

~~SECRET~~

*AONE WMB*

# BIWEEKLY REPORT

## SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC-WGR-1/6  
30 April 1956

PREPARED BY THE WORKING GROUP  
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE

~~SECRET~~

*MAY 2*  
*NE*

**W A R N I N G**

**THIS MATERIAL CONTAINS INFORMATION AFFECT-  
ING THE NATIONAL DEFENSE OF THE UNITED STATES  
WITHIN THE MEANING OF THE ESPIONAGE LAWS,  
TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMIS-  
SION OR REVELATION OF WHICH IN ANY MANNER TO  
AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.**

S-E-C-R-E-T

CONTENTS

	<u>Page</u>
I. Summary of Events, 10 - 23 April 1956 . . . . .	1
II. Sino-Soviet Bloc . . . . .	2
A. New Soviet Tactics at a Session of ECE . . . . .	2
B. International Trade Fairs . . . . .	4
III. South and Southeast Asia . . . . .	5
A. India . . . . .	5
1. Polish Trade Agreement . . . . .	5
2. Bulgarian Trade Agreement . . . . .	5
B. Cambodia - Communist China . . . . .	6
IV. Middle East and Africa . . . . .	6
A. Egypt . . . . .	6
1. Resales of Cotton . . . . .	6
2. Soviet Barter Agreement . . . . .	7
B. Sudan . . . . .	7
1. Soviet Technical Assistance . . . . .	7
2. Sino-Sudanese Trade . . . . .	8
C. Iran-Polish Agreement . . . . .	8
D. Soviet Tanker Chartered to Carry Aruba Oil to Israel . . . . .	9
E. Soviet Arms Offer to Lebanon . . . . .	9

S-E-C-R-E-T

	<u>Page</u>
V. Latin America . . . . .	10
A. East Germany - Chile . . . . .	10
B. Czechoslovakia - Paraguay . . . . .	11

S-E-C-R-E-T

S-E-C-R-E-T

SINO-SOVIET BLOC ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS\*

I. Summary of Events, 10 - 23 April 1956.

Sino-Soviet Bloc efforts to expand economic relations with underdeveloped areas in the Free World during the period from 10 to 23 April 1956 were concentrated largely in the negotiation of trade agreements. An additional tactic of Bloc policy that was significant, although not concerning an underdeveloped area, was the Soviet offer to aid Western Europe which was voiced at a session of the United Nations Economic Commission for Europe (ECE) on 9 April.

The attempt to use the ECE as a means of disrupting current international agreements included an implicit offer to supply coal and petroleum to Western European countries, a resolution to expand economic cooperation on an all-European basis, and a proposal to establish a special committee to study peaceful uses of atomic energy.

The implementation of the recently reported trade agreement between Poland and India underlines the sharply increased trade between these countries wherein Indian imports from Poland have increased about tenfold in 2 years. Also in South and Southeast Asia, a trade and payments agreement was signed between Communist China and Cambodia on 24 April.

In the Near East the new Soviet-Egyptian barter agreement, signed on 17 April, was concluded despite the inability of the Egyptians to obtain assurances from Czechoslovakia that Egyptian cotton purchased by the Bloc would not be resold in the West. The Egyptian government

---

\* Although the main emphasis of the Biweekly is on economic activities of the Sino-Soviet Bloc in underdeveloped areas of the Free World, significant Bloc activities of this nature in areas not considered underdeveloped also will be discussed.

S-E-C-R-E-T

S-E-C-R-E-T

apparently is not too disturbed by the resale of cotton, because the export of cotton to the Bloc has jumped from 10 percent of total exports during 1953-54 to an expected 33 percent during 1955-56.

Other Sino-Soviet Bloc economic activities in the Near East and Africa during the period included a reported offer of technical assistance by the USSR to the Sudan and further trade talks between Communist China and the Sudan, the signing of a trade agreement between Poland and Iran on 16 April, a Soviet offer to supply arms to Lebanon, and the reported chartering by Israel of a Soviet oil tanker to carry fuel oil from Venezuela to Israel.

In Latin America an East German trade delegation established a permanent office in Santiago, Chile. The delegation was in Chile to discuss the implementation of a barter agreement previously concluded between the two countries. In addition, equipment for a flour mill was shipped to Paraguay by Czechoslovakia, a transaction presumably within the framework of the trade agreement signed between the two countries in October 1953.

II. Sino-Soviet Bloc.

A. New Soviet Tactics at a Session of ECE.

At the recently completed eleventh plenary session of the ECE in Geneva, the Sino-Soviet Bloc made a strong attempt to use the ECE as a major vehicle both to disrupt existing international arrangements in Western Europe and to further Soviet economic relations with Western Europe. In his address to the Commission on 9 April, the Soviet delegate offered to help the Western European countries overcome their economic problems as US aid disappeared, specifically by supplying large quantities of coal and petroleum to meet the growing need for sources of energy in Western Europe. In addition, the USSR introduced several resolutions for the expansion of ECE activity in promoting European economic cooperation. The two most important resolutions called upon the ECE to draft an all-European agreement on economic cooperation and to establish a special committee on

S-E-C-R-E-T

peaceful uses of atomic energy through which all European countries would cooperate. The USSR envisaged the cooperation agreement as a means of increasing trade, organizing joint use of resources, exchanging technical information, and facilitating international banking and credit. The proposal of the atomic energy committee was to provide for the study of the economic aspects of peaceful uses of atomic energy and for the promotion of exchanges of information and visits.

These tactics are in sharp contrast to the previous behavior of the Russians at the ECE meetings, although considerable changes in attitudes were evident in the two previous annual meetings. Before 1954 the USSR had followed a policy of noncooperation, refusing to participate in committee and technical work, abstaining from voting, supplying little data, and using the ECE primarily as a forum for propaganda attacks on the West, particularly against strategic trade controls.

The tactics at the session in April 1956 placed the USSR for the first time in the role of advocate of a major forward movement in an all-European economic cooperation. The West was placed in a defensive position because the Soviet resolutions were aimed at disrupting much of the progress which had been made through primarily Western European organizations such as the Organization for European Economic Cooperation (OEEC), the Coal and Steel Community (CSC), and the proposals for further economic integration among the community of six nations. The Soviet proposal for an ECE nuclear energy committee disregarded the facts that a draft statute for an atomic energy agency in the UN is now being prepared, that the UNESCO agenda calls for consideration of nuclear energy as a factor in economic development, and that the electric power and coal committees of the ECE have begun studying the impact of nuclear power on traditional energy sources.

By calling attention to problems of duplication and coordination with existing international organizations and by pointing out the lack of data from Soviet Bloc countries on the various subjects, the

S-E-C-R-E-T

West managed to modify the various Soviet resolutions to a basis which first would require submission of adequate and comparable data from all governments as a prerequisite for referring the Bloc proposals to governments or to ad hoc working groups for study and reply in the next (twelfth) session of the ECE. Nevertheless, Western European delegations felt that the West must be willing to explore possibilities arising from Soviet offers. In the face of apparently "practical and reasonable" Soviet proposals, the Western Europeans did not believe it desirable to take a negative position at the outset, although they were well aware of Soviet intentions.

B. International Trade Fairs.

A recent study of Sino-Soviet Bloc participation in international trade fairs and exhibits shows that Bloc trade fair expenditures in 1955 were most sizable in those areas where Bloc credit offers to the Free World have been concentrated. Bloc participation in trade fairs in India involved an aggregate expenditure of nearly \$3 million,\* a sum greater than that spent in any other Free World country. Sizable outlays also were expended in the trade fairs of Pakistan, Indonesia, and Syria.

Information about Bloc plans for participation in 1956 trade fairs indicates increased expenditures in such countries as Syria, Turkey, Greece, Italy, Yugoslavia, Tunisia, French Morocco, Uruguay, Brazil, and Japan. Bloc participation comparable in magnitude to Bloc exhibits in India, Pakistan, and Indonesia during 1955 has not been announced for 1956, but a substantial Bloc effort is expected in this year's Industrial and Trade Fair in Afghanistan.

Bloc participation in international trade fairs during 1955 showed a significant increase over 1954. In 1954, Bloc countries together had 108 exhibits in trade fairs in the Free World, spending an estimated \$7.7 million. In 1955 the Bloc offered 196 exhibits in the Free World, with an estimated expenditure of \$18 million. Czechoslovakia was the most active participant in Free World trade fairs in

\* Unless otherwise specified, all dollar values in this report are in terms of US dollars.



S-E-C-R-E-T

1955, with 61 exhibits costing nearly \$6 million, followed by the USSR, East Germany, and Communist China, with expenditures of approximately \$4.4 million, \$2.8 million, and \$2.7 million, respectively.

III. South and Southeast Asia.

A. India.

1. Polish Trade Agreement.

On 11 April, India and Poland implemented the general trade agreement signed by the two governments on 3 April. In negotiating the agreement of 3 April both India and Poland agreed to increase further trade between the two countries, and the Polish government has indicated willingness to supply oceangoing vessels to India. Specifically, over the next 3 years, India proposes to supply Poland with 300,000 long tons of iron ore and to receive from Poland 300,000 long tons of iron and steel products and 100,000 long tons of cement. During 1956, India will sell 100,000 long tons of iron ore to Poland, and Poland will sell 50,000 long tons of iron and steel to India. The government of India has announced that this is not a barter agreement and that terms are specific for the sale and purchase of the commodities. The terms of the agreement have not been made public.

The value of Indo-Polish trade has increased sharply during 1955. The value of Indian imports from Poland increased 10 times, from about \$236,000 in 1954 to about \$2.3 million during the first 10 months of 1955. Indian exports to Poland increased only from about \$560,000 in 1954 to about \$719,000 in the first 10 months of 1955. Thus Poland's import surplus has shifted to a very sizable export surplus.

2. Bulgarian Trade Agreement.

On 18 April, India and Bulgaria signed a bilateral trade agreement which will be valid until 31 December 1959. Under the terms of the agreement, India will export to Bulgaria a wide range

S-E-C-R-E-T

of commodities, including iron and manganese ores, raw cotton, jute, and handicraft products and will import from Bulgaria various kinds of machines, chemicals and drugs, and electrical instruments.

This agreement is a renewal of a previous Indo-Bulgarian trade agreement which expired on 31 December 1955. Although settlement of accounts in Indian rupees is provided for, it is expected that the exchange of commodities will be as much as possible on a barter basis.

B. Cambodia - Communist China.

The Cambodian economic mission which arrived in Peiping on 8 April signed a trade and payments agreement with Communist China on 24 April. No details of the agreement have been announced. The mission was presented also with an aid agreement, which according to the Cambodian foreign minister, will be carefully studied before it is accepted by his government. There have been no reliable reports on its magnitude or other details.

IV. Middle East and Africa.

50X1

- 6 -

S-E-C-R-E-T

S-E-C-R-E-T

50X1

2. Soviet Barter Agreement.

Reuters has reported the signing on 17 April of a new Soviet-Egyptian barter agreement. The stated value of the agreement, which involves the exchange of 100,000 metric tons of Soviet kerosine for Egyptian products, is LE 1 million (about \$2.8 million).

This agreement may presage renewal of the formal Soviet-Egyptian trade agreement which was to have expired on 26 March. Although Egypt has formal trade agreements with nearly every Sino-Soviet Bloc country, specific barter deals such as this are common. Egypt has been conducting an increasing volume of trade with the Bloc, with which it has maintained a large export surplus as compared with a large import surplus with the world as a whole. The principal reason for Egypt's export surplus with the Bloc has been the large sales of Egyptian cotton to that area. The Bloc, which took only about 10 percent of Egypt's cotton exports during the 1953-54 crop year; increased this amount to 30 percent in 1954-55 and is expected to take 33 percent for the 1955-56 crop year.

B. Sudan.

1. Soviet Technical Assistance.

Sudanese Premier El Azhari is reported to have stated on 15 April that his government is willing to accept the technical

- 7 -

S-E-C-R-E-T

S-E-C-R-E-T

assistance offered by the USSR. It is understood that the Soviet Ambassador in Cairo is expected to arrive in Khartoum with the details of the Soviet offer.

50X1

2. Sino-Sudanese Trade.

An official statement issued in Khartoum on 14 April disclosed that the Sudan and Communist China have reached an understanding on the development of trade between the two countries. The statement did not indicate, however, that a formal trade agreement had been signed.

The Sudanese invitation to the Chinese Communists to visit the Sudan to discuss trade possibilities and subsequent statements by the Chinese Communist Minister of Foreign Trade would indicate that the Chinese Communists had hoped to conclude a formal trade agreement with the Sudan during their stay in Khartoum. These statements indicated that the purpose of the visit was to purchase "large quantities" of Sudanese cotton which China "needs" in return for Chinese machinery and complete factory equipment, to be paid in installments. Over the past 12 months, Chinese delegations have succeeded in concluding trade agreements with Egypt, Syria, and Lebanon during visits to those countries. The issuance of such a general statement of intentions to develop trade suggests that perhaps the Chinese were not so successful in dealing with the Sudanese as they had hoped.

C. Iran-Polish Agreement.

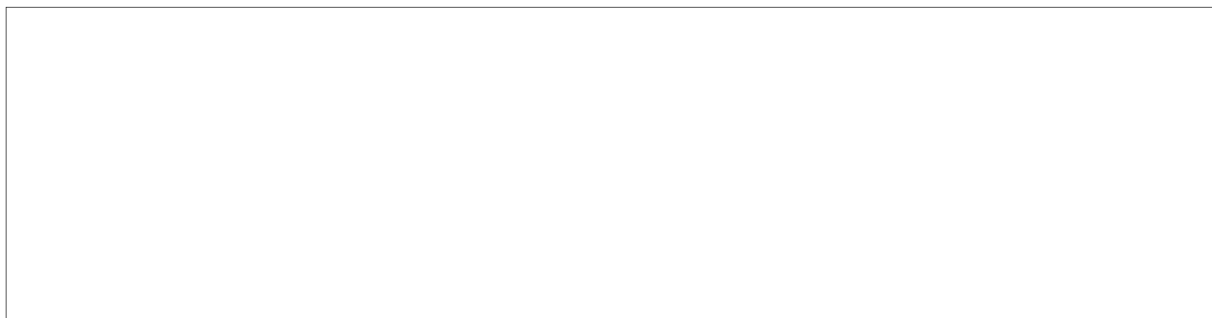
According to Radio Warsaw, a trade and payments agreement between Poland and Iran was signed in Tehran on 16 April. The agreement covers a period of 1 year and was to be effective on the day of signing. It is understood that each signatory will export up to \$10 million (equivalent) of products to the other annually under this agreement.

- 8 -

S-E-C-R-E-T

S-E-C-R-E-T

Poland will export to Iran industrial equipment, railroad rolling stock, motor cars, trucks, tractors, chemical and pharmaceutical products, metal goods, ceramic goods, cement, textiles, and other products. Iran will export to Poland cotton, raw hides, zinc and lead ores, dried fruit, rice, and other products. Trade between the two countries has not been significant in the past. In 1954, total trade between Iran and Poland amounted to less than 0.3 percent of total Iranian trade, and in 1955 it declined to less than 0.2 percent. Thus it appears unlikely that a turnover of \$20 million can be attained in the near future.



50X1

This is believed to be the first time that a Bloc tanker has been chartered to transport a cargo of Western fuel oil. The sale of the Leningrad's services  provides the Leningrad with a payload for her return trip from the Antarctic, where she has been refueling the Soviet whaling fleet. In the past, Soviet tankers returning from similar voyages occasionally have taken on cargoes of edible oils at Latin American ports.

50X1

The Bloc traditionally has been short of tanker tonnage and is in fact heavily engaged in the charter of Western tankers for employment on all routes except the Black Sea - Far East run. In view of this fact, the charter of the Leningrad appears to be the opportunistic response of the USSR to a chance to earn Western exchange.

E. Soviet Arms Offer to Lebanon.

In early April, General Chehab, the Lebanese chief of staff, reported that the Soviet military attache in Beirut offered to supply

S-E-C-R-E-T

Lebanon with antitank weapons, tanks, and planes. Chehab stated that he had declined the offer by saying that Lebanon did not have funds for this purpose.

On 13 April, Chehab informed the US military attache that Lebanon urgently needed 24 recoilless 105- or 106-mm antitank guns and 50 to 100 rounds of ammunition per gun. He indicated that price was no object, as the Lebanese military budget for this year had just been increased by LL 7 million to permit additional procurement of armaments and munitions.

V. Latin America.

A. East Germany.- Chile.

A permanent office, purportedly representing the East German Chamber of Commerce, has been established in Santiago by two members of the East German trade delegation which arrived in Chile during December 1955. The delegation was sent to Chile to discuss the implementation of a \$10-million barter agreement concluded between the East German export monopoly and a private Chilean association at the Leipzig Fair in the fall of 1955. The East Germans reportedly are offering to Chile industrial, agricultural, and transport equipment, chemical and electrical products, and optical instruments. Chilean goods considered for export include agricultural products and nitrate. Chile recently has announced agreements with Czechoslovakia and Hungary which provide for Chilean exports of 60,000 tons of nitrate in exchange for \$6.1 million worth of Hungarian and Czechoslovak equipment.

There was no Chilean - East German trade reported in 1954 and the first half of 1955, and Chilean trade with the Soviet Bloc as a whole -- carried out on an ad hoc basis -- has been insignificant. Total trade with the Bloc in 1954 amounted to only \$2.2 million -- with Poland, \$1 million; with Czechoslovakia, \$0.6 million; and with Hungary, \$0.5 million.

- 10 -

S-E-C-R-E-T

S-E-C-R-E-T

B. Czechoslovakia - Paraguay.

Equipment for a flour mill has been shipped to Paraguay by the Mill Machines Factory of Czechoslovakia. Two Czechoslovak workers are to travel to Paraguay to aid in assembling the machinery.

This transaction probably has taken place within the framework of the Paraguayan-Czechoslovak trade agreement originally signed on 16 October 1953, which included provision for Czechoslovak shipment of agricultural machinery. Although probably small by Czechoslovak standards, the plant, which has an estimated annual output of 10,500 metric tons of wheat flour, will be the second largest flour mill in Paraguay. The installation of this plant may permit reduction of flour imports into Chile by as much as one-third.

- 11 -

S-E-C-R-E-T

**S-E-C-R-E-T**

**S-E-C-R-E-T**