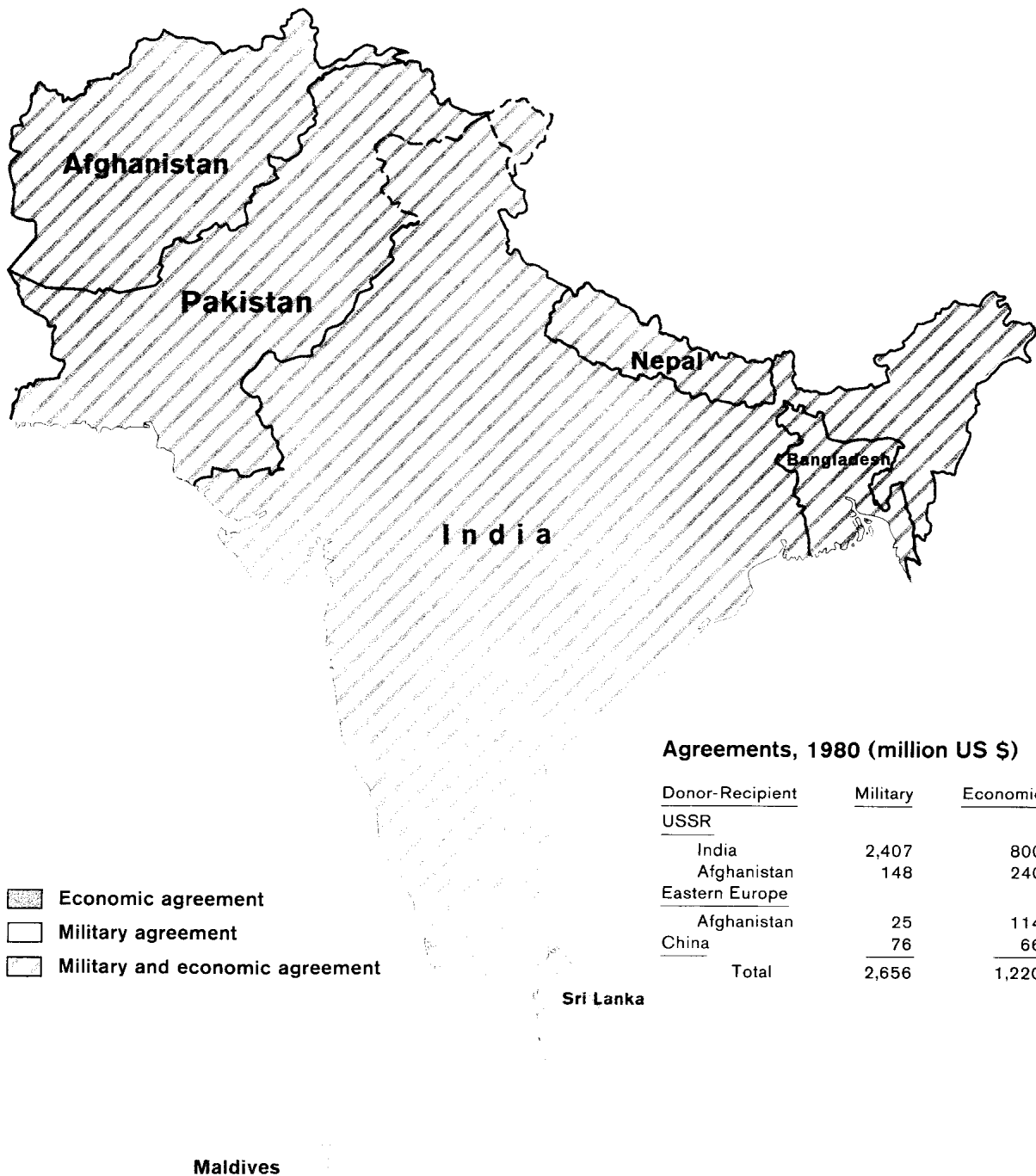
[redacted] new military accords, valued at about \$150 million, were promulgated soon after the seating of the Karmal government. [redacted]

As part of Moscow's plan for rebuilding Afghanistan's military establishment, the USSR accepted large groups of Afghan personnel for training—their number rising from a few hundred a year before the Soviet occupation to 800 in 1980. [redacted]

**India: Continuing Close Relations With USSR**  
The Brezhnev visit in December 1980 highlighted the importance Moscow attaches to India as a counterweight to China and as a major ally among the moderates of the nonaligned bloc. The visit capped a year of active economic and military collaboration as the USSR reestablished personal ties with Prime Minister Indira Gandhi. [redacted]

**Military Supply Relationship Reaffirmed.** In May, Gandhi's government accepted a year-old Soviet offer of a \$2.4 billion arms package that will increase the level of sophistication of India's air, ground, and naval forces. Included in the package are more T-72 tanks, armored reconnaissance vehicles, guided-missile systems, and advanced aircraft (including MIG-23s, [redacted])

**Figure 8**  
**South Asia: Communist Military and Economic Agreements, 1955-80**



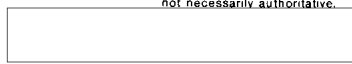
**Agreements, 1980 (million US \$)**

<u>Donor-Recipient</u>	<u>Military</u>	<u>Economic</u>
<u>USSR</u>		
India	2,407	800
Afghanistan	148	240
<u>Eastern Europe</u>		
Afghanistan	25	114
China	76	66
<b>Total</b>	<b>2,656</b>	<b>1,220</b>

- Economic agreement
- Military agreement
- Military and economic agreement

Boundary representation is not necessarily authoritative.

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MIG-25s, and AN-32 transports). The agreement also may lead to licensed production of the MIG-23.

[redacted]

New Delhi, using its preferred status with the USSR as leverage in the negotiations, exacted exceptionally easy repayment terms—amortization over 17 to 20 years, in inconvertible rupees, as 2.5-percent interest. The terms, together with assurance of rapid delivery (beginning in August) and possible licensing privileges have delayed, if not scuttled, the arms purchase diversification plans that had begun to emerge in 1977 under the Janata party government. During 1980, India also received the first of three Kashin-class guided-missile destroyers purchased in 1975—Moscow's first export of the Kashin. [redacted]

***Economic Relations Expanded.*** The most important outcome of the Brezhnev visit was a Soviet agreement to extend \$800 million of economic aid, bringing the Soviet commitment to India to more than \$3 billion. The new credits carry the highly concessional repayment terms of the 1977 agreement—17 years after a three-year grace, at 2.5-percent interest. A large part of the new aid probably will be used to finance a 3.4-million-ton integrated steel plant at Visakhapatnam on the east coast of India, and other allocations made in 1980 may also draw on the \$800 million credit line. These include:

- Constructing concrete dams.
- Oil exploration in Tripura.
- Development of ferrous powder metallurgy.
- Construction of two thermoelectric power stations.
- Increasing Indian coal production.
- Mineral exploration. [redacted]

With India deprived of nearly two-thirds of its crude oil supplies from Iran and Iraq after the cutoff in October, energy ranked high on the list of topics discussed with Brezhnev during his visit. A five-year agreement committed the USSR to supply 170 million barrels of crude oil and products. In an exchange of oil for grain and other Indian products in 1980, the USSR provided India with 34,000 b/d of Iraqi crude and 44,000 b/d of products—nearly half of India's annual requirements. [redacted]

Pressure also had built up for more Soviet imports of Indian raw materials and industrial goods. The USSR tried to satisfy some Indian demands with ad hoc orders and has agreed to counteract the higher oil prices and resulting trade imbalance by buying more output from Soviet-assisted plants in India for Soviet enterprises abroad. Extensive discussions were held on possible Indo-Soviet cooperation in Soviet projects being built in third countries—including the steel mill in Nigeria, a nuclear power plant in Libya, and irrigation projects in Libya and Iraq. The USSR also expressed interest in constructing a steel plant at Mangalore and announced that the 120,000 b/d Mathura oil refinery, built with \$20 million of Soviet credits, would come on stream in a few months. [redacted]

Other Communist countries moved to close economic deals with India, including Hungary's contracts for building sections of the Calcutta subway, a fluorescent lamp plant, and a high-voltage power transmission system. Romania offered equipment for thermal and hydroelectric power plants and aid to the iron and steel industry. [redacted]

#### **Other South Asia**

Despite small disbursements of Soviet aid and Moscow's agreement to supply limited amounts of diesel oil, Soviet relations with *Bangladesh* deteriorated in 1980 because of Bangladesh's alarm over the invasion of Afghanistan. For the most part, Communist aid to Bangladesh was a Chinese show. Beijing pledged \$35 million in new 20-year credits even though a \$60 million 1977 credit had not been drawn. Earlier in 1980, China had signed its first long-term trade agreement with Bangladesh, calling for \$150-250 million of trade in each direction over the next five years (\$75 million in the first year). China also agreed to provide 48 T-59 tanks, artillery, mortars, and ammunition. [redacted]

The Chinese finished work on another road in *Nepal*, the Naranghar-Gurkha road, that feeds into the Chinese-built ring road system. China again delayed initiating work on the Pokhara-Surkhet road for which Beijing had extended \$80 million in 1975. [redacted]

Despite *Pakistan's* continuing concern over Soviet intervention in the region and new tension over Islamabad's alleged support to the Afghan resistance, the number of Soviet technicians at work on the Soviet-assisted Karachi steel mill and the second stage of a thermal power plant at Guddu increased to 750 from 650 in 1979. Pig-iron production at the mill was scheduled for December 1980 and steel in 1981—two years behind the original schedule. The Soviet-assisted Guddu power plant went into operation in 1980.

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The Chinese, whom the Pakistanis view as a counterweight to the USSR, have provided far smaller amounts of development assistance (except for extensive intercountry road building). China has concentrated instead on military aid. A new \$100 million credit, billed as military assistance, allocated \$35 million for economic projects—possibly for expanding and modernizing several military-related industrial facilities built earlier with Chinese aid. The military credits probably went for China's first sale of F-7 interceptor aircraft, and additional armor. The Chinese completed an F-6 rebuild facility at the Chinese-built Taxila complex, giving Pakistan's Air Force an expanded maintenance and overhaul capability; however, Pakistan's F-6s still must be shipped to China for major overhauls. Beijing also completed work at a foundry-forge facility at Taxila and began work on a cement plant, drawing on Chinese credits extended in 1972 and equipment produced at the Taxila complex.

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*Sri Lanka* announced that it would not draw the balance of a 1975 Soviet credit (estimated at \$52 million) to construct the Samanalawewa hydropower project, apparently because of dissatisfaction with the terms of the aid—a 12-year, 2.5-percent loan.

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## Sub-Saharan Africa

The USSR undertook no bold new military or economic initiatives in Sub-Saharan Africa in 1980 and failed to acquire desired air and naval base rights privileges—especially in the Congo, Guinea, and Madagascar. Even Ethiopia did not formalize Soviet control of the small naval facility Moscow has been using at Dahlak. [redacted]

Only about \$435 million in new Communist military agreements (the lowest amount since 1975) and \$400 million of economic pacts were signed—the latter pushed up by large new Soviet aid to Ethiopia. The Communist military presence in black Africa—still the largest in the Third World—dropped for the second straight year to 35,200, largely because of the estimated 3,000-man reduction of Cubans in Angola and Ethiopia and despite a 75-percent rise in Soviet personnel in Ethiopia, Madagascar, and Zambia. At the same time, the number of economic technicians increased to 31,500 because of 3,000 additional East Europeans and Cubans in Angola and Ethiopia.

Moscow's economic pledges reflected its highly selective interest in Africa and a continued indifference to the continent's development needs. Virtually all of the \$180 million of Soviet aid to Sub-Saharan Africa in 1980 went to Ethiopia for oil subsidies and a cement plant. The \$65 million of East European credits—declining 40 percent from 1979—were divided almost equally between Madagascar and Zambia, with token aid to Ethiopia. Despite continued stringencies at home, Chinese assistance rebounded to more than \$160 million—a five-year high. Beijing provided aid to Djibouti and the Republic of Zimbabwe—each country's first aid from a Communist donor—along with credits to five of China's traditional clients. [redacted]

### Angola: Relationship in Low Key

Soviet military aid to Angola, which had fallen off immediately after the postindependence surge, declined even further in 1980. The Soviets provided about \$15 million of new arms assistance and continued to deliver small amounts of military equipment—including MI-8 helicopters, MIG-21s, Zhuk patrol boats, and armored personnel cars. Technical support, although somewhat reduced, continued as the most

important link. Cuban military personnel—by far the most numerous of the teams in Angola since the Popular Movement for the Liberation of Angola seized control in 1975—dropped by several thousand to about 17,000 in 1980, while the number of Soviet personnel remained at about 1,000. [redacted]

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**Slow Movement in Economic Projects.** Despite cancellation of the Angolan-Cuban fishing agreement and reported efforts by Luanda to replace Cuban civilian advisers with European personnel, Havana actually increased its civilian team in 1980. Of the 8,000 present, most were engaged in public health, teaching, and civil works and rehabilitation. A 1980 protocol allocated \$25 million of Cuban credits extended in 1979 for road paving, a cold storage plant, and a dam.

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About 3,000 East Europeans were assigned to administrative jobs, agricultural development, and light infrastructural development. Some 500 Soviets were spread throughout the economy, from the highest Angolan ministries to the fishing fleet. [redacted]

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Angola continued the slow drawdown of the \$15 million of Soviet credits extended for agriculture and fisheries development in 1976-77. Poland agreed to cooperate in fisheries development and training. An East German protocol, probably under a \$10 million 1976 agreement, allocated aid to agriculture, mining, road and rail transport, and port development. Hungary agreed to implement its 1979 agreement at the joint Hungarian-Angolan economic commission's first session. Hungary will (a) set up an assembly line in Angola for 9,000 Hungarian buses; (b) construct and outfit two complete hospitals, and (c) reconstruct poultry farms and build fish hatcheries. [redacted]

25X1

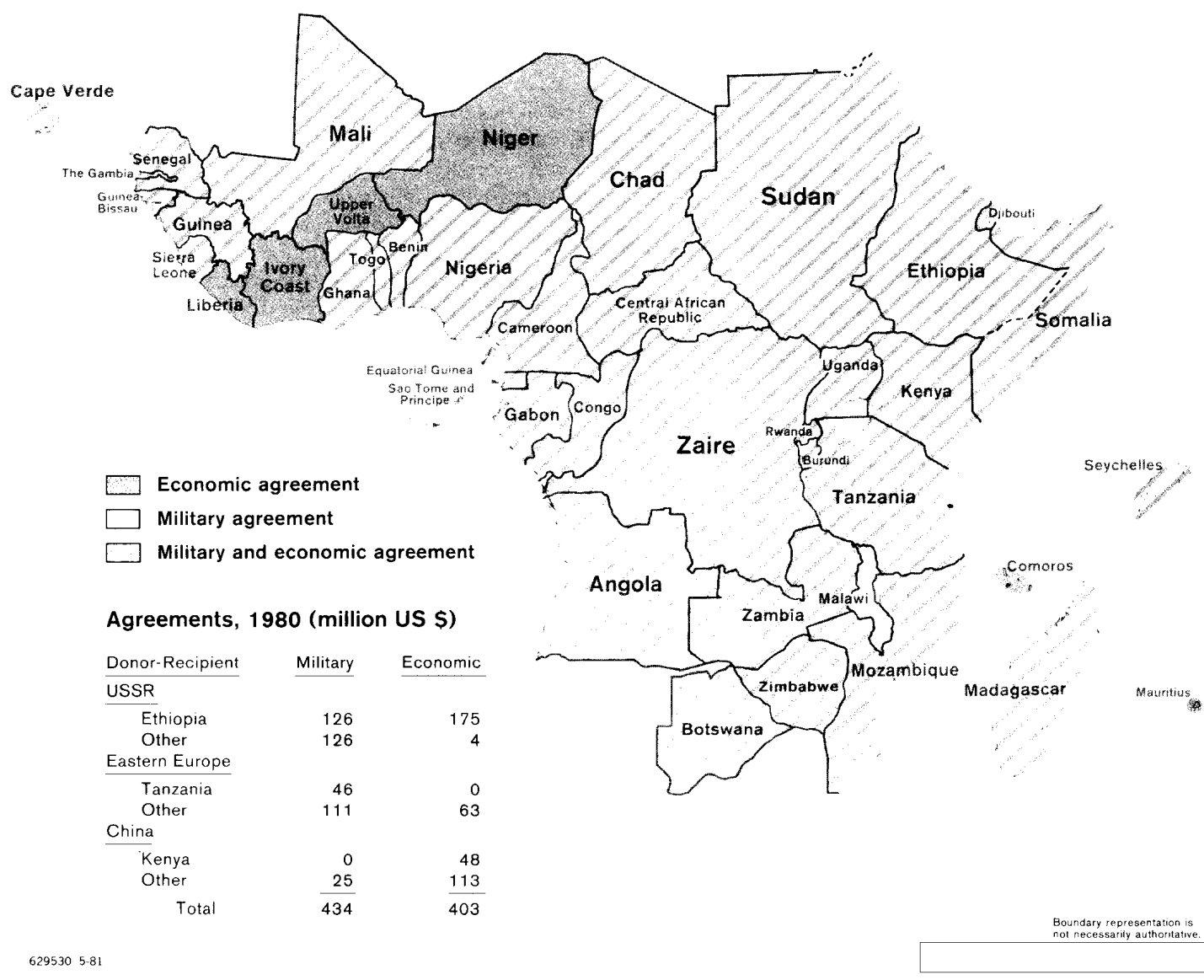
### Ethiopia: Economic Dependence on Moscow Increases

Soviet economic relations with Ethiopia's Marxist regime were strengthened in 1980 as Moscow came through on years of promises with \$175 million of new economic assistance. The USSR, which had already approved \$200 million of project aid under earlier credit lines, provided \$75 million credits for building a cement plant. Most important, Moscow extended a discount (equivalent to grant aid) on the purchase of



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**Figure 9**  
**Sub-Saharan Africa: Communist Military and Economic Agreements, 1955-80**



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Soviet oil in 1980 and 1981. We also suspect that large recent deficits observed in Ethiopia's trade with the Soviets persisted into 1980 with settlement unlikely—adding significantly to the Soviet aid total. [redacted]

Cuban economic technicians maintained a near 1,000-man level, working on agriculture, education, and infrastructural development projects, but little activity was noted on the \$300 million East European programs. The only new work was that initiated by Cuban contractors on a cement plant financed by East Germany. A protocol to the 1978 Bulgarian accord spelled out the details of assistance to agricultural and industrial projects. [redacted]

**Military Assistance Continues.** Despite continued Soviet use of Dahlak Island for supporting Moscow's Indian Ocean operations, Ethiopia did not formalize Soviet control over the naval facility. Nor did the USSR gain desired control over other facilities. [redacted]

Moscow added \$126 million to its \$2 billion military commitment to the Mengistu regime, however, and increased its military presence to some 1,500 men. Nonetheless, the 12,000-man Cuban contingent remained the principal military force. Under the new accords, Moscow will provide (a) MI-24 helicopters; and (b) three replacement craft for OSA II missile attack boats delivered earlier. [redacted]

**Mozambique: A Restrained Communist Effort**  
Mozambique was disappointed by European Communist failure to provide heavy economic support for its development plans and CEMA's failure to admit it as a full member. [redacted]

The only important Communist initiative in 1980 was a Soviet promise eventually to provide \$75-100 million in credits for (a) the construction of a rail line from Beira to the coal mines at Moatize, and (b) commodity aid. Under credits extended in 1977, the Soviets delivered four fishing boats to the joint Soviet-Mozambican fishing company. [redacted]

Bulgaria signed an economic and technical cooperation agreement for aid to agriculture, industry, and transportation, while Czechoslovakia and Hungary agreed

to projects (Czechoslovakia for a medical school) that will require additional aid. Meanwhile, Romanian-Mozambican cooperation in oil refining was temporarily shelved because of a disagreement over the plans [redacted] 25X1

East Germany and Hungary extended new military assistance: East Germany, a five-year, \$30 million grant of outdated aircraft, tanks, field guns, patrol craft, and ground naval training; Hungary, a grant of 12 MIG-17 aircraft and air defense weapons. Mozambique also considered a Bulgarian bid for a small arms plant. [redacted] 25X1

**Nigeria: The Soviets Lose Ground in 1980**  
Nigeria's new civilian government in Lagos expressed disappointment with the slow pace of Soviet programs and concern over maintenance problems with military equipment. [redacted] 25X1

At yearend, the Ajaokuta iron and steel mill complex—Moscow's largest and most prestigious project in black Africa—was still in a preliminary stage. Delays have already pushed the project's total estimated cost upwards of \$3.7 billion, three times the early-1970 estimates. At the same time, the Nigerians were pleased with the completion of a 600-km Soviet-built pipeline. [redacted] 25X1

Nigeria expanded its limited economic relations with East European countries, with the signing of a \$500 million Polish-Soviet-Cuban accord for cultivating and processing sugarcane beginning in 1981. The Cubans will cultivate sugarcane, the Soviets will handle the irrigation, and the Poles will build the sugar mill. Poland also signed a \$34 million contract for electrifying 58 Nigerian villages and delivered five of the 45 trawlers it had agreed to in an earlier \$5.3 million contract. The Poles also continued to train Nigerian fishermen and provided technical services for coal exploration. Bulgarian accords provide for building a pharmaceutical plant and a fertilizer plant. [redacted] 25X1

**Tanzania: Military Aid**  
Despite Dar es Salaam's continued opposition to Moscow's invasion of Afghanistan and its suspicion of Soviet aims in Africa, Soviet-Tanzanian relations remain rooted in Tanzania's dependence on the USSR 25X1

for arms. Moscow agreed to \$54 million in new arms sales in 1980, under typically lenient repayment terms. Tanzania accepted Soviet offers of MIG-21 aircraft, medium tanks, field artillery pieces, and other ground equipment, but turned down other modern hardware (including FROG-7 surface-to-surface rocket launchers) because of financial concerns. [redacted]

No new Soviet economic aid activity was noted, although plans for starting work on a hydroelectric plant on the Kiwira River were under way and small amounts of assistance were disbursed for agriculture and mining development. All in all, only about \$10 million of the nearly \$40 million of Soviet economic aid extended in 1966 and 1977 had been drawn by yearend. [redacted]

**Chinese Still Have a Presence.** The Chinese maintained a close relationship with Tanzania even though in 1974 China lost Tanzania as its second largest arms customer. In 1980 Dar es Salaam turned down China's offers of additional F-6 (MIG-19) fighters and F-9 strike aircraft, B-5 (IL-28 copy) bombers, and naval craft. China agreed to repair a bridge on the Tan Zam railroad for which it extended a \$15 million credit (split evenly between Tanzania and Zambia). Beijing also signed a contract for work on the Tanzanian national assembly headquarters in the new capital, Dodoma, under a 1974 line of credit, and agreed to provide services for iron and coal development under that credit line. [redacted]

**Zambia: Limiting Moscow's Role to Military Supply** Zambia, which served as a training ground for insurgents operating against white-ruled governments in southern Africa, turned to the USSR in the late 1970s for military equipment because of Rhodesian incursions and Western refusal to supply equipment. Under a \$10 million 1980 agreement the USSR delivered MIG-21 fighters, SA-3 surface-to-surface missiles and launchers, other air defense weapons, assorted ground weapons (including tanks), and support equipment (under a 1979 accord valued at more than \$200 million), and five MI-8 helicopters. The USSR also had 40 technicians in Zambia in 1980, mostly to assemble and deploy some of the new hardware. Nonetheless, the Zambians refused Moscow permission to build and control a training base for MIG-21 pilots near the Zambian-Mozambican border. [redacted]

In 1980, some 35 East German military advisers also arrived to help deploy and train the Zambian National Defense Forces, while the Cuban military mission, which had supported ZAPU activities in Rhodesia before Zimbabwe's independence, was deactivated in June. [redacted]

The only important Soviet-Zambian nonmilitary connection in 1980 was 270 Soviet teachers and administrative personnel in Zambia. Zambia's President Kaunda took a month-long tour in Bulgaria, Czechoslovakia, East Germany, Poland, and Romania to discuss economic and technical cooperation. East Germany came through with \$32 million of aid for Zambian agriculture, and Romania agreed to Zambia's use of credits extended in 1972 for (a) improving the agro-industrial structure in Zambia; (b) constructing plants for copper sheets, textiles, and light industrial goods; and (c) improving the transportation and forestry sectors. [redacted]

**Other Africa**

Beijing resumed its most important assistance effort in *Burundi*—construction of the 115 km Bujumbura-Rutovo road—after resolving questions on the number of Chinese technicians that will work on the project. [redacted]

Despite Soviet pressures on *Cape Verde*, the island government again denied military bases to the USSR and refused, for the third time, to sign a fisheries agreement with Moscow. [redacted]

Relations between the USSR and *Congo* cooled over Congo's denial of base rights to the Soviets at Pointe Noire and Brazzaville's disappointment with Moscow's minuscule economic aid commitments. The final straw was Soviet cancellation of the Congolese President's trip to Moscow. This action prevented (a) the signing of a friendship treaty, (b) a possible Soviet agreement to build 4,000 km of roads in Congo, and (c) an agreement to give Moscow fishing rights in Congolese waters. Moscow had agreed earlier to expand the Soviet-built Brazzaville hospital and construct an additional 200-bed hospital in Louboumo under a 1975 credit. [redacted]

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China extended \$30 million of development assistance to *Djibouti*, the country's first Communist aid commitment. [redacted]

Moscow lost its most important West African fishing base in *Equatorial Guinea* in January when the new Western-oriented government refused to renew a six-year-old fisheries accord. [redacted]

The USSR signed its first economic cooperation agreement with *Gabon* after more than five years of negotiations. Romania discussed cooperation in agriculture and infrastructural development despite Gabon's failure to act on Romania's 1978 \$300 million offer to construct the trans-Gabon railway. Romania had asked for oil and other strategic materials as repayment. [redacted]

Despite earlier failure in Moscow's economic and military programs in *Guinea*, Conakry apparently accepted a gift of MIG-21 fighters, several transport aircraft, and an MI-8 helicopter, and Soviet replacement of \$3.3 million worth of equipment lost in a 1979 accident on the Soviet-built Kindia-Conakry railroad. The Soviets refused, however, to supply military spare parts and petroleum products on the usual concessionary terms. Meanwhile, Guinea maintained good relations with the Chinese, who extended \$34 million of additional credits for expanding projects begun earlier. [redacted]

China moved to consolidate already strong relations with *Kenya* with a \$48 million credit for a stadium in Nairobi and other development projects. [redacted]

Despite *Madagascar's* mistrust of Soviet intentions and resistance to Soviet pressures for access to naval facilities at Diego Suarez and the nearby airfield, Antananarivo became even more dependent on Moscow for weapons and military personnel in 1980. The \$29 million of deliveries under 1978-79 arms accords gave Madagascar its first MIG-21 fighters, the first of four AN-26 transports, and air defense artillery. In 1980, the USSR agreed to provide MI-8 helicopters and a second YAK-40 aircraft. Because of the need for advisers to train local personnel in operating and maintaining the new hardware, the number of Soviet military personnel in Madagascar shot up to 300. There

were reports that nearly 200 Cuban security advisers also arrived in October. [redacted]

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Economic relations with Madagascar were marked by a \$30 million Romanian credit for mining, agriculture, and road building and an East German commercial agreement signed at the first session of the joint East Germany-Madagascar economic commission. Discussions were held with Czechoslovakia on implementing a 1974 economic cooperation agreement. [redacted]

25X1

The USSR moved to repair its faltering relationship with *Mali* with a \$150 million arms offer, but refused to budge on the \$10 million annual repayments due, beginning in 1980, on Mali's \$100 million military debt. The Soviets have demanded payment in gold from the Soviet-built Kalana mine, still being operated by Soviet technicians. In March, Mali signed its first economic and technical cooperation agreement with Cuba, and in May China completed reconstruction of the Markala dam. [redacted]

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Cuba opened an Embassy in *Rwanda* in 1980, following the establishment of diplomatic relations the year before. China, still Rwanda's favored Communist partner, began building the Cyangugu cement plant under a 1972 \$22-million credit. It also continued work on rice projects. North Korea completed a \$2.4 million youth palace. [redacted]

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Cuba agreed to construct 1,300 housing units in *Sao Tome-Principe* in 1981-86. [redacted]

25X1

Chinese technicians in *Senegal* began construction of a 60,000-seat stadium in Dakar with a \$12 million allotment under a 1973 line of credit. [redacted]

25X1

Chinese economic aid to *Sierra Leone* continued as the largest and most active Communist program in the country, with work initiated on government office buildings, and an access road and power transmission lines for the Kenema hydroelectric dam. Moscow renewed its joint fishing venture with Sierra Leone, providing the country with three fishing boats and a patrol craft. [redacted]

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In 1980 Cuba signed an economic and technical cooperation agreement covering agriculture, education, public health, and training of *Seychelles* nationals in Cuba. North Korea rewarded Victoria's break in relations with South Korea with a gift of 1,000 tons of cement, trucks, tractors, and other agricultural equipment. The USSR donated \$40,000 worth of drugs and medical equipment and agreed to create a Soviet-Seychelles maritime commission. [redacted]

25X1

*Somalia* strengthened its already close relations with China while continuing to keep its distance from the USSR. China worked on Soviet projects, unfinished at the time of the Soviet expulsion in 1977 and delivered 20 F-6 (MIG-19) fighters under a \$40 million 1979 accord for 40 of the aircraft. Somalia turned down China's bid to overhaul 10 Soviet-made MIG-21s, accepting instead an Egyptian offer. [redacted]

25X1

Romania was the only East European country to sign a major economic agreement with Somalia—a \$31.5 million contract (on unknown terms) for developing Somali livestock herds. Romania also gave Somalia 300 tons of rice (worth \$200,000) and spelled out principles for possible joint commercial ventures. [redacted]

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Romania signed a friendship accord with *Zaire* and agreed to extend agricultural and industrial cooperation while Bulgaria and East Germany each signed their first economic and technical cooperation agreements with Zaire. [redacted]

25X1

*Zimbabwe* established diplomatic relations with Bulgaria, China, Cuba, and Romania shortly after independence, but Moscow—still under the cloud of not supporting ZANU (Prime Minister Mugabe's guerrilla forces in Zimbabwe's fight for independence)—did not gain diplomatic accreditation until February 1981. China cemented relations with the Mugabe government with a \$26.5 million credit for constructing a sports stadium and possibly developing coal mines and hospitals. Chinese small arms and other simple weapon systems, valued at \$10 million, are being stored in Mozambique until they can be integrated into Zimbabwe's armed forces. Cuba's offers of free medical services were not accepted. [redacted]

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**Latin America**

The USSR and Cuba were the most active among the Communist countries in Latin America despite different policies. Moscow's trade promotion was rewarded with a major contract with Peru for power development—the Kremlin's largest single project in a Latin American country to date. Cuba, on the other hand, concentrated on gaining influence in targeted countries in the Caribbean through technical assistance and aid to development projects. [ ]

The USSR lost ground in its struggle to reduce traditional deficits with large traders in the area because of the US grain embargo. The cutoff of US sales in January forced Moscow to buy nearly 10 million metric tons of grain from Argentina, pushing its deficit up to \$1.7 billion. [ ]

Cuba's growing penetration of the Caribbean was supporting insurgent groups in El Salvador and concentrated 3,900 Cuban economic technicians and 200 military advisers in Grenada, Jamaica, and Nicaragua. [ ]

	Number of Persons	
	Military	Economic
<b>Total</b>	<b>205</b>	<b>3,940</b>
Grenada	5	265
Guyana		25
Jamaica		650
Nicaragua	200	3,000

**Argentina**

Communist-Argentine relations remained narrowly trade oriented, as the anti-Communist Argentine Government attempted to restrict relations to the commercial sector. The Argentines delayed a serious response to Soviet offers of military aid but grasped the opportunity to expand export earnings from the USSR in 1980 after the US grain sales embargo. In 1980, Argentina sold 9.2 million tons of grain and soybeans to the Soviets at a minimum cost of \$1.8 billion (over 80 percent of Argentina's total exportable surplus). A five-year sales agreement signed at midyear provided for annual shipments to the USSR of almost 5 million tons of grains, excluding wheat. [ ]

Soviet trade credits extended to Argentina in 1974 and 1978 have had a slow drawdown. In 1980, the largest drawings were for power-plant equipment at the Salto Grande hydroelectric project as the fourth of 14 25X1 turbines was shipped to the plant. Moscow also moved closer to signing a contract for supplying equipment to the multibillion-dollar Parana River power project. [ ]

Argentina reluctantly signed a draft fisheries accord 25X1 for a joint Argentine-Soviet fishing company and exploration of Argentine fishing grounds. Final agreement awaits resolution of problems on Soviet construction of land facilities, which Buenos Aires is demanding as grant aid rather than under credits as suggested by Moscow. The agreement is expected to meet strong opposition from anti-Communist government officials. 25X1 [ ] 25X1

Only the Chinese, among the Communist nations, broke important new ground with the Argentine Government in 1980, with a technical cooperation accord in medicine and industry, marking a first step 25X1 toward such collaboration. China also agreed to buy 1.5 million tons of wheat, corn, and soybeans annually in the next three years—possibly \$900 million worth. [ ] 25X1

**Brazil**

The USSR and East European Communist countries stepped up their overtures to Brazil's military government as Brasilia tried to broaden its relations with countries outside the Western Hemisphere. Already a major supplier of agricultural products to East European Communist countries, Brazil is studying possible increases in the participation of these countries in Brazilian development to help balance their trade. [ ]

The most important development was a \$150 million, 10-year Polish credit (to finance, among other things, 12 ships for the merchant marine). Warsaw, in turn, accepted a \$150 million Brazilian credit, on less concessionary terms than Poland's, to finance Brazilian exports of equipment for exploiting Polish sulfur mines. [ ] 25X1

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**Figure 10**  
**Latin America: Communist Military and Economic Agreements, 1955-80**



**Agreements, 1980 (million US \$)**

Donor-Recipient	Military	Economic
<b>USSR</b>		
Peru	135	250
Other	0	1
<b>Eastern Europe</b>		
Brazil	0	150
Other	0	10
<b>Total</b>	<b>135</b>	<b>411</b>

Boundary representation is not necessarily authoritative.

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Czechoslovakia offered to expand the Jorge Lacerda hydropower plant, originally built with \$15 million of Czech credits extended in 1961. East Germany offered to barter port and railroad equipment for agricultural and other raw materials. [redacted]

Despite its growing courtship of Brazil, Moscow's presence was little changed in 1980, revolving almost entirely around Soviet supply and installation of equipment for hydropower facilities—a specialty area for the USSR in Latin America. Moscow delivered its last turbine for the Sobradinho hydroelectric plant, under a \$53.5 million 1975 trade credit, and was preparing bids on billion-dollar contracts for equipment and technical assistance to hydropower plants at Xingu and Ilha Grande. The USSR also discussed credits for:

- Plants to make ethanol from wood.
- Coal gasification projects.
- A steel rolling mill. [redacted]

As a friendly gesture, the USSR provided about 24,000 b/d of crude oil to Brazil during the last quarter, but refused to sign a long-term agreement to revive the mid-1970s oil trade, which involved the Soviet supply of crude from Iraq. [redacted]

### The Caribbean and Central America

Because it fears subversion, the *Belize* government rejected Cuban offers of economic assistance early in 1980. [redacted]

*Costa Rica* agreed to sell 6,000 tons of coffee to the USSR over the next five years—one-half of which will be exchanged for machinery, complete plants, and industrial equipment. Another 25 percent of the coffee's value will be repaid with Soviet technical services. *Costa Rica* also agreed to consider the renewal of a \$15 million Soviet equipment credit, extended in 1971. Meanwhile, *Romania* renewed a 1977 agreement to study the feasibility of bauxite exploitation and agreed to (a) build fruit and vegetable processing plants, and (b) provide assistance for a 1,750-MW hydropower plant. [redacted]

After a seven-year hiatus, the *Dominican Republic* and the USSR renewed trade relations in May with a Soviet purchase of 10,000 tons of sugar. A Romanian

delegation talked to the Dominicans about building power plants, exploring for petroleum, and establishing a petrochemical industry, while Czechoslovakia offered assistance for upgrading hotel accommodations and pharmaceutical industries. [redacted]

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*Grenada's* fledgling leftist government received a \$1 million gift of machinery and equipment from the USSR and 10-year, low-interest credits on equipment purchases. More than 200 Cuban technicians continued work on *Grenada's* \$45 million airport, which *Havana* had agreed to build in 1979 and for which it had extended \$10 million in credits. [redacted]

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The only other developments of note in 1980 were (a) a Bulgarian trade agreement and economic accord for building a canning plant, two ice factories, and a power plant; (b) a Czech agreement to study cocoa, nutmeg, and mace processing; aid to small hydropower station and assistance for pig and poultry farming; and (c) a Hungarian agreement to build a bicycle factory conditioned on *Grenadian* agreement to remit to Hungary 40 percent of the hard currency generated by the bicycle sales. [redacted]

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*Yugoslavia* opened consular relations with *Guatemala* and sold *Guatemala* 22 105-mm howitzers. [redacted]

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The leftist regime in *Nicaragua* increased its reliance on Cuban economic personnel in 1980—from 1,600 in 1979 to 3,000—while military personnel held steady at 200. *Nicaragua* is the only Caribbean nation that has given *Havana* a key role in military training and security assistance—weapons training, counsel to all services, and aid in constructing training sites. Cuba signed its first significant arms agreement with *Nicaragua*, probably for use against insurgents, although some arms may have been earmarked for the guerrillas in *El Salvador*. Evidence mounted that some Soviet and Cuban arms arriving in *Nicaragua* were being channeled to other Central American states, especially *El Salvador*. [redacted]

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The Soviets signed an open-ended economic agreement and offered \$300 million financing for the 300-MW Copular power plant and associated dam, although *Managua* rejected a Soviet offer of a joint fishing venture. *Havana* donated \$1.5 million worth of tractors and extended credits of \$50 million to cover

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(a) purchase of a cargo ship and 22 fishing boats, and (b) technical assistance in agriculture, construction, fishing, trade, and transportation. Nicaragua approached Bulgaria and Romania for economic and technical assistance, and began discussions with China on the possible supply of crude oil. [redacted]

Lima allowed its fishing agreement with Cuba to lapse in 1980; it reopened discussions with Romania on Bucharest's possible participation in the \$300 million Antamina mining projects and was discussing possible assistance to Peruvian mining development with Poland that eventually could entail up to \$300 million of credits. [redacted]

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East Germany led the Communist effort in *Mexico* by agreeing to (a) provide a new telephone system and broadcasting center; (b) establish chemical, steel, and machine tool plants; and (c) refurbish Mexico's fishing fleet. The terms were not announced. A Soviet protocol to a 1976 agreement called for cooperation with the oil industry. [redacted]

**Other Latin America**

The only new Communist aid to *Bolivia* to 1980 was a \$10 million East German credit for building two hospitals. East Germany also offered technical assistance for agriculture. [redacted]

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The *Panamanian* National Assembly refused to ratify the Soviet-Panama trade agreement signed in 1979 because of private-sector opposition to a large Soviet trade mission in the country. [redacted]

*Colombia* signed economic and technical cooperation agreements with the USSR, East Germany, Cuba, and Yugoslavia in 1980. The Soviet agreement calls for assistance in mining, oil studies, and nuclear and solar energy, while the others were more general. [redacted]

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**Peru**

The USSR and Peru continued to expand their military relationship in 1980 with Lima's order of \$135 million worth of Soviet military equipment and technical assistance including (a) a facility for the licensed production of spare parts for SU-22 fighter-bombers, (b) the overhaul of Peruvian Air Force AN-26 transports, and (c) the purchase of six MI-24 helicopter gunships. The 1980 agreement put Peru's purchases of Soviet military hardware over the \$1 billion mark. On the delivery side, Peru received an additional squadron (14 aircraft) of SU-22s last year, bringing Lima's inventory to 50. [redacted]

*Ecuador* refused a Soviet offer of assistance to education because of concerns over possible subversion. A \$35 million agreement for Soviet oil storage tanks was under study at yearend, and Quito still was interested in purchasing equipment for the Toachi hydroelectric project, which would involve \$150 million in credits. East Germany and Hungary offered to construct a railroad from the interior to Ecuador's coast, and Czechoslovakia offered aid for power plants, water purification facilities, irrigation projects, and technical training. Prague already is providing Ecuador with the services of two agricultural experts who arrived at midyear, and Hungary has contracted to supply equipment for technical schools in Ecuador. [redacted]

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Soviet agreement to extend 10-year credits to Peru for the purchase of \$250 million worth of equipment and technical assistance for the first stage of the \$1 billion Olmos hydroelectric power project is Moscow's largest single economic deal with a Latin American country. Until now, the Soviet-Peruvian connection has been primarily military. [redacted]

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Relations between the USSR and *Guyana* have deteriorated because of Moscow's failure to provide assistance for Guyanan development and because the USSR is too closely tied to politicians opposing the government. Romania, however, established a joint commission in 1980 to coordinate trade and consider aid to Guyana for (a) a tractor assembly plant, (b) equipment for the long-awaited Upper Mazuruni hydroelectric power project. [redacted]

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*Suriname*—still the recipient of large amounts of assistance from the Netherlands—declined offers of Cuban assistance. [redacted]

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The USSR made little headway in trying to sell *Venezuela* cement plants and hydropower installations, fish factory ships, and equipment for vocational training schools. Nor did Caracas accept a joint Soviet-Hungarian offer to construct a bicycle factory in Venezuela. [redacted]

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**Figure 11**  
**East Asia: Communist Military and Economic Agreements, 1955-80**



**Agreements, 1980 (million US \$)**

Donor-Recipient	Military	Economic
<u>Eastern Europe</u>		
Burma	0	40
China		
Thailand	1	0
Total	1	40

- Economic agreement
- Military agreement
- Military and economic agreement

Boundary representation is not necessarily authoritative.

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Western  
Somoa



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## East Asia

Uneasiness over Soviet intentions in East Asia was heightened by (a) the Afghan invasion, (b) Moscow's support of Vietnam's aggression in K mpuchea, (c) the June incursion into Thailand by Vietnamese troops and continuing tension on the Thai-Kampuchean border, and (d) the growing Soviet presence at Vietnamese air and naval facilities. Even though China's economic and political ties with Burma, the Philippines, and Singapore may have been strengthened somewhat at Soviet expense, Moscow's trade with countries in the region actually increased. [redacted]

Soviet relations with *Burma* did not improve despite Moscow's resurrecting its offer of grant aid for 24 trawlers and technical assistance to the Burmese fishing industry (in return for Soviet port rights on Burma's offshore islands). The Czechs and North Koreans, however, concluded new agreements—each valued at \$40 million—for Czech assistance in building a brewery and North Korean aid for a tin smelter. A protocol to a \$64 million 1961 Chinese credit gave Beijing the go-ahead for constructing six rice mills, a bridge, and a textile mill. [redacted]

A further decline in Moscow's diplomatic relations with *Indonesia* during 1980 did not affect Soviet-Indonesian trade, and Soviet designs for a hydroelectric power plant at Mrica in Central Java were handed over late in the year. Moscow was disappointed that Jakarta turned down \$150 million of equipment credits offered under a 1974 agreement. [redacted]

The USSR increased its imports of coconut oil and sugar from the *Philippines*, but Manila continued to discourage Soviet efforts to establish a closer relationship through economic aid. China continued the annual shipments of \$100 million worth of crude oil agreed to under their five-year trade agreement, though it failed to live up to its commitment to buy more Philippine goods. [redacted]

Despite *Singapore's* condemnation of the Soviet invasion of Afghanistan, Moscow and Singapore expanded their trade dramatically in 1980 and Singapore continued to repair Soviet commercial vessels under \$20 million of contracts. Chinese-Singaporean trade also rose, even though Singapore would not grant the PRC diplomatic recognition. [redacted]

25X1

*Thailand's* fears over Soviet activities in the area did not affect Bangkok's attitude toward trade. For example, Thailand sold 110,000 tons of corn and other grains to the USSR in June—violating its informal commitment to the US grain embargo. Thailand also bought 20,000 b/d of crude oil and petroleum products from China, reflecting closer commercial and political relations with Beijing. [redacted]

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