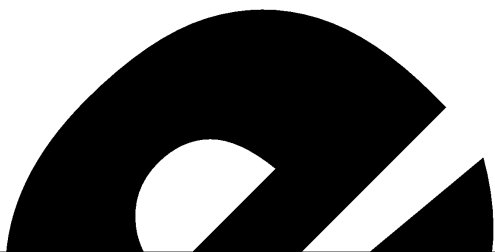


Sanitized Copy Approved for
Release 2010/02/02 : 
CIA-RDP85T00875R00170001


Sanitized Copy Approved for
Release 2010/02/02 : 
CIA-RDP85T00875R00170001



CIA/OER/IM 71-137

Secret



25X1



DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

*Chinese Communist Economic And Military Aid To Tanzania:
A Case Study*

**DOCUMENT SERVICES BRANCH
FILE COPY
DO NOT DESTROY**

Secret

ER IM 71-137
July 1971

Copy No. 53

WARNING

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

GROUP 1
Excluded from automatic
downgrading and
declassification

SECRET

25X1

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
July 1971

INTELLIGENCE MEMORANDUM**CHINESE COMMUNIST ECONOMIC AND MILITARY AID
TO TANZANIA: A CASE STUDY**Introduction

1. Communist China has established itself as the principal foreign presence in Tanzania during the past three years. The Chinese are now the primary source of arms and training for Tanzania's military establishment, and their \$400 million commitment (half to Zambia) to undertake the Tan-Zam Railroad has catapulted them to a position as Tanzania's most important donor of foreign aid. Only Pakistan among the Third World countries has received more Chinese economic aid.

2. The large commitment of the Chinese reflects their determination to establish a position of paramount influence in Tanzania as a stepping stone to other areas in Africa. Chinese success in Tanzania stems in large part from their willingness to tailor their economic aid uncritically to Tanzanian wants and to support the southern African liberation movements. This memorandum analyzes the character of Chinese aid to Tanzania and evaluates its significance and impact.

DiscussionChinese Emphasis on Africa

3. The efforts of the Chinese to develop and expand their influence in the Third World during the past 15 years have been concentrated largely on Africa. About half of China's \$1.7 billion of economic aid to all less developed countries has gone to Africa. The Chinese have put so much

Note: This memorandum was prepared by the Office of Economic Research and coordinated within the Directorate of Intelligence.

SECRET

25X1

SECRET

of their aid in Africa because they consider that continent to be the most fertile area for pressing forward with their "struggle against colonialism and imperialism" and for undermining Western and Soviet influence. Foreign aid plays a critical role in their strategy because no other foreign policy instrument could enable Peking to establish the presence it feels it requires to pursue its objectives.

4. When the Chinese first launched their aid program in Africa, they channeled their aid almost entirely to countries where Peking considered the "revolutionary prospects" to be good. But the Chinese found few countries which met this narrow criterion. During 1959-62, only some \$68 million of economic aid was provided to Algeria, Ghana, Guinea, and Mali. In contrast, the Soviet Union extended credit to any country willing to accept it and, by the end of 1962, had committed nearly \$430 million to African recipients. As more African countries attained independence and as Sino-Soviet competition intensified, however, the level of Chinese commitments jumped sharply. During the next two years the Chinese extended nearly \$210 million of economic aid to African countries, largely to Algeria, Congo (Brazzaville), Ghana, Mali, Somalia, and Tanzania.

5. As part of the concerted Chinese effort to cultivate the newly emerging African countries, Premier Chou En-lai toured Africa from late in December 1963 until early in February 1964. He hit hard on the themes that China and Africa had mutual goals, that the West continued its colonial hold over the continent, and that the USSR was ready to sell out Africa's interests in order to achieve accommodation with the United States. Seeking to discredit Soviet and Western aid programs and to underscore what Chou claimed to be the unselfish motives governing Chinese aid, he put forward the following eight principals guiding China's aid policy:

1. Aid is dispensed on the basis of equality and mutual benefits;
2. The recipient's sovereignty is respected, and no special privileges are sought;
3. Credits are provided interest free or at a low rate of interest;
4. Chinese aid seeks to help the recipient become self-reliant;
5. Projects selected will require less investment and yield quick returns;

SECRET

SECRET

6. The best quality equipment will be provided at "international market prices";

7. In rendering technical assistance, the Chinese will make certain that the personnel of the recipient country fully master such techniques;

8. Chinese technicians will have the same standard of living as their job counterparts in the recipient country.

6. By early 1965, African receptivity had begun to diminish in a backlash of growing Chinese propaganda and subversive activities. Many Africans, who thought they had accomplished their revolution, were particularly incensed over Chou En-lai's repeated references to the "excellent revolutionary prospects" in Africa. Several African countries either severed diplomatic relations with China or expelled Chinese representatives for aiding local dissident elements. The subsequent retrenchment in Chinese aid activities was accompanied by a lowered level of Chinese effort abroad stemming from the cultural revolution at home. Chinese economic aid extensions during 1965-69 averaged only about \$20 million annually, almost half going to Guinea.

7. Communist China began to emerge from this self-imposed diplomatic isolation in 1969 and, during 1970, stepped up its efforts to repair the damage wrought to its international image. These efforts have been particularly vigorous in Africa, where extensive diplomatic gestures have been underscored with the signing of numerous economic aid and commercial agreements. The Chinese extended more economic aid to the Third World in 1970 than in any other single year, nearly two-thirds of it to Africa. The \$453 million committed to Africa in 1970 represented about 55% of all Chinese aid extended to that continent since 1958. More than \$400 million was an allocation for the construction of the Tan-Zam Railroad, the feasibility study and survey for which spanned the 1967-69 period. Although still concentrating their aid efforts on potentially "progressive" countries, the Chinese have shown an interest in expanding relations with the more moderate African states.

Why Tanzania?

8. Among the African countries, the Chinese have chosen to make their biggest splash in Tanzania. They have established their strongest presence there, and have steadily increased their investment and their involvement. Even during the years of their relative political disengagement elsewhere, Chinese-Tanzanian economic relations continued to expand, and

SECRET

SECRET

by the end of 1970 Peking had extended to Tanzania some \$255 million of economic aid and \$12 million of military aid. The agreement to undertake a survey of the Tan-Zam Railroad was signed in 1967.

9. The rapid expansion of the Chinese presence in the country has been facilitated by Peking's willingness to associate itself closely with Tanzanian President Nyerere's commitment to the liberation of white-dominated southern Africa. Nyerere fears possible retaliation from the south for harboring the liberation movements and may believe that only the Chinese would be prepared to support him materially in any confrontation with the countries in southern Africa. This consideration probably has been crucial in Nyerere's decision to rely almost entirely on Communist China for military assistance.

10. Nyerere's fears and aspirations thus tend to serve Chinese policies. Moreover, an almost exclusive military aid position in Tanzania provides China with access to all southern African insurgent groups based in that country as well as to the Tanzanian military. The Chinese decision to undertake the Tan-Zam Railroad illustrates Peking's willingness to take on a project turned down by the West. It also provides a "showcase" to impress other African countries with Chinese technical capabilities. Peking also expects that the project will be viewed elsewhere in Africa as a further effort to support the Zambian struggle to eliminate its dependence on Rhodesian and Portuguese African transportation routes.

11. Peking may have an additional reason for developing close ties with Tanzania. The Chinese are in the process of developing a long-range missile capability. In order to test-fire an ICBM to full-range, the Chinese would find it advantageous to have monitoring facilities in the proximity of the impact area. One of the test impact areas Peking almost certainly is considering is the Indian Ocean off East Africa. Although a Chinese missile instrumentation ship could operate without port stops, a land-based facility in Tanzania would simplify the logistical problems. 1/

Magnitude of Chinese Economic Assistance

12. Chinese Communist economic aid extended to Tanzania since early in 1964 totals \$255 million (see the Table). These extensions account for about 30% of Chinese economic aid to all African recipients and some 90% of total Communist commitments to Tanzania. 2/

1. The US recently closed down a monitoring complex in Tanzania. While the personnel and equipment have been removed, the vacated buildings remain and offer a possible site for the Chinese.

2. The only other Communist countries to provide economic aid to Tanzania are the Soviet Union (\$20 million in 1966) and East Germany (\$5.3 million in 1964 and \$1.4 million in 1965).

Table 1
Chinese Communist Economic Aid Extended to Tanzania

				Million US \$
Date	Value	Use	Terms	
Feb 1964	0.5	Budgetary support	Grant	
Jun 1964	14.0	Development projects	Repayment in goods or local currency over ten years beginning in 1980; no interest.	
Jun 1964	28.0	Development projects	Repayment in goods or local currency over ten years beginning in 1980; no interest.	
Jun 1964	3.0	Commodities and foreign exchange	Grant	
Jul 1964	0.6	Communications equipment	Grant	
Dec 1964	0.2	Buses and tractors	Grant	
Mar 1966	0.1	University	Grant	
Mar 1966	0.3	Agricultural settlements	Grant	
Apr 1966	2.1	Joint shipping company	Repayment in goods or local currency over ten years beginning in 1977; no interest.	
Jun 1966	5.6	Foreign exchange	Repayment in goods or local currency over ten years beginning in 1971; no interest.	
Jul 1970	200.6	Tan-Zam Railroad	Repayment in goods or local currency over 30 years beginning in 1983; no interest.	

SECRET

- 5 -

SECRET

SECRET

13. Communist China is the only Communist country which has a significant on-going economic aid program in Tanzania. Only about \$1 million has been drawn on the \$20 million of Soviet credits extended in 1966. Although the number of Soviet technicians in Tanzania increased to about 125 in 1970, they were employed largely on geological survey and teaching activities on the mainland. The few Soviet personnel in Zanzibar were replaced by Chinese during the year. The East German program, which was concentrated on Zanzibar, was terminated early in 1970 because of Zanzibari dissatisfaction with the program. Only about half of East Germany's \$6.7 million in aid had been used.

14. The Chinese extended their first assistance to Tanzania prior to the union of the two states that now constitute the country. 3/ In February 1964, immediately following a January coup which brought to power an anti-Western regime in Zanzibar, the Chinese provided a \$500,000 grant for budgetary support to that new government. Despite the subsequent union of Tanganyika and Zanzibar in April 1964, the Chinese continued to deal separately with the latter. 4/ The Chinese extended a \$14 million development credit to Zanzibar in June of that year. Less than a month later, Peking provided the mainland government with a \$28 million credit and a \$3 million grant. The major Chinese commitment to Tanzania, however, was made in 1970 when Peking extended a credit of more than \$400 million - divided equally between Tanzania and Zambia - for the construction of the Tan-Zam Railroad. The 1,100-mile railroad, which had been under study for more than three years, is the most spectacular Chinese aid project and represents the largest Communist financial commitment for a single aid project in the Third World.

Character of Chinese Economic Aid

15. Chinese economic assistance to Tanzania, prior to the credit for the Tan-Zam Railroad, was concentrated on small, quick yielding agricultural and light industrial projects that were labor intensive, required a minimum of imported capital goods, and made extensive use of local resources. Most projects have been implemented rapidly. More than two-thirds of the non-Tan-Zam project aid had been drawn and most of the balance obligated. Drawings on this aid have averaged about \$8 million annually since 1965.

3. Tanzania was created by a union of the former British-administered UN Trust Territory of Tanganyika and the former British protectorate of Zanzibar. Tanganyika attained its independence in December 1961 and Zanzibar in December 1963. The two countries formed the United Republic of Tanganyika and Zanzibar in April 1964, but changed the name to the United Republic of Tanzania in October 1964.

4. Zanzibar is, in fact, still largely autonomous.

SECRET

The largest single project undertaken is the \$15 million Ruvu State Farm. This project, under construction since late 1966, consists of the development of 7,500 acres of farmland in the Ruvu Valley, the construction of a multi-purpose dam and water reservoir on the Ruvu River, and the establishment of a number of animal husbandry programs. Nearly \$10 million was allocated for industry, of which \$8 million went into the construction of the Friendship Textile Mill. The mill, which began operations less than 18 months after construction began, can employ 3,000 workers and ostensibly can meet all of Tanzania's cloth requirements (see Figure 1). The Chinese also have provided about \$10 million in foreign exchange and \$5 million in commodities to be sold locally to finance the indigenous Tanzanian costs of Chinese development projects.

Chinese Financing of Local Costs

16. One of the advantages of Chinese economic aid is that their programs often provide long-term financing to cover the local costs of their projects. The rate at which an aid recipient accumulates local funds to finance its share of a project often determines the pace of progress on that project. The availability of such financing has contributed to the rapid implementation of Chinese projects. The USSR, on the other hand, often encounters serious delays on projects it undertakes in African countries because it is unwilling to provide such aid. Moscow usually does not permit its credits to be used to finance local costs and rarely provides goods to be sold domestically to raise the local currency.

17. The Chinese generally have provided long-term financing for the local costs of their projects in Tanzania. In addition to a direct commodity and foreign exchange grant of \$3 million in 1964, about \$6.7 million of the \$42 million in project credits extended to Tanzania in 1964 was designed to finance imports for sale locally to defray the cost of Tanzanian participation in these projects. Perhaps half the credit for the Tan-Zam Railroad will be used in this manner.

18. Until recently, Tanzania had little difficulty in selecting and absorbing such Chinese imports. During 1970, however, accelerating Tanzanian expenditures for the railroad dictated a need for a larger volume of imports to finance the required local revenue. The Tanzanians have claimed that commodity imports during 1970 were unable to provide the required local revenue because of high import prices, poor quality of many Chinese goods, uncertain shipping dates, and Chinese inability to guarantee a steady flow of spare parts for some Tanzanian imports of equipment. Although procurement of Chinese goods was below the required level during 1970, construction was reported to be ahead of schedule. The wage bill alone was running at a \$6 million annual rate. In order to keep work moving,

SECRET

SECRET



March 1967



In Operation, February 1969

FIGURE 1. TANZANIA: FRIENDSHIP TEXTILE MILL

SECRET

SECRET

the Chinese had to provide \$2 million in hard currency to meet local cost outlays in the third quarter.

Terms of Chinese Aid

19. The repayment terms of Chinese aid to Tanzania are almost unbeatable. Although only some \$5 million has been grant aid in the traditional sense, all credits are long term, extended without interest, and are payable after grace periods of five to ten years in goods or local currency. The \$42 million in development credits extended in 1964 are to be repaid in ten years beginning in 1980. The Tan-Zam credit is to be repaid over 30 years beginning in 1983. In contrast, Soviet and East German credits carry a 2.5% interest rate with repayment over 10-12 years, starting shortly after the funds are drawn and usually with little or no grace period.

20. Because of the favorable repayment terms, servicing the Chinese debts is not likely to be burdensome. They should be self-liquidating because of the extended grace periods allowed. Repayments are estimated at less than \$1 million annually through 1979, will increase to about \$5 million in 1980, and will jump to \$12 million by 1983. The latter figure is only about 5% of the present level of Tanzania's total exports. Moreover, not having to pay interest saves Tanzania substantial sums. The Egyptians, for example, even with the comparatively low Soviet interest charges, will have laid out some \$70 million in interest by the time the \$325 million of Moscow's credits for the Aswan Dam are repaid.

Technical Assistance

21. It is characteristic of the Chinese to flood their aid projects with large numbers of their own personnel. The labor-intensive character of Peking's aid has been a key factor in the rapid implementation of Chinese projects in Tanzania. Although many of the Chinese eventually employed on the railroad presumably will be skilled technicians who will have to be engaged in such difficult activities as tunneling and bridge building, they presumably will be responsible for everything but the unskilled labor. The extensive use of Chinese technicians avoids many labor problems encountered under Western and Soviet programs which depend on local workers to perform all but the highly skilled and professional jobs (see Figure 2).

22. The number of Chinese employed in Tanzania has grown rapidly as the pace of Peking's aid activities has accelerated. From about 50 technicians present in 1964, the number increased to nearly 350 in 1967, to about 800 in 1968, and some 1,000 in 1969 as survey work progressed on the Tan-Zam Railroad. With the start of construction in April 1970,

SECRET



FIGURE 2. CHINESE AND TANZANIANS BUILDING A BRIDGE FOR THE TAN-ZAM RAILROAD, DECEMBER 1970



FIGURE 3. CHINESE COMMUNIST MEDICAL TEAMS IN TANZANIA

SECRET

SECRET

the number soared to more than 5,200 by the end of the year and to 9,000 by mid-1971. The number working on the railroad is expected to climb to 13,000 for Tanzania and Zambia combined during the height of construction in 1973-74. 5/ There were some 330 additional technicians engaged in other development projects during 1970. Beyond these groups, an estimated 160 medical personnel were employed in hospitals and clinics throughout the country (see Figure 3). The joint shipping company had ten Chinese in its Tanzanian operation.

23. The low cost to Tanzania of employing Chinese technicians is particularly advantageous. Peking bears all foreign exchange costs, such as transportation and salaries of Chinese technicians. This contrasts with the Soviet and most Western aid programs, which require repayment of equivalent foreign exchange costs by the recipient country for all technical services and associated costs. Tanzania is required to pay only the local costs 6/ to maintain the technicians, and these are covered by the Chinese credit. Moreover, Communist China requires that its technicians live at a standard comparable to that of their local counterparts, thus minimizing local expenditures.

Impact on Trade

24. Although Chinese-Tanzanian trade is still relatively small, it is likely to expand rapidly along with Chinese aid activities. Trade between the two countries, which totaled around \$20 million in 1968 and 1969, apparently jumped sharply in 1970. 7/ This increase stems largely from the upsurge in imports of material, equipment, and commodities associated with the construction of the Tan-Zam Railroad. Tanzanian imports from China during the first five months of 1970 totaled about \$11 million, more than triple the imports for the comparable period of 1969. Tanzanian exports to Communist China (\$3.5 million) were running at double the rate for the comparable five-month period of both years. At those levels, the Chinese share of Tanzanian trade would increase almost 10% in 1970 and continue to grow over the next few years as work on the railroad accelerates.

5. Because most of the early stages of construction are in Tanzania, only 250 Chinese technicians were in Zambia during 1970. As the emphasis shifts to the Zambian end, the numbers there will jump sharply.

6. Local costs include board and pocket money averaging about \$55 a month per man. Also presumably included are medical care, insurance, and local transportation and office facilities.

7. Chinese exports to Tanzania in 1968 totaled about \$12 million and imports from that country nearly \$8 million. In 1969 they each totaled about \$11 million. Chinese trade accounted for about 4% of Tanzania's total trade in both years.

SECRETEconomic Aid from the West

25. Despite the growing importance of the Chinese presence, annual Western aid outlays have continued at a relatively high level. During 1961-69, official Western aid expenditures in Tanzania totaled nearly \$365 million. ^{8/} In recent years, Western outlays have averaged about \$35 million annually. Western aid, however, is diffuse and does not carry the political impact of Chinese aid.

26. The United Kingdom has spent some \$165 million in Tanzania since 1961 (about 45% of total Western aid). London's aid generally has been used for a wide variety of small development projects and to pay the salaries of British expatriates working for the Tanzanian Government. British aid, however, declined sharply after 1965, when Tanzania broke relations with the United Kingdom over London's unwillingness to crush Rhodesia's rebel government with military measures. Although diplomatic relations were resumed in 1968, no new British aid commitments have been forthcoming. British disbursements prior to 1965 averaged about \$30 million annually, whereas in recent years they have totaled only about \$4 million.

27. US aid expenditures reached a cumulative total of about \$70 million at the end of fiscal year 1970. ^{9/} They peaked at \$13 million in fiscal year 1966 but subsequently have been averaging less than \$8 million annually. While the largest share of this aid (\$28 million) has consisted of commodities under the Food for Peace program, about one-third (\$22 million) has gone for the construction of a highway linking Zambia with the Tanzanian Port of Dar es Salaam - the emergency antecedent of the Tan-Zam Railroad. Most of the remainder of US assistance has been spent on agricultural and educational programs. International organizations have spent nearly \$40 million in Tanzania, much of it for mineral exploration, educational and agricultural programs, and the development of electric power and transportation facilities.

28. Several other Western donors that provided little or no aid prior to 1965 have since made up some of the decline in British aid. Their outlays in Tanzania have averaged about \$15 million annually. The Nordic countries of Denmark, Finland, Norway, and Sweden have provided a total of \$40

8. *Tanzania also benefits from aid provided to the East African Community (Kenya, Tanzania, and Uganda) by the United Kingdom, the United States, and the World Bank.*

9. *The fiscal year ends on 30 June of the stated year.*

SECRET

SECRET

million; Italy and West Germany have spent nearly \$50 million. Most of these funds have gone for agricultural and educational development and for the construction of transportation facilities and housing projects. Canadian economic aid outlays have totaled about \$10 million since 1964. In 1970, however, the Canadians committed \$14 million for agricultural, forestry, and electrical power development. Subsequent Canadian commitments are expected to continue high, at least through 1975.

Military Assistance

29. Tanzanian procurement of military equipment in recent years has been confined largely to the Communist countries. Peking has provided some \$12 million, or about 80% of total Communist military assistance provided since the beginning of 1964. Although the magnitude of Chinese military aid is comparatively small, it is enabling Communist China to exert some degree of influence throughout Tanzania's military establishment. By the end of 1970, the Tanzanian armed forces were being supplied primarily by Communist China and being trained entirely by the Chinese. Initially, Nyerere sought to avoid becoming dependent on any single source of military aid. In addition to the small quantities of arms left by the United Kingdom, he accepted a small amount of grant arms aid from Communist China, purchased arms from Australia and the USSR, and brought in an 86-man Canadian contingent in 1964 to reorganize and train the Tanzanian army. Meanwhile, Zanzibar's 3,000-man army was being trained and equipped by both the USSR and China.

30. Chinese military influence in Tanzania developed gradually, beginning with a grant of some \$500,000 worth of small arms early in 1964. Two arms agreements totaling \$7 million were concluded in 1966, followed by agreements of \$1 million in 1967 and \$4 million in 1968. Under these accords the Chinese have delivered light tanks (see Figure 4), patrol boats, landing craft, anti-aircraft guns, and large quantities of small arms and other military-related equipment. The Chinese also have constructed an arms repair facility and a police training school. About \$8 million of Chinese military aid has been provided as direct grants; the remaining \$4 million is to be repaid, without interest, beginning in 1983. The length of the repayment period is not known.

31. Early in 1969, the Tanzanian government decided to unify its armed forces and place the servicing of its military establishment largely in the hands of the Chinese. Within a year, the Canadian and Soviet programs were phased out and the number of Chinese advisers jumped from 220 in 1969 to 380 in 1970. The Tanzanian decision to accept Communist China as the primary source of military aid presumably was prompted by

SECRET

SECRET

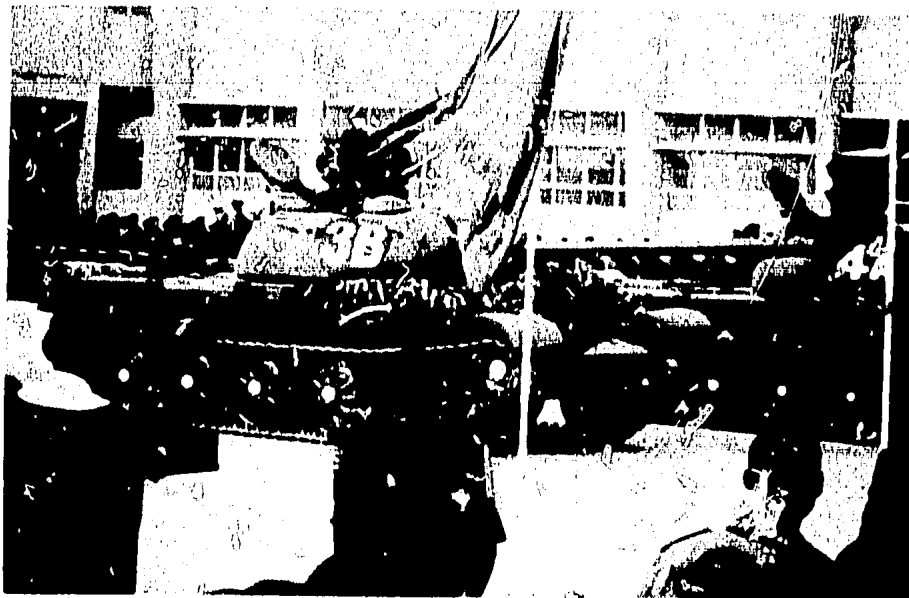


FIGURE 4. CHINESE COMMUNIST T-54 MEDIUM TANKS IN TANZANIA

a variety of factors. The efficiencies stemming from standardization, the sizable grant portion of Chinese assistance, and Moscow's foot-dragging on the Tanzanian request for an expanded air force undoubtedly were considerations. In addition, as Tanzania became more deeply involved in the African liberation struggle, Nyerere found it increasingly embarrassing to have white advisers in his defense command structure. In fact, for several years the Canadians had been excluded from the guerrilla training camps in Tanzania and had been told only the necessary minimum about Chinese military aid activity.

25X1

32. The Chinese moved rapidly into all arms of Tanzania's military establishment after the Western military aid programs were terminated. More than 200 advisers have been attached to infantry, artillery, logistic and communications units of the Tanzanian Peoples Defense Force (TPDF) on the mainland, and an additional 35 are estimated to be on Zanzibar.

25X1

Seventy-five technicians are presently supervising construction of a naval facility at Dar

SECRET

SECRET

es Salaam comprising three docking berths for small vessels, a slipway, and about 20 auxiliary buildings. Two berths and several buildings were completed by the end of 1970, and the entire project is due for completion early in 1972.

25X1



Conclusions

34. A large portion of the Chinese Communist effort to develop influence in the Third World has been concentrated on Africa. About half of the \$1.7 billion of Chinese economic aid since the mid-1950s has gone to African countries. The major target in Africa has been Tanzania, where the Chinese have become the dominant foreign presence. Peking is now Dar es Salaam's primary source of arms and economic aid. The Chinese have achieved this position because of their willingness to meet much of Tanzania's aid requests and to associate themselves openly with Nyerere's commitment to liberate southern Africa from white domination. By materially supporting Nyerere's aspirations, the Chinese hope to extend their influence elsewhere in Africa.

35. Since early in 1964, the Chinese have committed \$255 million of economic aid to Tanzania. These extensions account for some 30% of all Chinese economic commitments to Africa. Only Pakistan among the Third World countries has received more Chinese aid. Peking's assistance is being used for a variety of agricultural and light industrial projects, but its major commitment is the \$400 million (half to Zambia) it has allocated for the Tan-Zam Railroad. The terms of Chinese aid to Tanzania are extremely favorable since their credits are long term, do not carry interest charges, allow grace periods of five to ten years before repayment begins, and permit repayment to be made in Tanzanian goods or local currency.

36. As the pace of Chinese aid activities has accelerated, the number of Chinese technicians employed in Tanzania has jumped sharply. From about 50 technicians present in 1964, the number rose to 1,000 in 1969 and rocketed to 9,000 by mid-1971 as construction on the railroad passed the one-year mark. Tanzania thus accounts for about 80% of all Chinese

SECRET

SECRET

technical personnel employed in Africa in mid-1971 and over 70% of those present in all less developed countries.

37. Peking has provided Tanzania with some \$12 million of military aid and is now that country's sole source of military equipment and training. This aid is enabling the Chinese to exert some degree of influence throughout Tanzania's military establishment. By mid-1971, an estimated 500 Chinese military technicians were training the Tanzanian Peoples Defense Force and the newly authorized Peoples Militia. Nearly 350 Tanzanian naval and air force personnel are being trained in Communist China.

38. Although the radical tenor of Tanzania's domestic and foreign policies may permit Peking to continue to increase its influence in Dar es Salaam, much of China's future influence will depend on the performance of its aid program and developments in southern Africa. The Chinese are not likely in the next few years, to achieve a position where they can manipulate Tanzanian policies. The continuing flow of aid, however, eventually may create sufficient dependence to circumscribe Tanzania's freedom of action. Additional Chinese economic and military aid is likely to be forthcoming as aid projects are completed and the military establishment expands.