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Secret

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*Communist Aid and Trade Activities in Less
Developed Countries, August 1975*

Secret

ER RP 75-29
September 1975

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CONTENTS AND SUMMARY OF EVENTS
(August 1975)

Highlights

- The USSR apparently signed a contract to design a steel plant in Nigeria.
- The USSR suffered a setback when Damascus announced that Soviet oil exploration personnel will be replaced with technicians from the West.
- Romania moved to cement relations with Egypt and Iran through protocols to implement a number of large development projects.

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Poland and the USSR delivered [redacted] medium tanks to Tripoli in August.

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The USSR reportedly signed a contract to design a 1.5 million metric ton steel complex in Nigeria, under study since 1967.

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A Czech maintenance team is in Indonesia supervising the overhaul of L-29 jet trainers under a September 1972 protocol.

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In August, Mexico signed a general cooperation agreement with the Council for Mutual Economic Assistance, similar to the pact signed by Iraq last month.

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Deliveries Under Soviet-Peruvian Military Contracts

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Moscow has largely completed equipment deliveries under a 1973 ground forces agreement, as well as most of the [redacted] MI-8s under an April contract. 25X1D

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Bangladesh plans to buy 40,000 tons of wheat on Western markets this year as a first payment on a Soviet wheat loan.

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Romania signed protocols in August to implement a number of large development projects in Egypt and Iran, two of its major aid recipients.

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The arrival of [redacted] MIG-23 jet fighters in August brings the number of MIG-23s in the Iraqi air force to [redacted] enough to equip at least three squadrons. 25X1D

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Official Kuwaiti sources denied reports that the USSR has refused to supply arms to Kuwait.

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On 25 July, Syria received a Petya II class destroyer, now the largest combatant in the Syrian inventory.

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COMMUNIST AID AND TRADE ACTIVITIES
IN LESS DEVELOPED COUNTRIES

August 1975

Africa

Continuing Communist Tank Deliveries to Libya

25X1D

Poland and the USSR delivered [redacted] medium tanks to Tripoli in August, bringing the number of Communist medium tanks supplied to Libya since 1970 to more than 1,000. Although army units are believed to be using only about 200 tanks, the Warsaw Pact countries are expected to deliver an additional 1,000 tanks by mid-1977. (Secret No Foreign Dissem)

USSR Signs Contracts on Steel Mill in Nigeria

The USSR and Nigeria recently signed contracts for designs and training facilities for a long-awaited 1.5 million ton steel complex at Ajaokuta. In the planning stage since 1967, the project has encountered long delays because of controversy over location and size and questionable availability of raw materials. Current total cost estimates for the plant, including a large allocation for infrastructure, range as high as US \$1.3 billion. (Secret No Foreign Dissem)

East Asia

Czech Maintenance Support to Indonesian Air Force

A Czech maintenance team, in Indonesia since early this year, is supervising the complete overhaul of L-29 jet trainers purchased by

Note: The substance of this publication has been coordinated with the Bureau of Intelligence and Research of the Department of State, with the Defense Intelligence Agency, and with the Agency for International Development. Comments and queries regarding this publication are welcomed. They may be directed to [redacted] of the Office of Economic Research, Code 143, Extension 5291. 25X1A

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Indonesia in 1964. All of Indonesia's L-29s are expected to be refurbished by year's end under a September 1972 agreement that provides engines and spare parts for Indonesia's 12 operational L-29s. Jakarta has made an exception to its policy of not accepting military support from Communist countries, because of the L-29s' importance to Indonesia's Air Force. The Czech aircraft is the most advanced jet trainer in Indonesia's inventory. (Secret No Foreign Dissem)

Latin America

Mexico Signs Cooperation Agreement with CEMA

On 13 August, Mexico signed a cooperation agreement with the Council for Mutual Economic Assistance, calling for the establishment of a joint commission to explore cooperation in oil and natural gas. The agreement appears to be general in nature and probably is similar to one signed by Iraq last month. (For Official Use Only)

Deliveries Under Soviet-Peruvian Military Contracts Nearly Complete

During July and August, Moscow continued to fulfill its military agreements with Peru and tried to interest Lima in additional arms purchases. (Confidential No Foreign Dissem)

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Peru recently took delivery of at least [redacted] tracked artillery prime movers and 130-mm field guns, which along with [redacted] T-35 tanks 25X1B previously delivered probably fulfills most of the contracts under the 1973 accord for ground forces equipment. Soviet and Peruvian technicians also were assembling some of the [redacted] MI-8 helicopters delivered under an April 25X1B contract. An estimated 30 Soviet military personnel were in Peru at the end of August. (Secret No Foreign Dissem)

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During a Peruvian naval delegation's recent visit to Moscow, the USSR probably tried again to sell Osa class guided missile patrol boats and has invited Peru's minister of the navy to Moscow to follow up these conversations. However, initial indications are that Peru will not purchase these boats. The USSR hopes that Peru will accept its offer of MIG-21 jet fighters, but Lima appears satisfied with the availability of Western aircraft. (Secret No Foreign Dissem)

Near East and South Asia

Bangladesh To Repay Soviet Wheat Loan

Bangladesh will buy 40,000 tons of wheat on Western markets this year to make its first payment on a 200,000-ton Soviet wheat loan. According to the agreement the Soviet wheat, valued at \$35 million when it was shipped in 1973, is to be repaid in kind over five years beginning in 1975. Because of reduced world market prices for wheat, this year's repayment to the USSR will cost less. Nevertheless, the repayment will contribute additional strains on Dacca's already poor balance of payments. (For Official Use Only)

Repayments to the USSR also raised questions about future US PL-480 wheat deliveries to Bangladesh. Under existing regulations, the United States cannot provide commodities under its PL-480 program to LDCs that will export the same commodity during the year. However, PL-430 deliveries will be continued if Dacca buys the wheat in the United States for direct shipment to the USSR. The United States already has allocated 450,000 tons of grain under the PL-480 program for Bangladesh in fiscal 1976. (For Official Use Only)

Romania Expands Ties with Egypt and Iran

Romania signed a series of protocols in August to expand existing economic relations with Egypt and Iran. The new accords underline

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Romania's drive to expand equipment markets in the Near East. About one-half of Bucharest's \$1.3 billion in Third World aid has been concentrated in this area. (For Official Use Only)

A protocol with Cairo calls for a joint Romanian-Egyptian bank, Romania's first such venture in the Third World. The bank, to be located in Egypt, is capitalized at \$25 million with 49% Romanian ownership. Under Egyptian law, the bank will be permitted to conduct transactions in local and foreign currencies. Industrial agreements signed at the same time call for implementation of projects agreed to under earlier credits: soda and sulfuric acid plants, the Hamrawein phosphate complex, a petrochemical project, and an agricultural complex. Romania offered \$100 million in new development credits to be made available when the \$125 million worth of aid still outstanding under existing credits is drawn. (For Official Use Only)

Romania signed agreements with Iran to provide cement plants, bakeries, machine tool plants, and a sodium silicate plant. Technicians will undertake feasibility studies for expanding a chemical plant at Shiraz, electrification of the Bandar Abbas railroad, building an oil refinery and petrochemical plant, and prefabricated housing projects. Aid to agriculture also will be increased through the construction of grain silos and cold storage facilities in Iran. (For Official Use Only)

Polish Military Deliveries to India

The second of four Polnocny class medium landing ships ordered from Poland in 1973 has been sent to India. The unit will be used primarily for logistical support for the development of military bases in the Andaman and Nicobar Islands. (Confidential No Foreign Dissem)

Delivery of the first batch of Polish TS-11 Iskra trainer aircraft under a March contract also is imminent. The original order, which called for [REDACTED]

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TS-11s, is believed to have been increased [REDACTED] The aircraft were offered at \$315,000 each, as part of an unspecified barter arrangement. (Confidential)

Iraq Receives Further Soviet Aircraft Deliveries

25X1B 25X1B
A Soviet merchant ship carrying [REDACTED] MIG-23 Floggers and [REDACTED] MIG-21s arrived at the Iraqi port of Umm Qasr in late August. This delivery will bring the number of MIG-23s in the Iraqi air force [REDACTED] -- enough to 25X1B equip at least three squadrons. The total number of MIG-21s now stands at about [REDACTED]. The shipment provides evidence that the USSR is honoring prior military agreements with Iraq, despite the strains that have developed between the two countries. (Secret)

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Kuwait Military Negotiations with the USSR

Official Kuwaiti sources denied reports that the USSR refused to supply arms to Kuwait during the August visit of a military delegation to Moscow. Earlier this year, the Kuwait press reported a Soviet offer to exchange military equipment for crude oil. (Unclassified)

First Soviet Petya Class Destroyer Escort to Syria

Syria apparently received a Petya II class destroyer escort from the USSR on 25 July. The Petya becomes the largest combatant in the Syrian inventory. Besides Syria, only India has received an export model of the Petya II, armed with two twin 76.2-mm gun mounts, two five-tube 21-inch torpedo mounts, and two 16-barrel 200-mm ASW rocket launchers. It also has a minelaying and depth-charge capability. (Secret)

Syria To End Soviet Petroleum Activity

Syria's oil minister announced in mid-August that Soviet oil exploration activity has failed to meet expectations and that Damascus would

terminate Soviet-assisted oil exploration in favor of Western-type concession arrangements. (Unclassified)

Under recent concessions granted to Western firms, Syria will repay exploration and development expenses from production only if oil is found. Under the Soviet program, Syria must pay for Soviet equipment and services even if the venture fails. Beyond the possible financial advantages, however, Western technology is considered superior. (Unclassified)

Nonetheless, Soviet credits totaling \$50 million, have been the major support for establishing Syria's national oil industry, an industry that currently produces about 160,000 barrels a day. (Unclassified)

OTHER ACTIVITIES

Economic

Africa

Mozambique. East Germany signed an agreement on 13 August to provide Mozambique with assistance in animal husbandry and other agricultural projects. Like other Communist countries, East Germany has moved quickly to provide aid to the new government. Prior to independence, East Germany offered \$5 million in economic aid, possibly for budget support, as well as aid for establishing a national police service. (Secret No Foreign Dissem)

Nigeria. Nigeria is preparing to negotiate contracts with Poland for the expansion of shipyard facilities at Apapa. Polish technicians apparently completed studies for the expansion early in 1975. (Secret No Foreign Dissem)

Somalia. A Somalian fishing industry official was in Moscow during August to negotiate implementation of fisheries projects under a recent

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\$60 million Soviet credit to Somalia. (Unclassified)

Sudan. Sudan announced in August that a Bulgarian delegation is expected soon in Khartoum to sign a \$20 million credit agreement. The accord probably will reactivate 1967 credits that have gone unused. Sofia probably plans to go ahead with meat and vegetable processing facilities called for under the original agreement. (Unclassified)

Uganda. The USSR presented a preliminary mineral exploration report prepared by Soviet geologists in Uganda earlier this year. This is the first reference to Soviet assistance to geological exploration in Uganda. Further Soviet activity in this field probably would require new credits, as most of the \$15 million in aid previously provided has been used. (Unclassified)

Zaire. At a meeting of their joint commission in mid-August, Romania and Zaire discussed formation of a joint agricultural and livestock development company. (Unclassified)

Latin America

Bolivia. Bolivia has approved the final designs for a second Soviet tin volatilization plant, with a total cost of \$15 million. Installation of the first unit at Potosi has been plagued with delays and cost overruns. Original estimates put the cost of each plant at \$8.5 million, of which \$6 million represented Soviet equipment to be financed with a \$28 million Soviet credit. (For Official Use Only)

Dominican Republic. Romania has purchased \$16 million worth of sugar from the Dominican Republic so far this year. Trade between the two countries previously had been negligible. (Unclassified)

Jamaica. A Chinese textile team arrived in Jamaica in mid-July to study several textile projects first discussed when Jamaica established

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diplomatic relations with China in March 1974. (For Official Use Only)

Colombia. Colombia signed contracts valued at \$21 million to purchase buses from Hungary and streetcars from the USSR. The National Federation of Coffee Growers is acting as intermediary in the \$12 million Soviet deal and will finance the sale of streetcars to Bogota over 10 years at 15% interest. The Hungarian buses will be financed under a trade agreement. (Unclassified)

Chile. China has entered negotiations with Chile to purchase chemical products, presumably nitrates. Last year, Chile sold about 65,000 tons of nitrates to China, but shipments in 1975 have been negligible. (Unclassified)

Near East and South Asia

Afghanistan. On 22 July, Czechoslovakia signed a \$6.5 million aid contract to provide buses for a transportation project in Kabul and agreed to assist a powerplant at Herat. (Unclassified)

Egypt. Egypt recently announced the completion of two poultry combines, a vegetable dehydrating plant, and a meat processing plant constructed by Bulgaria under credit agreements valued at \$37 million. (Unclassified)

Iran. The USSR signed a contract on 6 August to begin electrification of the 90-mile rail line from Tabriz to Julfa, on the Soviet border. The USSR extended \$18 million in credits in 1968 for rehabilitation of the line. (Unclassified)

Iraq. Poland signed a \$3 million contract to supply two pumping stations on a turnkey basis for an irrigation project in Iraq. The Iraqi government eventually plans to purchase 80 pumping stations for a \$400 million irrigation project, and Warsaw is interested in establishing itself as

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a reliable supplier of this type of equipment through rapid delivery on this contract. (Secret No Foreign Dissem)

Pakistan. Chinese experts arrived in Pakistan early in August to work out final details on construction of a sports complex at Islamabad, scheduled to begin in October. The \$35 million complex, to be completed for the 1976 Asian Games, is being financed under a 1970 credit for \$200 million. The two sides also recently agreed to start work on a \$2.9 million textile complex in Punjab under the same credit. (Unclassified)

Sri Lanka. At the close of trade talks in Moscow in August, it was announced that Soviet-Sri Lankan trade is planned to increase by 50% in 1975 to approximately \$26 million. Aid deliveries for expansion of the Soviet-built Oruwala steel mill will contribute heavily to the increase in Soviet exports, while Sri Lanka will expand shipments of traditional agricultural goods. (Unclassified)

Syria. Czechoslovakia signed a contract on 30 July to equip a \$105 million tire plant at Hama. The financial arrangements for the project were not revealed. (Unclassified)

Military

Africa

Guinea. The USSR delivered 25X1B [REDACTED] MIG-21 aircraft and military vehicles to Conakry during August under a 1973 agreement valued at \$20 million. The USSR previously had delivered [REDACTED] MIG-21s to Guinea this 25X1B year. (Secret No Foreign Dissem)

A Guinean delegation headed by the minister of defense visited Bucharest in mid-August at the invitation of Romanian military officials. (Unclassified)

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25X1B

Guineau Bissau. The number of Soviet-supplied MIG-21 jet fighters in Guinea Bissau rose [REDACTED] with the arrival [REDACTED] additional aircraft in August. The delivery probably comes under an agreement concluded by a Soviet military delegation to Guinea last fall. (Secret No Foreign Dissem)

25X1B

Mali. The USSR has expanded military deliveries to Mali over the past three months. A Soviet ship arrived in Conakry with tanks, APCs, [REDACTED] truck-mounted missile launcher destined for Mali. In May and June, Mali received [REDACTED] MIG-17s and a [REDACTED] trainer under a December 1974 agreement. (Secret No Foreign Dissem)

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East Asia

Laos. Soviet-supplied Laotian river patrol boats reportedly have appeared for the first time on the Mekong River bordering Thailand. The boats probably were delivered in May and June to be used to control smuggling and illegal border crossing. (Unclassified)

Near East and South Asia

India. Nanuchka class guided missile patrol boats are among the combat ships New Delhi will receive under the February 1975 Soviet-Indian arms agreement. The Nanuchka is armed with SS-N-9 surface-to-surface missiles and SA-N-4 surface-to-air missiles. Some of the sophisticated weaponry probably will not be provided for the export model.

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