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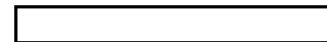
**AID AND TRADE ACTIVITIES OF COMMUNIST  
COUNTRIES IN LESS DEVELOPED AREAS  
OF THE FREE WORLD  
1 JANUARY - 30 JUNE 1964**

**EIC R14-S17**

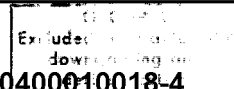
August 1964

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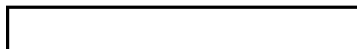
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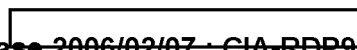
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FOREWORD

The EIC-RI4 series provides periodic summaries and analytical interpretations of significant developments in the economic and military relations of Communist countries with less developed countries of the Free World. These developments are reported on a current, factual basis in the Biweekly Reports in the EIC-WGR-1 series.

This report, covering the 6 months from 1 January through 30 June 1964, constitutes the seventeenth periodic supplement to EIC-RI4, the initial report on Sino-Soviet Bloc Postwar Economic Activities in Underdeveloped Areas, 8 August 1956, SECRET. The present supplement updates the previous semiannual report and includes the more significant developments during the reporting period. It also relates noteworthy noneconomic activities, including military aid, to economic operations of the Communist countries in less developed areas. Data have been revised to include new information, and figures in the current supplement supersede those in previous issues. This report was prepared by the Department of State and the Central Intelligence Agency. The draft was reviewed and coordinated by a Working Group of the Economic Intelligence Committee, including representatives of the Department of State; the Defense Intelligence Agency; the Departments of the Army, Navy, and Air Force; the Departments of Commerce and Agriculture; the Agency for International Development; the Office of the Secretary of Defense; the National Security Agency; and the Central Intelligence Agency. The final report was approved by the Economic Intelligence Committee on 12 August 1964.

In this report the term Communist countries refers primarily to the following countries that extend aid to less developed areas: the USSR, Communist China, and the following countries of Eastern Europe -- Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania. For certain limited purposes the term also may include Albania, Cuba, Mongolia, North Korea, and North Vietnam, none of which is normally a donor of aid. The term does not include Yugoslavia.

The term less developed countries of the Free World includes the following: (1) all countries of Africa except the Republic of South Africa; (2) all countries in South and Southeast Asia; (3) Iceland, Portugal, and Spain; (4) all countries in Latin America except Cuba; and (5) all countries in the Middle East, including Cyprus, Greece, the Syrian Arab Republic, Turkey, and the United Arab Republic.

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AID AND TRADE ACTIVITIES OF COMMUNIST COUNTRIES  
IN LESS DEVELOPED AREAS OF THE FREE WORLD

Summary\*

Current Trends

New Communist aid commitments to less developed countries increased during the first half of 1964 in all sectors of the program except for the military, which followed the declining pattern begun in 1962. The most notable gains were new commitments of economic aid. Deliveries, however, increased only marginally. After a sharp contraction in 1962 and 1963, Communist extensions of new economic assistance to less developed countries rose to a record 6-month high of \$883 million. Most of the new aid was extended by the USSR, as Moscow continued its efforts to erode Western political influence in the less developed countries and to contain the increasing Chinese challenge to its own position in the Afro-Asian areas.

More than 90 percent of the new Soviet economic aid was concentrated in three countries: the United Arab Republic (UAR), India, and Algeria. The UAR has long been regarded by the USSR as a key country in the drive to expand Soviet influence in Africa and the Middle East. Traditional Soviet interest in India, among the most influential of the nonaligned Afro-Asian nations, has been sharpened by the USSR's struggle with China and the Sino-Indian conflict. The Soviet credit to Algeria reflects the Soviet view that Algeria, in spite of its economic ties to France, is a promising potential supporter of Soviet policies in the Afro-Asian world. In the process of conducting an active campaign to exploit Ben Bella's neutralist stance, the USSR hopes to further complicate Algeria's relations with France and to score gains relative to the Chinese.

Communist China extended a near-record level of \$92 million in new economic aid to less developed countries during the first half of 1964, possibly reflecting some sensitivity on China's part to the gap between its verbal protestations of support for new states and its hitherto relatively modest aid efforts. However, unable to compete with the USSR in the quantity of aid extended, China has begun a major campaign to undercut its Communist rival by disparaging the quality and the intent of the larger Soviet assistance program. Peiping has equated Soviet aid efforts with those of the "imperialists" and warned less developed nations that they would be subject to Soviet domination if they accept aid from Moscow. The USSR, in turn, has pointed out the modest amount of Chinese aid to less developed countries, the lag in China's implementation of its aid pledges, and the low technical level of Chinese plants and equipment.

\* See the chart, Figure 1, following p. 2.

The renewed momentum of Soviet economic aid extensions, following 2 years of reduced aid undertakings, highlights the fact that economic assistance is an integral part of Soviet foreign policy. Moscow undoubtedly is aware that a failure to maintain a high level of new extensions would result in a substantial decline of its activities in those countries which have been major recipients of Soviet aid and would lose advantages already won. It also would damage one of Moscow's most effective weapons in the struggle with Peiping for influence in Asia and Africa.

#### Economic Credits and Grants

Communist extensions of new economic assistance to less developed countries rose to a record 6-month high of \$883 million in the first half of 1964, bringing the cumulative total of economic aid extended between 1954 and mid-1964 to \$5.8 billion. The number of countries receiving aid increased to 30 as 2 countries, Kenya and the United Republic of Tanganyika and Zanzibar (URTZ), were added to the list of aid recipients. New credits were extended to countries in Africa, Asia, and the Middle East, but, as in the previous year, no new aid was extended to Latin America.

Approximately three-fourths of total new aid (\$662 million) was undertaken by the USSR as its extensions reached their highest level for any 6-month period since the beginning of the program in 1954. Its aid in the first half of 1964 was concentrated primarily in three countries -- Algeria, India, and the UAR -- which received credits of \$128 million, \$200 million, and \$280 million, respectively. Eastern Europe and Communist China also substantially increased their new aid undertakings during the first half of 1964. Eastern Europe extended \$129 million of aid to seven countries, two-thirds of which was accounted for by an \$84 million Czechoslovak credit to India. Economic credits and grants totaling \$92 million were extended by Communist China to Kenya, URTZ, and Yemen.

Deliveries of goods and services under the Communist economic assistance program increased slightly above the level of the second half of 1963 to \$271 million in the first 6 months of 1964. These additional deliveries brought aggregate drawings on credits and grants for all Communist economic aid programs up to \$1.9 billion.

#### Economic Technicians

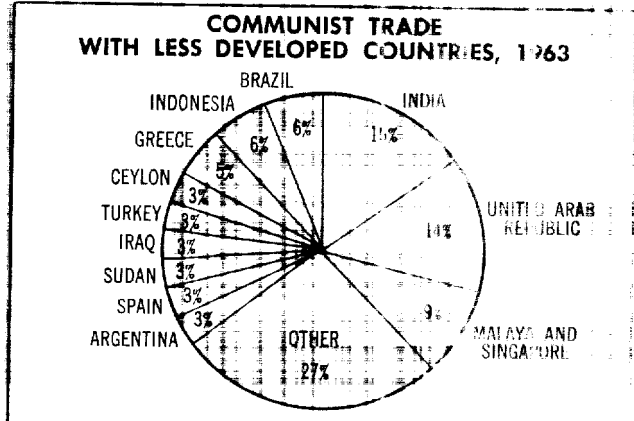
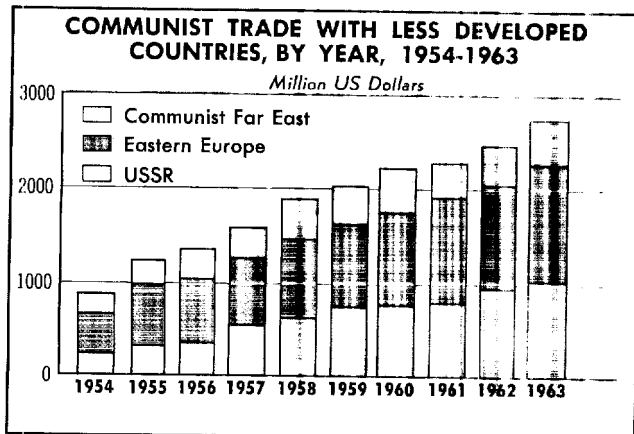
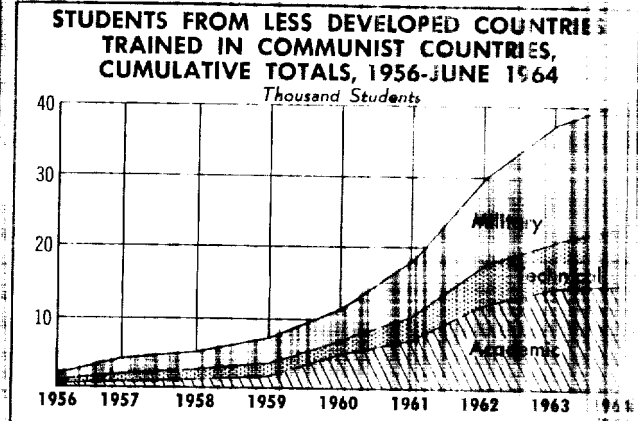
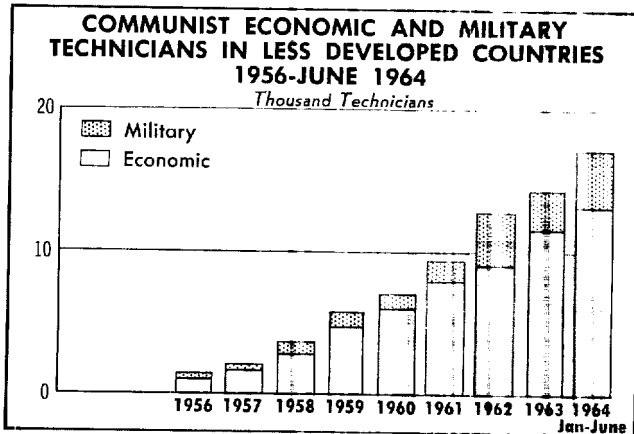
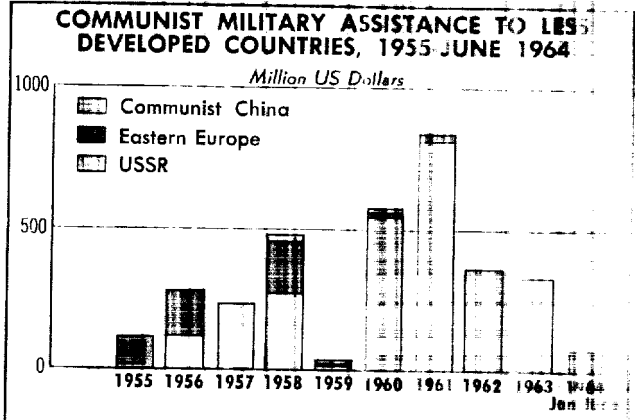
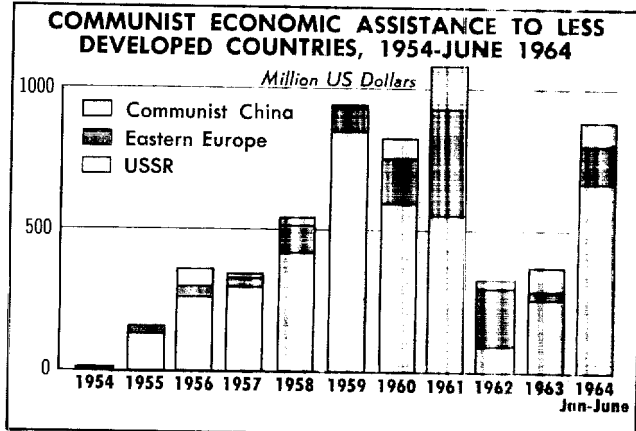
The number of economic technicians employed in less developed countries in the first half of 1964 increased by 12 percent above the previous 6-month period to about 13,365. Most of the increase was accounted for by the requirements for the expanding aid programs in Algeria, Nepal, and the UAR. Technicians from Communist countries were noted for the first time in Kenya and URTZ. Of particular significance during the period was the large increase in Communist administrative and advisory personnel, especially in Algeria, Ghana, Guinea,



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# ECONOMIC ACTIVITIES OF COMMUNIST COUNTRIES IN LESS DEVELOPED COUNTRIES OF THE FREE WORLD\*

Selected Years, 1954-June 1964



\*Data are revised periodically to include new information and therefore may not be comparable with data previously presented.

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Mali, and Zanzibar. About 60 percent of all economic technicians provided by Communist countries during the period were employed in Afghanistan, Algeria, Guinea, India, and the UAR. Iraq and Yemen, however, major areas of assignment for Communist economic technicians in the last half of 1963, each reduced by almost half the number they employed during the first 6 months of 1964.

#### Academic Students and Technical Trainees

About 250 nationals from less developed countries enrolled in Communist academic institutions during the first 6 months of 1964, bringing the total number of personnel being trained as of the end of June 1964 to almost 13,000. The USSR accommodated more than 60 percent of the total; Czechoslovakia, East Germany, and Bulgaria together accounted for 25 percent; and Communist China was host to only 2 percent. Most of the 15,000 students who have accepted Communist offers of higher education since 1956 have come from Africa and the Middle East. Again in the first half of 1964, African students accounted for the largest part of the increase, although an equal number left schools in Communist countries for study in the West.

About 1,650 nationals from less developed countries initiated technical training programs in Communist countries during the period, far exceeding the number going in any previous half-year. Three countries -- Algeria, India, and the UAR -- accounted for more than 90 percent of the increase. To date, about 8,500 personnel from developing countries have undertaken technical training in Communist countries.

#### Military Credits and Grants

Communist countries are known to have extended approximately \$71 million of military assistance to less developed countries during the first half of 1964. Soviet agreements were signed with Afghanistan, Cambodia, Iraq, and Yemen, and modest grants of equipment were made to Cambodia by Czechoslovakia and Communist China and to Zanzibar by the USSR and Communist China. These new commitments represent a decline from the second half of 1963 when approximately \$180 million was promised to less developed countries. The cumulative total of Communist military aid extended between 1955 and the end of June 1964 is approximately \$3.3 billion. It is possible that substantial amounts of military aid may be added to the obligations undertaken in the first half of the year if negotiations with India, Indonesia, Syria, and the UAR result in firm agreements. Deliveries of military equipment under earlier agreements -- especially to Algeria, Indonesia, and the UAR -- continued at high levels during the review period.

#### Military Technical Assistance

Approximately 3,215 military technicians from Communist nations were in less developed countries during the first half of 1964, an

increase of 14 percent above the last half of 1963. The number in Algeria, Indonesia, and Syria increased, whereas the number in Yemen decreased following completion of some military construction projects.

During the first 6 months of 1964, about 740 nationals from 9 less developed countries enrolled in military programs in the USSR and Eastern Europe, bringing to 2,830 the total number training at Communist military institutions. The largest contingents were from Afghanistan, Algeria, Indonesia, the Somali Republic, and the UAR.

### Trade

The spring of 1964 was highlighted by Communist participation in the United Nations Conference on Trade and Development which opened in Geneva on 23 March. In general, the speeches by the Communist delegates contained relatively mild recitations of familiar Communist arguments and high-sounding declarations of good intentions such as a Soviet estimate that purchases from less developed countries of raw materials and manufactures would increase eightfold to more than \$11 billion by 1980. At the same time, the Communist countries strongly resisted recommendations that would have the effect of improving the terms and conditions of their aid and trade with less developed countries.

Trade turnover between Communist countries, excluding Cuba, and the less developed countries amounted to almost \$2.8 billion in 1963, or 11 percent above the 1962 level. The share of the less developed countries in total Communist trade in 1963 was about 7 percent, the same as in previous years, while the Communist share in the total trade of the less developed countries remained at roughly 5 percent. In spite of these relatively low ratios, the share of Communist trade in the total commerce of certain less developed countries continued to be significant, and the Communist area again purchased sizable portions of the major hard currency earners of some less developed countries.

By area, Asia again accounted for the largest share -- about two-fifths -- of Communist countries' trade with less developed areas and was followed in importance by the Middle East, whose share remained at 31 percent, the same as in 1962. Africa continued to account for 13 percent of the total, while Latin America's share fell slightly, to 11 percent. The less developed countries of Europe again accounted for less than 5 percent of the total.

### Africa

Communist economic activities increased sharply in Africa during the period under review, especially in East Africa. Kenya and the United Republic of Tanganyika and Zanzibar were particular objectives of Soviet and Chinese economic aid overtures. As an aspect of continuing Sino-Soviet competition in Africa, both parties also paid increasing attention to Algeria. Following Algerian Prime Minister Ahmed

Ben Bella's successful visit to Moscow in early May, the USSR and Algeria announced agreement on an economic accord by which the USSR agreed to furnish a \$128 million steel mill and to assist Algeria with the establishment of a petroleum institute and a technical school and with the expansion of technical assistance projects. Earlier in the year, Chinese Premier Chou En-lai visited Algeria to assure Algerians of continuing economic support, particularly in implementing the \$50 million credit furnished to the Algerians by the Chinese in 1963.

The USSR agreed to furnish Kenya with economic credits estimated at \$3.3 million and a grant estimated at \$4.3 million and assured this recently independent state that equipment provided under Soviet military assistance to the Somali Republic, Kenya's traditional enemy, would not be used against Kenya. The USSR quickly recognized the rebel Zanzibar regime of Rashid Karume after his successful rebellion against the Sultan of Zanzibar and furnished arms for the new Zanzibar army. The USSR began limited arms delivery to the Somali Republic under the military aid agreement of 1963, while renewing an offer of military equipment to Ethiopia.

In other parts of Africa the USSR continued to encounter difficulties in implementing credits extended in earlier years. The slow pace of developing new projects and the inefficiency of many African technicians reduced the impact of Soviet economic aid in a number of West African countries, particularly in Guinea and Mali.

Chinese activity also concentrated on East Africa and Algeria. Little has materialized in the Somali Republic other than partial transfer of a 1963 Chinese pledge of \$3 million for budgetary support. During his trip to Africa, in spite of the fact that Ghana has made no drawings on the \$19.6 million 1961 Chinese credit, Chou En-lai promised Ghana an additional credit of \$22.4 million. The agreement was signed in July 1964. Chinese economic aid and technical assistance appear to have been implemented effectively in Guinea and Mali. Most projects have been implemented by small groups of Chinese technicians who mingled unostentatiously among the local populace. The Chinese continued to display increasing attention to East Africa. Initially, Peiping had agreed to furnish Zanzibar with a credit of \$14 million and a \$0.5 million budgetary grant. Later, a \$28 million credit and a \$3.0 million grant were extended to the recently formed United Republic of Tanganyika and Zanzibar (URTZ). Kenya received a long-term, interest-free credit of \$15.2 million and a \$2.8 million grant for budgetary support. The Chinese reportedly offered Sudan an economic credit of \$47.6 million.

Other Communist countries continued economic activities at about the same level as in 1963. Czechoslovakia showed interest in information programs in Tanganyika and Kenya. Poland discussed expanding its shipping operations in West Africa, in cooperation with East Germany. After the Zanzibar coup of 26 January 1964, East Germany

launched an economic penetration drive in Zanzibar and has committed itself to the extension of an estimated \$6.5 million in credits. Its unwillingness to reduce its embassy on Zanzibar to a consulate was embarrassing to the recently created union with Tanganyika.

### Asia

Soviet interest in India continued unabated as indicated in the announcement of assistance to India in building the first stage of the Bokaro steel mill. In addition to the Bokaro mill, which will cost the USSR an estimated minimum of \$200 million, the USSR indicated a willingness to provide unspecified assistance for India's Fourth Five Year Plan (1966-71). India and the USSR reached an understanding on the provision of Soviet surface-to-air missile (SAM) systems for the defense of New Delhi and Calcutta, and the MIG-21 production facilities to be built with Soviet assistance were moving forward. Czechoslovakia also extended an \$84 million credit to India for use in heavy industrial projects.

A modest rise in activity in two of India's neighbors, Pakistan and Nepal, apparently was related to Sino-Soviet competition in the area. Pakistan, which has been the object of economic and political overtures from Communist China, received an \$11 million credit from the USSR, to be used largely for the purchase of agricultural equipment. The USSR and Communist China will each build separate links in the proposed East-West highway in Nepal, and both countries also agreed to undertake several minor aid projects. The Chinese commitment replaces the proposed paper mill and cement plant removed earlier as projects under its 1960 grant. The USSR extended a grant, estimated at \$10.5 million, to cover the costs of the road and an agricultural implements plant.

The Soviet aid program in Afghanistan continued to be implemented at an impressive pace, but no new commitments were announced except for an agreement for the delivery of \$20 million worth of military spare parts.

In Southeast Asia, developments in the economic field were largely overshadowed by political factors. The Ne Win regime in Burma by mid-1964 had moved far toward the establishment of an authoritarian socialist system, and Burma now looks to the Communist countries as an important source of economic assistance. The implementation of the \$84 million Chinese Communist credit continued to lag, however, and although the Soviet-assisted Kyetmauktaung Dam is making satisfactory progress, there have been continued difficulties with Soviet and Czechoslovak agricultural tractors. In Cambodia the Communist countries responded to Prince Sihanouk's renunciation of US aid at the end of 1963 with gifts of military equipment and statements of political support, but neither the USSR nor Communist China appeared inclined to come forward with a comprehensive aid program. By mid-1964, Sihanouk had swung back to his

quasi-neutralist position and was cultivating the French as a source of aid. Indonesia's major concern continued to be its confrontation with Malaysia. It was learned that an agreement was concluded with the USSR in November 1963 for the delivery of \$55 million in Soviet military equipment and spare parts. Slow progress continued to be made on Soviet-assisted economic projects, but deliveries under credits extended by the East European Communist countries accelerated in the first half of the year.

#### Latin America

No new Communist aid was extended to Latin American nations during the first half of 1964, although there were reports of offers to a number of countries. Communist China made several important purchases in Latin America, including 1.5 million tons of grain from Mexico and Argentina, possibly \$28 million worth of cotton from Mexico, and quantities of copper and nitrates from Chile.

The range of possibilities for economic activities by the Communist countries in Latin America was narrowed by the fall of Brazil's left-leaning President Goulart on 1 April. Brazilian receptivity to economic initiatives by Communist countries seems to have declined, and while keeping channels open for possible aid offers from the East, Brazil apparently will continue to depend on the West for assistance in dealing with its serious economic problems. Credits totaling approximately \$180 million extended in the past by East European countries apparently remain unused. Brazil's trade with the Communist area increased by 21 percent in 1963 above the previous year, in spite of the fact that the USSR was forced by a crop failure to renege on a large volume of wheat promised for delivery during 1963-64.

In Bolivia, internal political pressures continued to exist for the acceptance of previously offered Communist aid. But far-left forces, the source of much of this pressure, have now been effectively isolated by the government. The government delayed action on a Czechoslovak offer to finance an antimony smelter but extended a feeler on the possibility of Soviet financing for a tin smelter.

#### Middle East

The Middle East continued as an important target of the Communist offensive during the first half of 1964. It received about 40 percent of the total new economic aid extended by Communist countries, two-thirds of total military aid extended, and substantial numbers of technicians. During Khrushchev's May visit to the UAR to attend the ceremonies marking the completion of the first stage of the Aswan High Dam, he announced the extension of a \$280 million credit for the UAR's Second Five Year Plan (1965-70). This brought the total of Communist economic assistance to the UAR extended since 1955 to more than \$1 billion.

Additional commitments of economic aid were made to Yemen in the first 6 months of 1964 by both the USSR and Communist China following President Sallal's visits to these countries early this year. The USSR extended economic assistance totaling at least \$21 million and possibly as much as \$72 million for Yemen's fishing industry, land reclamation, a cement plant, and a road. Communist China extended \$28 million for roadbuilding and a textile plant. The USSR also provided \$10 million in military assistance.

The 'Arif Government in Iraq continued to follow a "correct" policy toward the Communist countries in the context of nonalignment. Some Iraqi Communists were released from prison, and it was reported that the treatment of local Communists and the possibility of expanding Soviet aid to Iraq were discussed by Khrushchev and 'Arif when they met in the UAR in May. A military assistance agreement with the USSR provided for a \$59 million purchase by Iraq of 18 MIG-21PF all-weather interceptors, ammunition, and spare parts. Of the total cost of the equipment, \$21 million is available to Iraq as a result of the canceled surface-to-air missile program. The USSR agreed to apply a one-third discount on the remaining \$38 million worth of equipment.

Realignments in the Ba'athist leadership in Syria did not affect Syria's relations with the Communist countries or its attitude toward Communist assistance. Work progressed on Soviet projects in Syria under the October 1957 credit. Deliveries of military equipment were heavy. Czechoslovakia extended a credit of \$5.2 million to Syria for the construction of a sugar refinery. Syrian exports to the Communist countries reached a new high in 1963 and accounted for about 23 percent of Syria's exports.

The Communist countries sought to take advantage of the crisis in Cyprus by expressing their support for President Makarios and the Greek Cypriot majority but stopped short of supporting the enosis objectives of certain Greek Cypriot elements. They also are reported to have made offers of economic assistance to Cyprus. Although the Greek Cypriots actively sought military equipment from "friendly countries," as of midyear none was forthcoming directly from the USSR. Cyprus granted civil air rights to the USSR, Hungary, and East Germany.

Soviet-Turkish relations were affected adversely early in the year by Soviet propaganda in support of the Greek Cypriots. Moscow subsequently adopted a more persuasive approach by renewing its offers of large-scale economic aid when it recognized that Cyprus offered an opportunity to exploit Turkey's growing disillusionment with NATO.

Iran maintained good relations with Eastern Europe and the USSR during the period. It received a new \$15 million credit from Poland and offers of credits from Hungary and Czechoslovakia. Iran and the USSR, after protracted negotiations, signed their first payments agreement as well as a new 3-year trade agreement. Survey work was begun on the joint Soviet-Iranian Aras River project under the Soviet credit of July 1963.

I. Communist Activities in Less Developed Areas, by Type of Activity

A. Current Economic Trends

After a sharp contraction in 1962 and 1963, new economic aid extensions by Communist countries to less developed countries rose to \$883 million during the first half of 1964. This figure amounted to about two and one-half times the total aid extended in 1963 and represented the highest level of Communist aid committed during any 6-month period since the inception of the program in 1954. Almost three-quarters of the new aid extensions were made by the USSR, as Moscow continued its efforts to erode Western political influence in the less developed countries and to contain the increasing Chinese challenge to its own position in the Afro-Asian areas.

More than 90 percent of the new Soviet economic aid was concentrated in three countries: United Arab Republic (UAR), India, and Algeria. The UAR has long been regarded by the USSR as a key country in its drive to expand its influence in Africa and the Middle East, and Khrushchev's extended visit to that country attests to the importance Moscow attaches to maintaining or strengthening its position there. Soviet interest in India has been sharpened by the USSR's struggle with China and the Sino-Indian conflict. Moscow hopes that India can serve as an effective counterweight to Chinese designs in Asia. Both the UAR and India are preparing ambitious new 5-year plans which will depend on substantial external assistance. The USSR was thus afforded an opportunity to step in with well-publicized pledges of aid to the UAR and has indicated a willingness to extend further aid to India.

The credit of \$128 million to Algeria (the USSR's second large credit to that country in 7 months) reflects the Soviet view that Algeria, in spite of its economic ties to France, is a promising potential supporter of Soviet policies in the Afro-Asian world. Earlier caution in Soviet dealings with the Algerian regime has given way to an active campaign to exploit Ben Bella's increasing leftist orientation. In the process the USSR hopes to further complicate Algeria's relations with France and to score gains relative to the Chinese.

Communist China also has increased its efforts to win the support of developing countries, particularly in Africa and the Middle East. China extended \$92 million in new economic aid to less developed countries during the first half of 1964. The near-record level of Chinese extensions of aid (exceeded only during the first half of 1960), following a much-publicized trip to Africa and Asia by Chou En-lai early in the year, may reflect some sensitivity on the part of China to the gap between its verbal protestations of support for new states and its hitherto relatively modest aid efforts. Unable to compete with the USSR in the quantity of aid extended, China has begun a major campaign to undercut its Communist rival by disparaging the quality and



intent of the larger Soviet assistance program. In a speech delivered by the head of the Chinese delegation to the second Asian Economic Seminar held in North Korea in June and attended by delegates and observers from most of the Afro-Asian nations, the Chinese equated Soviet aid efforts with those of the "imperialists" and warned less developed nations that they would be subject to Soviet domination if they accepted aid from Moscow. Moreover, it was asserted that Soviet authorities "do not trade at responsible prices" and that they "sometimes provide equipment while withholding techniques so as to make Asian and African countries economically dependent on them." The USSR, in turn, has countered such charges by asserting that Chinese aid to developing countries is "a mere 8 percent" of the assistance extended by the USSR and the East European Communist states, that the Chinese are lagging in implementing many of their aid pledges, and that Chinese plants and equipment are on a low technical level.

The renewed momentum of Soviet economic aid extensions, following 2 years of reduced aid undertakings, highlights the fact that economic assistance is an integral part of Soviet foreign policy. Moscow undoubtedly is aware that a failure to maintain a high level of new extensions would result in a substantial decline of its activities in those countries which have been major recipients of Soviet aid and would lose advantages already won. It also would damage one of Moscow's most effective weapons in the struggle with Peiping for influence in Asia and Africa.

## B. Economic Assistance

### 1. Credits and Grants

Communist extensions of new economic assistance to less developed countries rose to a record 6-month high of \$883 million in the first half of 1964 and approached the peak of nearly \$1.1 billion extended during the entire year of 1961. The new credits and grants, which were extended to 12 countries (see Table 1\* and the chart, Figure 2\*\*), constitute a sharp increase from the low levels of 1962 and 1963. The total number of aid recipients increased to 30 as Kenya and URTZ were added to the list of less developed countries that have received economic aid from Communist countries. With these new commitments the cumulative total of Communist economic aid extended from the inception of the program in 1954 through mid-1964 rose to \$5.8 billion.\*\*\*

The record Soviet half-year extensions of \$662 million accounted for about three-quarters of the total Communist economic

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\* P. 11, below.

\*\* Following p. 12.

\*\*\* For a summary of specific credits and grants by Communist countries to less developed countries, see Tables 7 through 11, pp. 66 through 127, below.

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aid committed during the period. Virtually all of the new Soviet economic aid was concentrated in three countries: a \$128 million credit to Algeria for a steel-producing complex; a credit expected to amount to at least \$200 million to India for the first stage of the Bokaro steel mill, on which the Indians hope to begin construction in 1965; and a line of credit of \$280 million to the UAR to be utilized during its Second Five Year Plan (1965-70) for, among other projects, a steel combine and a hydroelectric powerplant. The USSR also made small economic aid commitments to Kenya, Nepal, Pakistan, Tunisia, and Yemen. Additional Soviet aid for India's Fourth Five Year Plan scheduled to begin in 1966 appears to be likely.

The future impact of the new aid extensions on the Soviet economy is likely to be relatively small. Drawings on credits extended to developing countries through mid-1964 are expected to continue to increase over the next several years and may reach a total of \$450 million to \$500 million annually during the period 1966-68. The burden such deliveries might impose on the Soviet economy, however, should be mitigated to some extent by a growing level of repayments. Repayments are estimated at more than \$200 million annually assuming that recipient nations meet their obligations on schedule. Thus net annual outlays of \$250 million to \$300 million in the 1966-68 period could be at approximately the same level as current net outlays under the program. Moreover, much of the new assistance is for steel mill projects, and the recent decreased emphasis on expansion of the Soviet steel industry could enable the USSR to provide metallurgical equipment more easily than equipment for certain other industries, such as chemicals. A possible difficulty might arise in providing basic oxygen steelmaking facilities and advanced types of steel rolling and finishing equipment presently specified by India for the Bokaro steel combine. The USSR has not yet demonstrated full competence in the manufacture of these types of equipment and has lagged in completing such projects for its own steel industry.

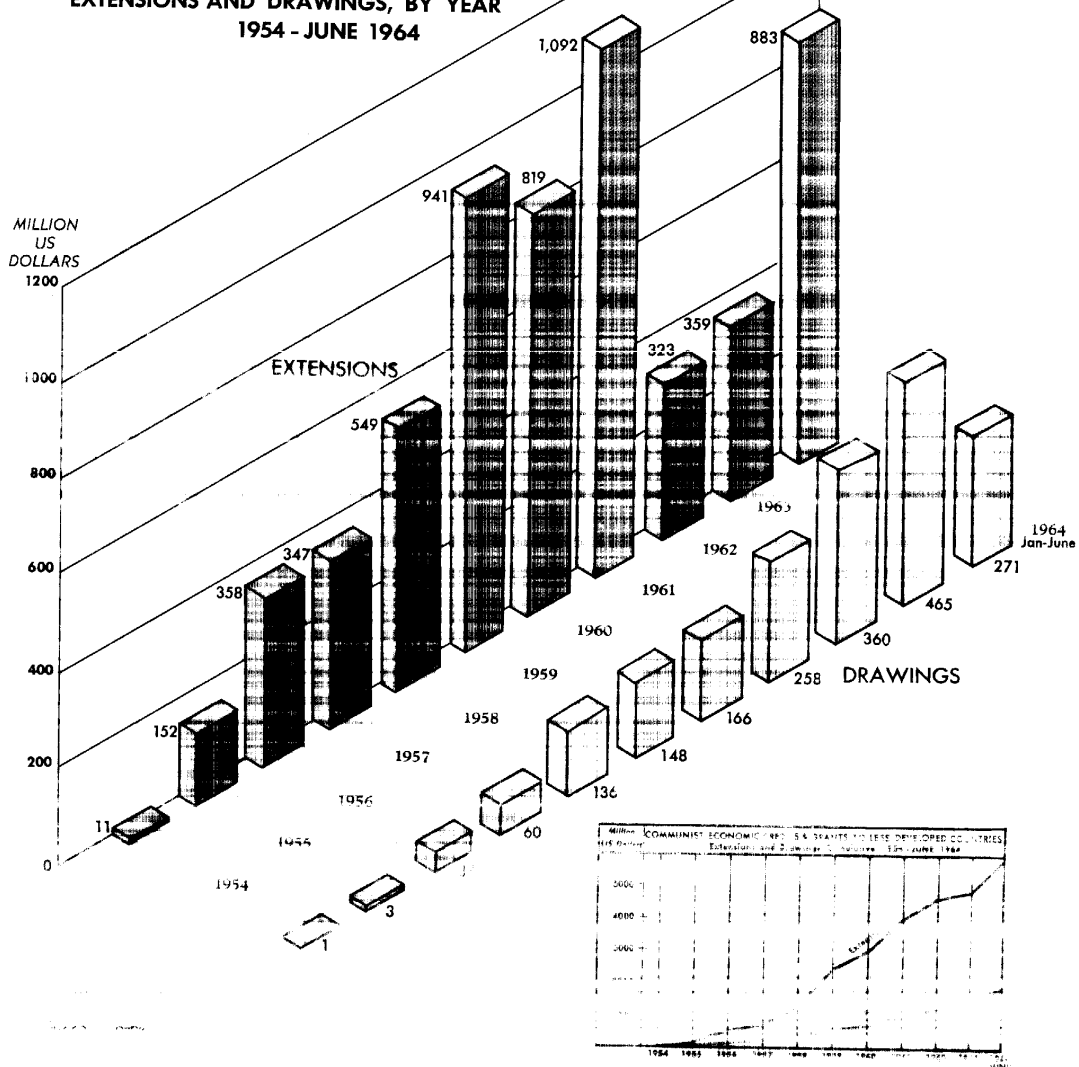
Eastern European countries also substantially increased their new aid undertakings above 1963 levels with extensions of \$129 million in the first half of 1964. Czechoslovakia's \$84 million credit to India was the largest long-term credit that has been extended by an Eastern European nation to a less developed country. Additional small credits totaling about \$45 million were extended to Algeria, Indonesia, Iran, Syria, Yemen, and Zanzibar by several of the Eastern European countries.

Communist China also increased its aid commitments during the first 6 months of the year. Extensions of new economic aid totaled about \$92 million as against Chinese aid commitments of almost \$90 million for the entire year of 1963. The geographic distribution of Chinese aid also has exhibited a marked change in the past 18 months. Before 1963, more than 75 percent of all China's economic aid had been allocated to Asian countries. Since that time, however, the major part

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**ECONOMIC CREDITS AND GRANTS  
EXTENDED BY COMMUNIST COUNTRIES  
TO LESS DEVELOPED COUNTRIES OF THE FREE WORLD  
EXTENSIONS AND DRAWINGS, BY YEAR  
1954 - JUNE 1964**

Figure 2



of Chinese aid has gone to Africa and the Middle East, a fact largely motivated by Peiping's determination to rival the Soviet presence in these areas. Chinese aid extensions to Kenya and Yemen followed Soviet commitments to those countries, and Chinese credits to the United Republic of Tanganyika and Zanzibar were coincident with Soviet interests in this country.

Deliveries of goods and services under Communist aid programs during the first 6 months of 1964 totaled \$271 million, bringing aggregate drawings on Communist credits extended since 1954 to approximately \$1.9 billion. The modest increase over the \$265 million drawn in the second half of 1963 reflects primarily the failure of drawings on Soviet credits to maintain their previous momentum. Only \$196 million was drawn on Soviet credits and grants in the first half of 1964, compared with about \$215 million in the last 6 months of 1963. As in the past, implementation of projects in many countries continued to lag mainly because of the dearth of local resources. Drawings on credits extended by Eastern European countries were expanded to \$65 million during the review period, largely because of the acceleration of deliveries to India, the UAR, and Indonesia. Drawings of \$9 million on Chinese Communist credits were slightly lower than in the last half of 1963.

By the end of 1963 an estimated total of \$130 million was scheduled to have been repaid on the principal of Soviet economic credits. In addition, \$40 million in interest payments also was due. With increased drawings on Soviet credits extended through mid-1964 anticipated in the next few years, repayments of principal and interest on these credits are expected to accelerate to more than \$200 million annually toward the end of the 1960's if aid recipients meet their obligations on schedule.

As the burden of these repayments increases and heavier repayments are due on military deliveries as well as for economic credits extended by countries other than the USSR, less developed countries are expected to experience increasing difficulties in meeting their obligations. In the first half of 1964, Czechoslovakia was obliged to extend the repayment period on Indonesian military indebtedness. This followed the rescheduling in 1963 of Indonesian debts to the USSR and Poland for military deliveries. New overtures have been made recently by the Indonesians to obtain further concessions from the USSR on the repayment of Soviet loans.

2. Technical Assistance

a. Economic Technicians\*

In spite of the reduced rate of drawings on Communist credits during the first half of 1964, the number of economic technicians employed in less developed countries increased by 12 percent above the previous 6-month period to about 13,365 (see Table 12\*\*). The successive increases in the number of Communist technicians in less developed countries noted since the program began in 1954 reflect the dimensions of the "human resources gap" in less developed countries.

The expanding Communist aid programs in Algeria, Nepal, and the UAR accounted for most of the increase in Communist technicians in less developed countries during the period under review. The number of technicians in Algeria rose by about 650 as both project and non-project activity increased. In Nepal, nearly 700 Chinese technicians and laborers arrived to push construction of the Katmandu-Kodari Road. The number of Soviet technicians in the UAR during the period increased by approximately 345. Nearly one-third of them were assigned to the Aswan Dam, increasing the number employed on this project during the first half of the year to 2,000. Technicians from Communist countries also were noted for the first time in Kenya and the United Republic of Tanganyika and Zanzibar.

About 60 percent of all economic technicians present in less developed countries were employed in five countries -- Afghanistan, Algeria, Guinea, India, and the UAR. Iraq and Yemen, major areas of assignment for Communist economic technicians in the last half of 1963, each reduced by almost half the number they employed during the last 6 months of 1963. The sharp drop in Iraq reflects the continued decline since early 1963 in Soviet economic aid activities in that country. In Yemen a large number of technicians departed subsequent to the completion of an airfield built by the USSR late in 1963. Toward the end of the current period, however, the number of technicians in Yemen began to increase again as the first group of Soviet personnel arrived to begin implementation of projects under new aid agreements.

Of particular significance during the period was the large increase in administrative and advisory personnel from Communist countries, who were serving as economic planners and advisers to government officials at various ministerial levels. The number of technicians engaged in these activities rose to at least 400 in the first half of 1964, or nearly double the number employed during the previous 6-month period. They were largely concentrated in African countries, especially Algeria, Ghana, Guinea, Mali, and Zanzibar.

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\* For a map showing the location and number of Communist economic technicians in less developed countries, see Figure 4, following p. 18, below.

\*\* P. 128, below.

b. Academic Students and Technical Trainees

About 250 nationals from less developed countries enrolled in Communist academic institutions during the first 6 months of 1964, bringing the total number of personnel being trained at the end of June 1964 to almost 13,000 (see Table 14\*). More than 15,000 students have accepted Communist offers of higher education since 1956. Most of these have come from Africa and the Middle East. In the first half of 1964, the 135 students from Africa again accounted for the largest part of the increase in new students. Almost the same number of African students, however, terminated their programs in Communist countries to seek educational opportunities in the West.

The first sizable group of academic students, numbering about 420, completed their educational programs in Communist countries. Most of them had been trained in the USSR and Czechoslovakia in medicine and engineering. Of the 13,000 students from less developed countries studying in Communist countries at the end of June, the USSR accommodated more than 60 percent of the total: Czechoslovakia, East Germany, and Bulgaria together accounted for 25 percent. Only 300 students from less developed countries were reported to be enrolled in universities in Communist China.

In January the USSR responded sharply to demonstrations by African students by issuing a decree which imposed severe restrictions on activities by foreign students, made criminal offenses liable to prosecution under Soviet law, and carried the penalty of possible deportation for "abuse of hospitality." Moreover, Communist authorities, for some time dissatisfied with the low level of academic preparedness of many applicants from Afro-Asian countries, indicated that future scholarship recipients would be expected to comply more rigidly with established minimum educational qualifications. Such efforts, if enforced, could make study in the USSR less attractive to many potential students from developing countries.

About 1,650 nationals from less developed countries initiated technical training programs in Communist countries during the period, far exceeding the number going in any previous half-year period. This brought the total number of technical trainees in Communist countries up to 2,915 during the first half of 1964 (see Table 13\*\*). To date, a total of about 8,500 personnel from developing countries have undertaken technical training in Communist countries. Three countries -- Algeria, India, and the UAR -- accounted for more than 90 percent of the increase in the first 6 months of 1964. About 1,000 trainees departed for the USSR for training related to the future operation and maintenance of the Aswan High Dam. Several groups of technical personnel from India were scheduled for training in connection with their eventual employment in the pharmaceutical and heavy

\* P. 132, below.

\*\* P. 130, below.

electrical plants which the USSR currently is constructing in India. The Algerians undertook training programs at Soviet agricultural and textile facilities.

C. Military Assistance\*

1. Credits and Grants

Communist countries are known to have extended approximately \$71 million of military assistance to less developed countries during the first half of 1964. This brings the cumulative total of such Communist military aid extended between 1955 and the end of June 1964 to \$3.3 billion (see Table 2\*\*). Soviet agreements with Afghanistan, Cambodia, Iraq, and Yemen were completed during the review period, and four other countries were reported to be negotiating for additional assistance from Communist nations. Modest grants of equipment were made to Cambodia by Czechoslovakia and Communist China and to Zanzibar by the USSR and Communist China.

Under agreements signed in the first half of 1964, the USSR agreed to provide Iraq with \$38 million in new military aid and to substitute \$21 million of aircraft and related equipment for the SAM contract previously entered into with Iraq but which had been canceled later. Additional agreements were concluded with Afghanistan for \$20 million in spare parts for aircraft and for engine overhauls and with Yemen for an estimated \$10 million for small arms and for building and staffing a military academy. A token amount of aircraft and equipment also is to be furnished Cambodia.

These new commitments represent a decline from the level of military aid extended in the second half of 1963 when approximately \$180 million was promised to less developed countries. It continues the declining trend which began in 1962 following the peak year of 1961, when a record of almost \$850 million in military assistance was extended to less developed countries. Nevertheless, it is anticipated that substantial amounts of military aid may be added to the obligations undertaken in the first half of the year if negotiations with India, Indonesia, Syria, and the UAR result in firm agreements.

India is proceeding with plans to construct an integrated MIG-21 complex and hopes to conclude agreements for these with the USSR later this year. Negotiations also are underway for additional equipment for SAM sites in India. Although no new military aid agreement was reached between the USSR and the UAR during Khrushchev's visit in May, Khrushchev assured Nasser that the USSR would provide

\* For further details on Communist military assistance to less developed countries, see the chart, Figure 3, following p. 16.

\*\* P. 17, below. For detailed information on military aid agreements, see Table 15, p. 135, below.



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Table 2

Military Aid Extended by Communist Countries  
to Less Developed Countries of the Free World  
September 1955 - June 1964

	Million Current US \$
Estimated minimum value	3,448
Less downpayments	121
Amount of aid	3,327
Credits	1,956
Discounts and grants	1,371

whatever arms the UAR might need. Vice-President Amer has accepted an invitation to visit Moscow, at which time Egyptian military requirements probably will be discussed.

Deliveries of military equipment under earlier agreements continued at high levels, especially to Algeria, Indonesia, and the UAR (see Table 16\*). Although no new military aid agreement was announced following Algerian Premier Ben Bella's visit to the USSR in May, sizable deliveries of land armaments, including 145 tanks and armored vehicles, were noted in the first half of 1964. Indonesian requirements for increased transport and patrol craft were reflected in the deliveries of at least 9 major ships from the USSR. These ships included 2 destroyers, 2 minesweepers, 2 transports, 2 frigates, and a tanker. Shipments of electronic equipment, vehicles, auxiliary equipment, and spare parts also continued. The USSR delivered at least 40 MIG-21 jet fighters as well as armor and artillery to the UAR. Missiles for the Komar-class patrol boats were observed for the first time in late May, and increased quantities of SAM equipment also were received recently as part of an effort to establish some of the Egyptian SAM sites in operational readiness.

In Indonesia, contract negotiations were underway with the USSR to implement the \$55 million military agreement of November 1963. Although details on financing are not yet available, it is possible that part of this new military credit may come from unused economic credits provided for under the 1960 agreement. In June, Czechoslovakia finally agreed to reschedule Indonesian repayments of military credits.

\* P. 139, below.

S-E-C-R-E-T

2. Technical Assistance

a. Military Technicians\*

Approximately 3,215 military technicians from Communist nations were in less developed countries during the first half of 1964 (see Table 17\*\*), approximately 14 percent more than the number present in the last half of 1963. The number of Communist military technicians increased in Algeria, Indonesia, Syria, and the UAR, whereas the number in Iraq and Yemen decreased markedly because of the completion of some military construction projects. The remaining contingents of Communist military technicians remained at relatively the same levels as in the previous 6-month period. If new military assistance results from the negotiations currently underway with several countries, the number of Communist technicians in these countries may be expected to increase further.

b. Military Trainees from Less Developed Countries

During the first 6 months of 1964, about 740 nationals from 9 less developed countries enrolled in military programs in the USSR and Eastern Europe. This figure may be compared with almost 1,800 students who departed for military training in Communist countries during the last half of 1963. The UAR sent 300 new trainees to Communist countries during the first half of 1964, Indonesia sent 165, and the Somali Republic 110. While the USSR continued to play host to most of the trainees, 65 left for Eastern European countries during the period, in contrast to none in the previous 6 months. As of the end of June 1964, approximately 2,830 military trainees were training at Communist military institutions (see Table 18\*\*\*). Of the total, Afghanistan, Algeria, Indonesia, the Somali Republic, and the UAR have the largest contingents of such trainees.

To date, approximately 16,755 military personnel from less developed countries have been sent to Communist countries for training; more than 80 percent of these have been trained in the USSR. Approximately 45 percent of these trainees have been from Indonesia. Iraq, the Syrian Arab Republic, and the UAR have accounted for an additional one-third of the military personnel trained in the Communist countries.

D. Trade

The spring of 1964 was highlighted by Communist participation in the United Nations Conference on Trade and Development (UNCTAD) which opened in Geneva on 23 March. In general, the speeches by the Communist

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\* For a map showing the location and number of Communist military technicians in less developed countries, see Figure 4, following p. 18.

\*\* P. 141, below.

\*\*\* P. 142, below.

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delegates contained relatively mild recitations of familiar Communist arguments and high-sounding declarations of good intentions. Perhaps betraying some sensitivity to the relatively low level of the USSR's current trade with less developed countries, the Soviet delegate estimated that Soviet trade with less developed countries would increase by more than 8 times by 1980 and attain a value of more than \$11 billion. In particular, he said that the USSR would increase its purchases of cotton, jute, and wool as well as products of mining industries, raw materials for the chemical industry, and manufactured goods. At the same time, the Communist countries strongly resisted recommendations that would have the effect of improving the terms and conditions of their aid and trade with less developed countries.

1. Value of Trade, 1963

Trade turnover between Communist countries, excluding Cuba,\* and less developed countries of the Free World amounted to almost \$2.8 billion\*\* in 1963, an increase of 11 percent above the 1962 level compared with 9 percent in 1962 over 1961. Soviet trade with the area in 1963 totaled \$1,037 million, that of Eastern Europe \$1,220 million, and that of Communist China \$445 million.\*\*\*

The less developed countries' share of total Communist trade in 1963 was about 7 percent, the same as in previous years. Similarly, the Communist area's share in the aggregate trade of less developed countries remained at roughly 5 percent. In spite of these relatively low ratios, the share of Communist trade in the total trade of certain less developed countries continued to be significant. For example, Communist countries supplied about one-half of Afghanistan's imports, one-fourth of Mali's and Guinea's, and roughly one-fifth of the imports of Burma, Cambodia, Iceland, and Iraq. The Communist area also provided a sizable market for several less developed countries: it absorbed more than two-fifths of the exports of the UAR and between

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\* Cuba's trade with less developed countries in 1963 amounted to \$121 million, about 9 percent above the 1962 level. As in the past, Cuba's trade with developing countries was largely with Morocco, Spain, Chile, and the UAR. (For data on Cuba's exports to and imports from individual less developed countries, see Tables 21 and 22, pp. 151 and 153, respectively, below.)

\*\* The value figures presented in this section are based primarily on trade statistics as reported by the less developed countries. Because of differences in reporting methods, these figures differ substantially from those on the same trade as reported by official Communist sources. Unless otherwise noted, the data in this section exclude Cuba.

\*\*\* For data on Communist exports to and imports from individual less developed countries, see Tables 19 and 20, pp. 143 and 147, respectively, below.

20 and 30 percent of the exports of Sudan, Greece, Iraq, Iran, Guinea, Afghanistan, and Syria. Communist countries continued to purchase sizable portions of the major hard currency exports of some less developed countries. For example, they purchased almost one-fifth of Ghana's total exports of cocoa beans in 1963, one-third of Sudan's cotton exports, and roughly 70 percent of the 1963/64 Syrian cotton crop and more than half the cotton crop of the UAR.\*

## 2. Direction of Trade, 1963

The trade of the Communist countries continued to be concentrated on a small number of partners, reflecting, in part, a trade momentum generated by disbursements under Communist economic credits, the largest portion of which has gone to a limited number of less developed countries. Almost half of Soviet trade turnover with the less developed countries in 1963 was accounted for by Afghanistan, India, Indonesia, and the UAR, all major recipients of Soviet aid. The correlation between trade and drawings is less positive for the Eastern European countries. In 1963, almost three-fifths of East European trade with less developed countries was conducted with only seven countries -- Argentina, Brazil, Spain, Greece, Turkey, India, and the UAR; only the last two figure prominently in the East European aid program. As in previous years, Communist China's trade continued to be accounted for mainly by its Asian neighbors -- Burma, Ceylon, Indonesia, and Malaya -- and the UAR.

By area, Asia accounted for the largest share of Communist countries' trade with less developed areas -- about 41 percent, the same share as in 1962. Trade with the area increased about 10 percent during the year, largely because of a 13-percent increase in Communist exports: Ceylon and Malaya and Singapore accounted for the major portion of this gain. A smaller increase of 7 percent was recorded in Communist imports from the area.

Africa continued to account for 13 percent of total Communist trade with less developed countries in 1963, the same share it held in 1962. Total Communist trade with Africa increased by 13 percent as a result of a 40-percent increase in Communist purchases from the area. This increase was accounted for largely by increased imports from Ghana, Morocco, Sudan, Tanganyika, and Uganda. Communist exports to the area declined by 5 percent.

Latin America's share in total Communist trade with less developed countries fell slightly from 12 percent in 1962 to 11 percent in 1963. As a result of the relatively stable level of both exports and imports in 1963, trade between the Communist area and Latin America was only slightly below the \$299 million level of 1962. Argentina and

\* For data on the Communist share of the exports and imports of individual less developed countries in 1963, see Table 23, p. 155, below.

Brazil continued to be the two most important Latin American countries trading with the Communist area, accounting for more than four-fifths of the Latin American total. A 27-percent decline in Argentina's trade with the Communist countries in 1963 was compensated for by a 21-percent increase in Brazil's trade with the USSR and Eastern Europe.

Communist trade with the less developed countries of the Middle East increased 12 percent, while the share of this area in total Communist trade with less developed countries remained at 31 percent, the same as in 1962. Although Communist exports to this area increased only 2 percent, imports rose by almost one-fourth, reflecting primarily increased Communist purchases from the UAR. In spite of this increase, however, the Communist area accounted for 53 percent of the UAR's cotton exports in the 1963/64 season compared with more than 68 percent in 1962/63, reflecting the success of Egypt's efforts to sell more of its cotton for hard currency.

Although Communist trade with the less developed countries of Europe increased by more than 50 percent, it still amounted to only \$124 million, or less than 5 percent of total Communist trade with all less developed countries. The increase was due primarily to a rise in Soviet and East European trade with Spain.

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**AID AND TRADE ACTIVITIES OF COMMUNIST  
COUNTRIES IN LESS DEVELOPED AREAS  
OF THE FREE WORLD  
1 JANUARY - 30 JUNE 1964**

**SUMMARY**

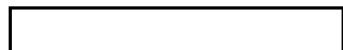
(The complete text of this report has been published separately)

**ERIC R14-S17**

**August 1964**

**ECONOMIC INTELLIGENCE COMMITTEE**  
of the  
**UNITED STATES INTELLIGENCE BOARD**

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FOREWORD

The EIC-R14 series provides periodic summaries and analytical interpretations of significant developments in the economic and military relations of Communist countries with less developed countries of the Free World. These developments are reported on a current, factual basis in the Biweekly Reports in the EIC-WGR-1 series.

This report, covering the 6 months from 1 January through 30 June 1964, constitutes the seventeenth periodic supplement to EIC-R14, the initial report on Sino-Soviet Bloc Postwar Economic Activities in Underdeveloped Areas, 8 August 1956, SECRET. The present supplement updates the previous semiannual report and includes the more significant developments during the reporting period. It also relates noteworthy noneconomic activities, including military aid, to economic operations of the Communist countries in less developed areas. Data have been revised to include new information, and figures in the current supplement supersede those in previous issues. This report was prepared by the Department of State and the Central Intelligence Agency. The draft was reviewed and coordinated by a Working Group of the Economic Intelligence Committee, including representatives of the Department of State; the Defense Intelligence Agency; the Departments of the Army, Navy, and Air Force; the Departments of Commerce and Agriculture; the Agency for International Development; the Office of the Secretary of Defense; the National Security Agency; and the Central Intelligence Agency. The final report was approved by the Economic Intelligence Committee on 12 August 1964.

In this report the term Communist countries refers primarily to the following countries that extend aid to less developed areas: the USSR, Communist China, and the following countries of Eastern Europe -- Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania. For certain limited purposes the term also may include Albania, Cuba, Mongolia, North Korea, and North Vietnam, none of which is normally a donor of aid. The term does not include Yugoslavia.

The term less developed countries of the Free World includes the following: (1) all countries of Africa except the Republic of South Africa; (2) all countries in South and Southeast Asia; (3) Iceland, Portugal, and Spain; (4) all countries in Latin America except Cuba; and (5) all countries in the Middle East, including Cyprus, Greece, the Syrian Arab Republic, Turkey, and the United Arab Republic.

AID AND TRADE ACTIVITIES OF COMMUNIST COUNTRIES  
IN LESS DEVELOPED AREAS OF THE FREE WORLD

Summary\*

Current Trends

New Communist aid commitments to less developed countries increased during the first half of 1964 in all sectors of the program except for the military, which followed the declining pattern begun in 1962. The most notable gains were new commitments of economic aid. Deliveries, however, increased only marginally. After a sharp contraction in 1962 and 1963, Communist extensions of new economic assistance to less developed countries rose to a record 6-month high of \$883 million. Most of the new aid was extended by the USSR, as Moscow continued its efforts to erode Western political influence in the less developed countries and to contain the increasing Chinese challenge to its own position in the Afro-Asian areas.

More than 90 percent of the new Soviet economic aid was concentrated in three countries: the United Arab Republic (UAR), India, and Algeria. The UAR has long been regarded by the USSR as a key country in the drive to expand Soviet influence in Africa and the Middle East. Traditional Soviet interest in India, among the most influential of the nonaligned Afro-Asian nations, has been sharpened by the USSR's struggle with China and the Sino-Indian conflict. The Soviet credit to Algeria reflects the Soviet view that Algeria, in spite of its economic ties to France, is a promising potential supporter of Soviet policies in the Afro-Asian world. In the process of conducting an active campaign to exploit Ben Bella's neutralist stance, the USSR hopes to further complicate Algeria's relations with France and to score gains relative to the Chinese.

Communist China extended a near-record level of \$92 million in new economic aid to less developed countries during the first half of 1964, possibly reflecting some sensitivity on China's part to the gap between its verbal protestations of support for new states and its hitherto relatively modest aid efforts. However, unable to compete with the USSR in the quantity of aid extended, China has begun a major campaign to undercut its Communist rival by disparaging the quality and the intent of the larger Soviet assistance program. Peiping has equated Soviet aid efforts with those of the "imperialists" and warned less developed nations that they would be subject to Soviet domination if they accept aid from Moscow. The USSR, in turn, has pointed out the modest amount of Chinese aid to less developed countries, the lag in China's implementation of its aid pledges, and the low technical level of Chinese plants and equipment.

\* See the chart, Figure 1, following p. 2.

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The renewed momentum of Soviet economic aid extensions, following 2 years of reduced aid undertakings, highlights the fact that economic assistance is an integral part of Soviet foreign policy. Moscow undoubtedly is aware that a failure to maintain a high level of new extensions would result in a substantial decline of its activities in those countries which have been major recipients of Soviet aid and would lose advantages already won. It also would damage one of Moscow's most effective weapons in the struggle with Peiping for influence in Asia and Africa.

#### Economic Credits and Grants

Communist extensions of new economic assistance to less developed countries rose to a record 6-month high of \$383 million in the first half of 1964, bringing the cumulative total of economic aid extended between 1954 and mid-1964 to \$5.8 billion. The number of countries receiving aid increased to 30 as 2 countries, Kenya and the United Republic of Tanganyika and Zanzibar (URTZ), were added to the list of aid recipients. New credits were extended to countries in Africa, Asia, and the Middle East, but, as in the previous year, no new aid was extended to Latin America.

Approximately three-fourths of total new aid (\$662 million) was undertaken by the USSR as its extensions reached their highest level for any 6-month period since the beginning of the program in 1954. Its aid in the first half of 1964 was concentrated primarily in three countries -- Algeria, India, and the UAR -- which received credits of \$128 million, \$200 million, and \$280 million, respectively. Eastern Europe and Communist China also substantially increased their new aid undertakings during the first half of 1964. Eastern Europe extended \$129 million of aid to seven countries, two-thirds of which was accounted for by an \$84 million Czechoslovak credit to India. Economic credits and grants totaling \$92 million were extended by Communist China to Kenya, URTZ, and Yemen.

Deliveries of goods and services under the Communist economic assistance program increased slightly above the level of the second half of 1963 to \$271 million in the first 6 months of 1964. These additional deliveries brought aggregate drawings on credits and grants for all Communist economic aid programs up to \$1.9 billion.

#### Economic Technicians

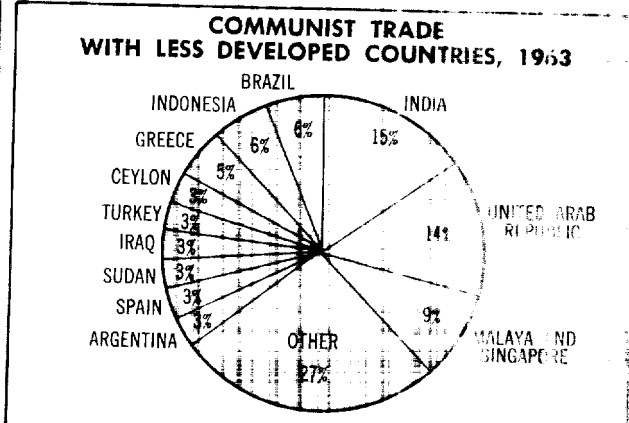
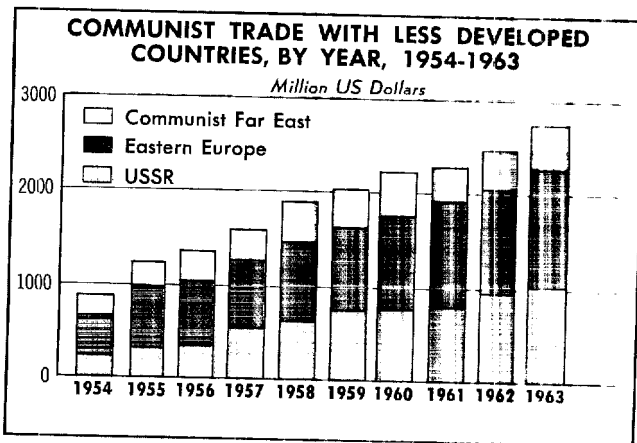
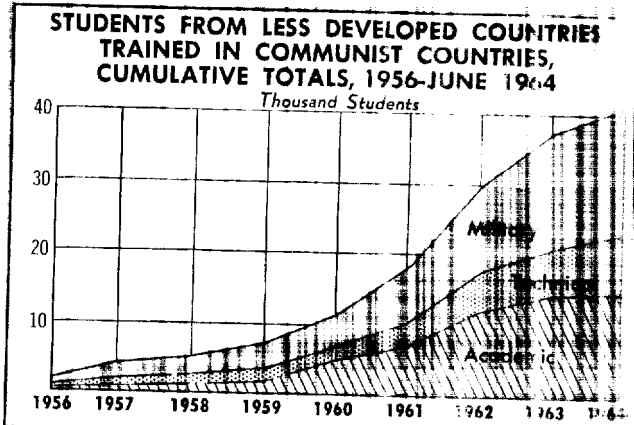
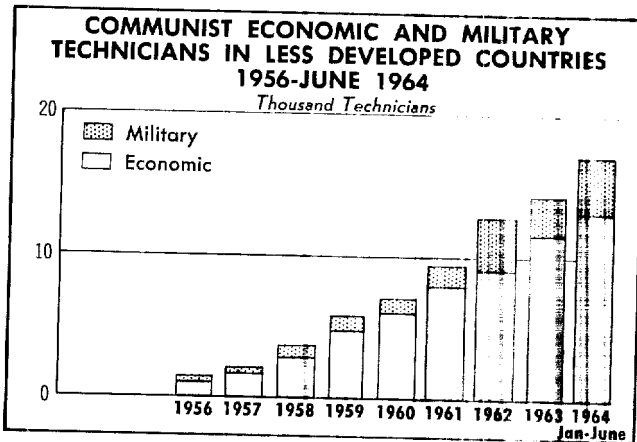
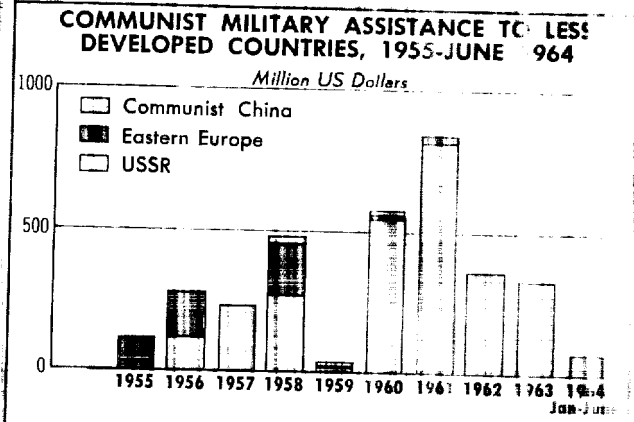
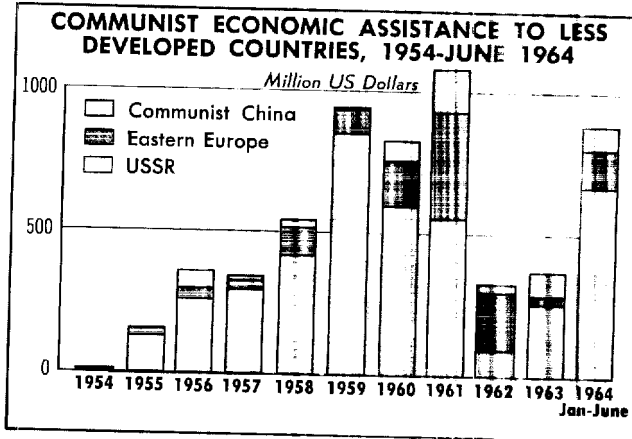
The number of economic technicians employed in less developed countries in the first half of 1964 increased by 12 percent above the previous 6-month period to about 13,365. Most of the increase was accounted for by the requirements for the expanding aid programs in Algeria, Nepal, and the UAR. Technicians from Communist countries were noted for the first time in Kenya and URTZ. Of particular significance during the period was the large increase in Communist administrative and advisory personnel, especially in Algeria, Ghana, Guinea,

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# ECONOMIC ACTIVITIES OF COMMUNIST COUNTRIES IN LESS DEVELOPED COUNTRIES OF THE FREE WORLD\*

Selected Years, 1954-June 1964



\*Data are revised periodically to include new information and therefore may not be comparable with data previously presented.

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Mali, and Zanzibar. About 60 percent of all economic technicians provided by Communist countries during the period were employed in Afghanistan, Algeria, Guinea, India, and the UAR. Iraq and Yemen, however, were major areas of assignment for Communist economic technicians in the last half of 1963, each reduced by almost half the number they employed during the first 6 months of 1964.

#### Academic Students and Technical Trainees

About 250 nationals from less developed countries enrolled in Communist academic institutions during the first 6 months of 1964, bringing the total number of personnel being trained as of the end of June 1964 to almost 13,000. The USSR accommodated more than 60 percent of the total; Czechoslovakia, East Germany, and Bulgaria together accounted for 25 percent; and Communist China was host to only 2 percent. Most of the 15,000 students who have accepted Communist offers of higher education since 1956 have come from Africa and the Middle East. Again in the first half of 1964, African students accounted for the largest part of the increase, although an equal number left schools in Communist countries for study in the West.

About 1,650 nationals from less developed countries initiated technical training programs in Communist countries during the period, far exceeding the number going in any previous half-year. Three countries -- Algeria, India, and the UAR -- accounted for more than 90 percent of the increase. To date, about 8,500 personnel from developing countries have undertaken technical training in Communist countries.

#### Military Credits and Grants

Communist countries are known to have extended approximately \$71 million of military assistance to less developed countries during the first half of 1964. Soviet agreements were signed with Afghanistan, Cambodia, Iraq, and Yemen, and modest grants of equipment were made to Cambodia by Czechoslovakia and Communist China and to Zanzibar by the USSR and Communist China. These new commitments represent a decline from the second half of 1963 when approximately \$180 million was promised to less developed countries. The cumulative total of Communist military aid extended between 1955 and the end of June 1964 is approximately \$3.3 billion. It is possible that substantial amounts of military aid may be added to the obligations undertaken in the first half of the year if negotiations with India, Indonesia, Syria, and the UAR result in firm agreements. Deliveries of military equipment under earlier agreements -- especially to Algeria, Indonesia, and the UAR -- continued at high levels during the review period.

#### Military Technical Assistance

Approximately 3,215 military technicians from Communist nations were in less developed countries during the first half of 1964, an

increase of 14 percent above the last half of 1963. The number in Algeria, Indonesia, and Syria increased, whereas the number in Yemen decreased following completion of some military construction projects.

During the first 6 months of 1964, about 740 nationals from 9 less developed countries enrolled in military programs in the USSR and Eastern Europe, bringing to 2,830 the total number training at Communist military institutions. The largest contingents were from Afghanistan, Algeria, Indonesia, the Somali Republic, and the UAR.

### Trade

The spring of 1964 was highlighted by Communist participation in the United Nations Conference on Trade and Development which opened in Geneva on 23 March. In general, the speeches by the Communist delegates contained relatively mild recitations of familiar Communist arguments and high-sounding declarations of good intentions such as a Soviet estimate that purchases from less developed countries of raw materials and manufactures would increase eightfold to more than \$11 billion by 1980. At the same time, the Communist countries strongly resisted recommendations that would have the effect of improving the terms and conditions of their aid and trade with less developed countries.

Trade turnover between Communist countries, excluding Cuba, and the less developed countries amounted to almost \$2.8 billion in 1963, or 11 percent above the 1962 level. The share of the less developed countries in total Communist trade in 1963 was about 7 percent, the same as in previous years, while the Communist share in the total trade of the less developed countries remained at roughly 5 percent. In spite of these relatively low ratios, the share of Communist trade in the total commerce of certain less developed countries continued to be significant, and the Communist area again purchased sizable portions of the major hard currency earners of some less developed countries.

By area, Asia again accounted for the largest share -- about two-fifths -- of Communist countries' trade with less developed areas and was followed in importance by the Middle East, whose share remained at 31 percent, the same as in 1962. Africa continued to account for 13 percent of the total, while Latin America's share fell slightly, to 11 percent. The less developed countries of Europe again accounted for less than 5 percent of the total.

### Africa

Communist economic activities increased sharply in Africa during the period under review, especially in East Africa. Kenya and the United Republic of Tanganyika and Zanzibar were particular objectives of Soviet and Chinese economic aid overtures. As an aspect of continuing Sino-Soviet competition in Africa, both parties also paid increasing attention to Algeria. Following Algerian Prime Minister Ahmed



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Ben Bella's successful visit to Moscow in early May, the USSR and Algeria announced agreement on an economic accord by which the USSR agreed to furnish a \$128 million steel mill and to assist Algeria with the establishment of a petroleum institute and a technical school and with the expansion of technical assistance projects. Earlier in the year, Chinese Premier Chou En-lai visited Algeria to assure Algerians of continuing economic support, particularly in implementing the \$500 million credit furnished to the Algerians by the Chinese in 1963.

The USSR agreed to furnish Kenya with economic credits estimated at \$3.3 million and a grant estimated at \$4.3 million and assured this recently independent state that equipment provided under Soviet military assistance to the Somali Republic, Kenya's traditional enemy, would not be used against Kenya. The USSR quickly recognized the rebel Zanzibar regime of Rashid Karume after his successful rebellion against the Sultan of Zanzibar and furnished arms for the new Zanzibar army. The USSR began limited arms delivery to the Somali Republic under the military aid agreement of 1963, while renewing an offer of military equipment to Ethiopia.

In other parts of Africa the USSR continued to encounter difficulties in implementing credits extended in earlier years. The slow pace of developing new projects and the inefficiency of many African technicians reduced the impact of Soviet economic aid in a number of West African countries, particularly in Guinea and Mali.

Chinese activity also concentrated on East Africa and Algeria. Little has materialized in the Somali Republic other than partial transfer of a 1963 Chinese pledge of \$3 million for budgetary support. During his trip to Africa, in spite of the fact that Ghana has made no drawings on the \$19.6 million 1961 Chinese credit, Chou En-lai promised Ghana an additional credit of \$22.4 million. The agreement was signed in July 1964. Chinese economic aid and technical assistance appear to have been implemented effectively in Guinea and Mali. Most projects have been implemented by small groups of Chinese technicians who mingled unostentatiously among the local populace. The Chinese continued to display increasing attention to East Africa. Initially, Peiping had agreed to furnish Zanzibar with a credit of \$14 million and a \$0.5 million budgetary grant. Later, a \$28 million credit and a \$3.0 million grant were extended to the recently formed United Republic of Tanganyika and Zanzibar (URTZ). Kenya received a long-term, interest-free credit of \$15.2 million and a \$2.8 million grant for budgetary support. The Chinese reportedly offered Sudan an economic credit of \$47.6 million.

Other Communist countries continued economic activities at about the same level as in 1963. Czechoslovakia showed interest in information programs in Tanganyika and Kenya. Poland discussed expanding its shipping operations in West Africa, in cooperation with East Germany. After the Zanzibar coup of 26 January 1964, East Germany

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launched an economic penetration drive in Zanzibar and has committed itself to the extension of an estimated \$6.5 million in credits. Its unwillingness to reduce its embassy on Zanzibar to a consulate was embarrassing to the recently created union with Tanganyika.

### Asia

Soviet interest in India continued unabated as indicated in the announcement of assistance to India in building the first stage of the Bokaro steel mill. In addition to the Bokaro mill, which will cost the USSR an estimated minimum of \$200 million, the USSR indicated a willingness to provide unspecified assistance for India's Fourth Five Year Plan (1966-71). India and the USSR reached an understanding on the provision of Soviet surface-to-air missile (SAM) systems for the defense of New Delhi and Calcutta, and the MIG-21 production facilities to be built with Soviet assistance were moving forward. Czechoslovakia also extended an \$84 million credit to India for use in heavy industrial projects.

A modest rise in activity in two of India's neighbors, Pakistan and Nepal, apparently was related to Sino-Soviet competition in the area. Pakistan, which has been the object of economic and political overtures from Communist China, received an \$11 million credit from the USSR, to be used largely for the purchase of agricultural equipment. The USSR and Communist China will each build separate links in the proposed East-West highway in Nepal, and both countries also agreed to undertake several minor aid projects. The Chinese commitment replaces the proposed paper mill and cement plant removed earlier as projects under its 1960 grant. The USSR extended a grant, estimated at \$10.5 million, to cover the costs of the road and an agricultural implements plant.

The Soviet aid program in Afghanistan continued to be implemented at an impressive pace, but no new commitments were announced except for an agreement for the delivery of \$20 million worth of military spare parts.

In Southeast Asia, developments in the economic field were largely overshadowed by political factors. The Ne Win regime in Burma by mid-1964 had moved far toward the establishment of an authoritarian socialist system, and Burma now looks to the Communist countries as an important source of economic assistance. The implementation of the \$84 million Chinese Communist credit continued to lag, however, and although the Soviet-assisted Kyetmauktaung Dam is making satisfactory progress, there have been continued difficulties with Soviet and Czechoslovak agricultural tractors. In Cambodia the Communist countries responded to Prince Sihanouk's renunciation of US aid at the end of 1963 with gifts of military equipment and statements of political support, but neither the USSR nor Communist China appeared inclined to come forward with a comprehensive aid program. By mid-1964, Sihanouk had swung back to his

quasi-neutralist position and was cultivating the French as a source of aid. Indonesia's major concern continued to be its confrontation with Malaysia. It was learned that an agreement was concluded with the USSR in November 1963 for the delivery of \$55 million in Soviet military equipment and spare parts. Slow progress continued to be made on Soviet-assisted economic projects, but deliveries under credits extended by the East European Communist countries accelerated in the first half of the year.

#### Latin America

No new Communist aid was extended to Latin American nations during the first half of 1964, although there were reports of offers to a number of countries. Communist China made several important purchases in Latin America, including 1.5 million tons of grain from Mexico and Argentina, possibly \$28 million worth of cotton from Mexico, and quantities of copper and nitrates from Chile.

The range of possibilities for economic activities by the Communist countries in Latin America was narrowed by the fall of Brazil's left-leaning President Goulart on 1 April. Brazilian receptivity to economic initiatives by Communist countries seems to have declined, and while keeping channels open for possible aid offers from the East, Brazil apparently will continue to depend on the West for assistance in dealing with its serious economic problems. Credits totaling approximately \$180 million extended in the past by East European countries apparently remain unused. Brazil's trade with the Communist area increased by 21 percent in 1963 above the previous year, in spite of the fact that the USSR was forced by a crop failure to renege on a large volume of wheat promised for delivery during 1963-64.

In Bolivia, internal political pressures continued to exist for the acceptance of previously offered Communist aid. But far-left forces, the source of much of this pressure, have now been effectively isolated by the government. The government delayed action on a Czechoslovak offer to finance an antimony smelter but extended a feeler on the possibility of Soviet financing for a tin smelter.

#### Middle East

The Middle East continued as an important target of the Communist offensive during the first half of 1964. It received about 40 percent of the total new economic aid extended by Communist countries, two-thirds of total military aid extended, and substantial numbers of technicians. During Khrushchev's May visit to the UAR to attend the ceremonies marking the completion of the first stage of the Aswan High Dam, he announced the extension of a \$280 million credit for the UAR's Second Five Year Plan (1965-70). This brought the total of Communist economic assistance to the UAR extended since 1955 to more than \$1 billion.

Additional commitments of economic aid were made to Yemen in the first 6 months of 1964 by both the USSR and Communist China following President Sallal's visits to these countries early this year. The USSR extended economic assistance totaling at least \$21 million and possibly as much as \$72 million for Yemen's fishing industry, land reclamation, a cement plant, and a road. Communist China extended \$28 million for roadbuilding and a textile plant. The USSR also provided \$10 million in military assistance.

The 'Arif Government in Iraq continued to follow a "correct" policy toward the Communist countries in the context of nonalignment. Some Iraqi Communists were released from prison, and it was reported that the treatment of local Communists and the possibility of expanding Soviet aid to Iraq were discussed by Khrushchev and 'Arif when they met in the UAR in May. A military assistance agreement with the USSR provided for a \$59 million purchase by Iraq of 18 MIG-21PF all-weather interceptors, ammunition, and spare parts. Of the total cost of the equipment, \$21 million is available to Iraq as a result of the canceled surface-to-air missile program. The USSR agreed to apply a one-third discount on the remaining \$38 million worth of equipment.

Realignments in the Ba'athist leadership in Syria did not affect Syria's relations with the Communist countries or its attitude toward Communist assistance. Work progressed on Soviet projects in Syria under the October 1957 credit. Deliveries of military equipment were heavy. Czechoslovakia extended a credit of \$5.2 million to Syria for the construction of a sugar refinery. Syrian exports to the Communist countries reached a new high in 1963 and accounted for about 23 percent of Syria's exports.

The Communist countries sought to take advantage of the crisis in Cyprus by expressing their support for President Makarios and the Greek Cypriot majority but stopped short of supporting the enosis objectives of certain Greek Cypriot elements. They also are reported to have made offers of economic assistance to Cyprus. Although the Greek Cypriots actively sought military equipment from "friendly countries," as of midyear none was forthcoming directly from the USSR. Cyprus granted civil air rights to the USSR, Hungary, and East Germany.

Soviet-Turkish relations were affected adversely early in the year by Soviet propaganda in support of the Greek Cypriots. Moscow subsequently adopted a more persuasive approach by renewing its offers of large-scale economic aid when it recognized that Cyprus offered an opportunity to exploit Turkey's growing disillusionment with NATO.

Iran maintained good relations with Eastern Europe and the USSR during the period. It received a new \$15 million credit from Poland and offers of credits from Hungary and Czechoslovakia. Iran and the USSR, after protracted negotiations, signed their first payments agreement as well as a new 3-year trade agreement. Survey work was begun on the joint Soviet-Iranian Aras River project under the Soviet credit of July 1963.

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**AID AND TRADE ACTIVITIES  
OF COMMUNIST COUNTRIES  
IN LESS DEVELOPED AREAS  
OF THE FREE WORLD  
1 JANUARY - 30 JUNE 1964**

**November 1964**

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FOREWORD

This series provides periodic summaries and analytical interpretations of significant developments in the economic and military relations of Communist countries with less developed countries of the Free World. These developments are reported on a current, factual basis in biweekly reports under the same title.

This report, covering the 6 months from 1 January through 30 June 1964, constitutes the seventeenth periodic supplement to a report on Sino-Soviet Bloc Postwar Economic Activities in Underdeveloped Areas, 8 August 1956, SECRET. The present supplement updates the previous semiannual report and includes the more significant developments during the reporting period. It also relates noteworthy noneconomic activities, including military aid, to economic operations of the Communist countries in less developed areas. Data have been revised to include new information, and figures in the current supplement supersede those in previous issues.

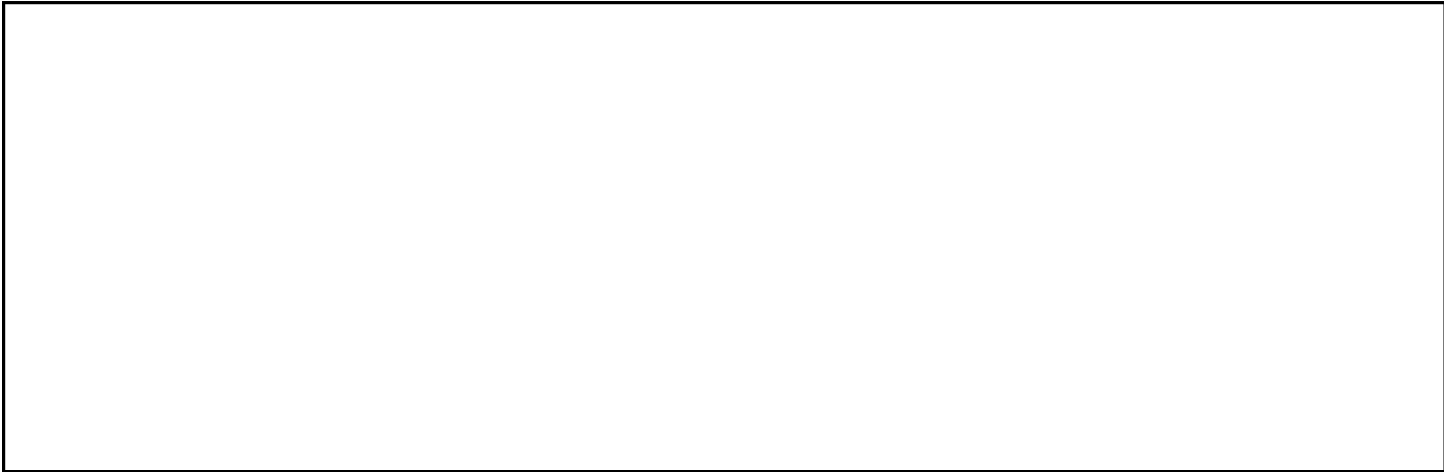
In this report the term Communist countries refers primarily to the following countries that extend aid to less developed areas: the USSR, Communist China, and the following countries of Eastern Europe -- Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania. For certain limited purposes the term also may include Albania, Cuba, Mongolia, North Korea, and North Vietnam, none of which is normally a donor of aid. The term does not include Yugoslavia.

The term less developed countries of the Free World includes the following: (1) all countries of Africa except the Republic of South Africa; (2) all countries in South and Southeast Asia; (3) Iceland, Portugal, and Spain; (4) all countries in Latin America except Cuba; and (5) all countries in the Middle East, including Cyprus, Greece, the Syrian Arab Republic, Turkey, and the United Arab Republic.



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aid committed during the period. Virtually all of the new Soviet economic aid was concentrated in three countries: a \$128 million credit to Algeria for a steel-producing complex; a credit expected to amount to at least \$200 million to India for the first stage of the Bokaro steel mill, on which the Indians hope to begin construction in 1965; and a line of credit of \$280 million to the UAR to be utilized during its Second Five Year Plan (1965-70) for, among other projects, a steel combine and a hydroelectric powerplant. The USSR also made small economic aid commitments to Kenya, Nepal, Pakistan, Tunisia, and Yemen. Additional Soviet aid for India's Fourth Five Year Plan scheduled to begin in 1966 appears to be likely.

The future impact of the new aid extensions on the Soviet economy is likely to be relatively small. Drawings on credits extended to developing countries through mid-1964 are expected to continue to increase over the next several years and may reach a total of \$450 million to \$500 million annually during the period 1966-68. The burden such deliveries might impose on the Soviet economy, however, should be mitigated to some extent by a growing level of repayments. Repayments are estimated at more than \$200 million annually assuming that recipient nations meet their obligations on schedule. Thus net annual outlays of \$250 million to \$300 million in the 1966-68 period could be at approximately the same level as current net outlays under the program. Moreover, much of the new assistance is for steel mill projects, and the recent decreased emphasis on expansion of the Soviet steel industry could enable the USSR to provide metallurgical equipment more easily than equipment for certain other industries, such as chemicals. A possible difficulty might arise in providing basic oxygen steelmaking facilities and advanced types of steel rolling and finishing equipment presently specified by India for the Bokaro steel combine. The USSR has not yet demonstrated full competence in the manufacture of these types of equipment and has lagged in completing such projects for its own steel industry.

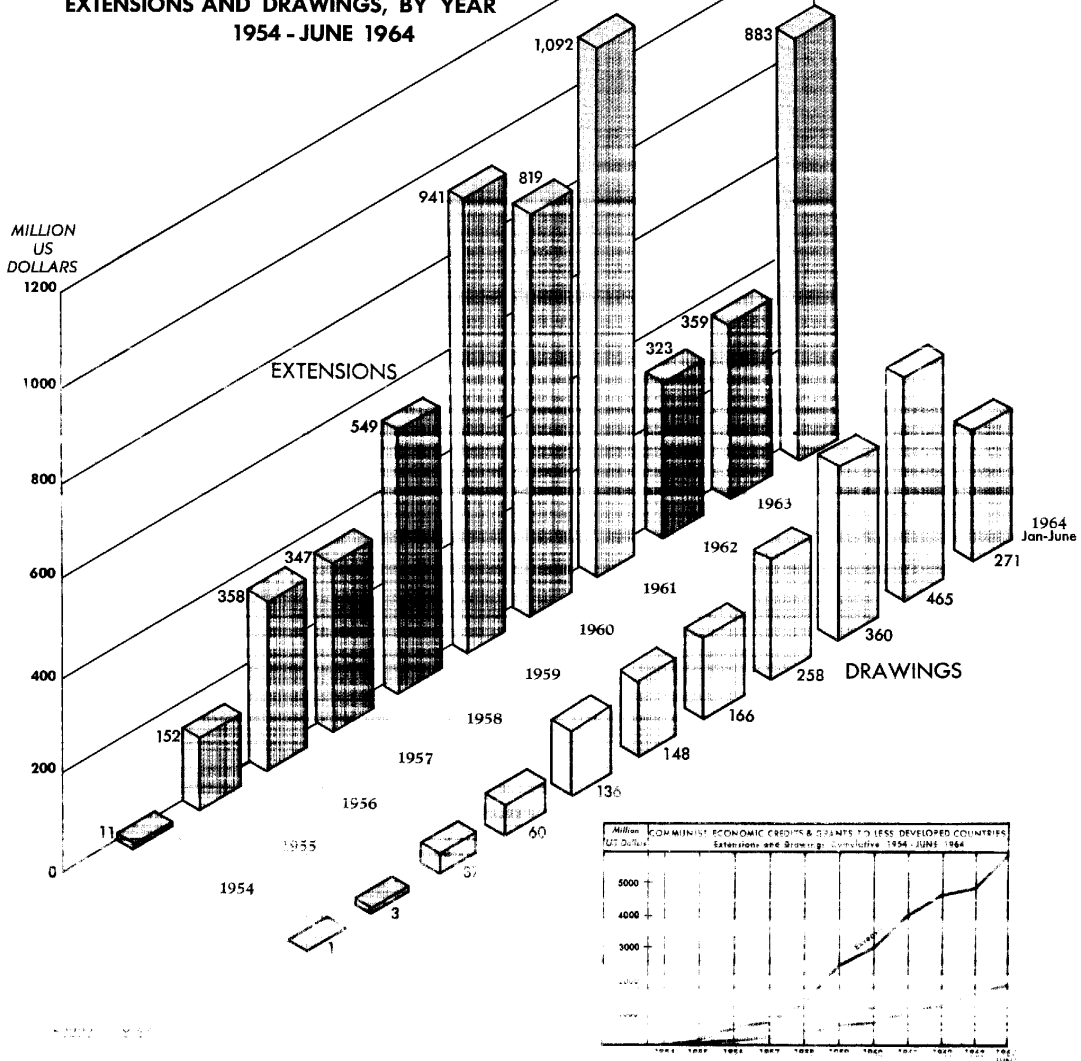
Eastern European countries also substantially increased their new aid undertakings above 1963 levels with extensions of \$129 million in the first half of 1964. Czechoslovakia's \$84 million credit to India was the largest long-term credit that has been extended by an Eastern European nation to a less developed country. Additional small credits totaling about \$45 million were extended to Algeria, Indonesia, Iran, Syria, Yemen, and Zanzibar by several of the Eastern European countries.

Communist China also increased its aid commitments during the first 6 months of the year. Extensions of new economic aid totaled about \$92 million as against Chinese aid commitments of almost \$90 million for the entire year of 1963. The geographic distribution of Chinese aid also has exhibited a marked change in the past 18 months. Before 1963, more than 75 percent of all China's economic aid had been allocated to Asian countries. Since that time, however, the major part

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**ECONOMIC CREDITS AND GRANTS  
EXTENDED BY COMMUNIST COUNTRIES  
TO LESS DEVELOPED COUNTRIES OF THE FREE WORLD  
EXTENSIONS AND DRAWINGS, BY YEAR  
1954 - JUNE 1964**

Figure 2



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of Chinese aid has gone to Africa and the Middle East, a fact largely motivated by Peiping's determination to rival the Soviet presence in these areas. Chinese aid extensions to Kenya and Yemen followed Soviet commitments to those countries, and Chinese credits to the United Republic of Tanganyika and Zanzibar were coincident with Soviet interest in this country.

Deliveries of goods and services under Communist aid programs during the first 6 months of 1964 totaled \$271 million, bringing aggregate drawings on Communist credits extended since 1954 to approximately \$1.9 billion. The modest increase over the \$265 million drawn in the second half of 1963 reflects primarily the failure of drawings on Soviet credits to maintain their previous momentum. Only \$196 million was drawn on Soviet credits and grants in the first half of 1964, compared with about \$215 million in the last 6 months of 1963. As in the past, implementation of projects in many countries continued to lag mainly because of the dearth of local resources. Drawings on credits extended by Eastern European countries were expanded to \$65 million during the review period, largely because of the acceleration of deliveries to India, the UAR, and Indonesia. Drawings of \$9 million on Chinese Communist credits were slightly lower than in the last half of 1963.

By the end of 1963 an estimated total of \$130 million was scheduled to have been repaid on the principal of Soviet economic credits. In addition, \$40 million in interest payments also was due. With increased drawings on Soviet credits extended through mid-1964 anticipated in the next few years, repayments of principal and interest on these credits are expected to accelerate to more than \$200 million annually toward the end of the 1960's if aid recipients meet their obligations on schedule.

As the burden of these repayments increases and heavier repayments are due on military deliveries as well as for economic credits extended by countries other than the USSR, less developed countries are expected to experience increasing difficulties in meeting their obligations. In the first half of 1964, Czechoslovakia was obliged to extend the repayment period on Indonesian military indebtedness. This followed the rescheduling in 1963 of Indonesian debts to the USSR and Poland for military deliveries. New overtures have been made recently by the Indonesians to obtain further concessions from the USSR on the repayment of Soviet loans.

2. Technical Assistance

a. Economic Technicians

In spite of the reduced rate of drawings on Communist credits during the first half of 1964, the number of economic technicians employed in less developed countries increased by 12 percent above the previous 6-month period to about 13,365 (see Table 7\*). The successive increases in the number of Communist technicians in less developed countries noted since the program began in 1954 reflect the dimensions of the "human resources gap" in less developed countries.

The expanding Communist aid programs in Algeria, Nepal, and the UAR accounted for most of the increase in Communist technicians in less developed countries during the period under review. The number of technicians in Algeria rose by about 650 as both project and non-project activity increased. In Nepal, nearly 700 Chinese technicians and laborers arrived to push construction of the Katmandu-Kodari Road. The number of Soviet technicians in the UAR during the period increased by approximately 345. Nearly one-third of them were assigned to the Aswan Dam, increasing the number employed on this project during the first half of the year to 2,000. Technicians from Communist countries also were noted for the first time in Kenya and the United Republic of Tanganyika and Zanzibar.

About 60 percent of all economic technicians present in less developed countries were employed in five countries -- Afghanistan, Algeria, Guinea, India, and the UAR. Iraq and Yemen, major areas of assignment for Communist economic technicians in the last half of 1963, each reduced by almost half the number they employed during the last 6 months of 1963. The sharp drop in Iraq reflects the continued decline since early 1963 in Soviet economic aid activities in that country. In Yemen a large number of technicians departed subsequent to the completion of an airfield built by the USSR late in 1963. Toward the end of the current period, however, the number of technicians in Yemen began to increase again as the first group of Soviet personnel arrived to begin implementation of projects under new aid agreements.

Of particular significance during the period was the large increase in administrative and advisory personnel from Communist countries, who were serving as economic planners and advisers to government officials at various ministerial levels. The number of technicians engaged in these activities rose to at least 400 in the first half of 1964, or nearly double the number employed during the previous 6-month period. They were largely concentrated in African countries, especially Algeria, Ghana, Guinea, Mali, and Zanzibar.

\* P. 62, below.

b. Academic Students and Technical Trainees

About 250 nationals from less developed countries enrolled in Communist academic institutions during the first 6 months of 1964, bringing the total number of personnel being trained at the end of June 1964 to almost 13,000 (see Table 9\*). More than 15,000 students have accepted Communist offers of higher education since 1956. Most of these have come from Africa and the Middle East. In the first half of 1964, the 135 students from Africa again accounted for the largest part of the increase in new students. Almost the same number of African students, however, terminated their programs in Communist countries to seek educational opportunities in the West.

The first sizable group of academic students, numbering about 420, completed their educational programs in Communist countries. Most of them had been trained in the USSR and Czechoslovakia in medicine and engineering. Of the 13,000 students from less developed countries studying in Communist countries at the end of June, the USSR accommodated more than 60 percent of the total: Czechoslovakia, East Germany, and Bulgaria together accounted for 25 percent. Only 300 students from less developed countries were reported to be enrolled in universities in Communist China.

In January the USSR responded sharply to demonstrations by African students by issuing a decree which imposed severe restrictions on activities by foreign students, made criminal offenses liable to prosecution under Soviet law, and carried the penalty of possible deportation for "abuse of hospitality." Moreover, Communist authorities, for some time dissatisfied with the low level of academic preparedness of many applicants from Afro-Asian countries, indicated that future scholarship recipients would be expected to comply more rigidly with established minimum educational qualifications. Such efforts, if enforced, could make study in the USSR less attractive to many potential students from developing countries.

About 1,650 nationals from less developed countries initiated technical training programs in Communist countries during the period, far exceeding the number going in any previous half-year period. This brought the total number of technical trainees in Communist countries up to 2,915 during the first half of 1964 (see Table 8\*\*). To date, a total of about 8,500 personnel from developing countries have undertaken technical training in Communist countries. Three countries -- Algeria, India, and the UAR -- accounted for more than 90 percent of the increase in the first 6 months of 1964. About 1,000 trainees departed for the USSR for training related to the future operation and maintenance of the Aswan High Dam. Several groups of technical personnel from India were scheduled for training in connection with their eventual employment in the pharmaceutical and heavy

\* P. 66, below.

\*\* P. 64, below.

electrical plants which the USSR currently is constructing in India. The Algerians undertook training programs at Soviet agricultural and textile factories.

C. Military Assistance\*

1. Credits and Grants

Communist countries are known to have extended approximately \$71 million of military assistance to less developed countries during the first half of 1964. This brings the cumulative total of such Communist military aid extended between 1955 and the end of June 1964 to \$3.3 billion (see Table 2). Soviet agreements with Afghanistan, Cambodia, Iraq, and Yemen were completed during the review period, and four other countries were reported to be negotiating for additional assistance from Communist nations. Modest grants of equipment were made to Cambodia by Czechoslovakia and Communist China and to Zanzibar by the USSR and Communist China.

These new commitments represent a decline from the level of military aid extended in the second half of 1963 when approximately \$180 million was promised to less developed countries. It continues the declining trend which began in 1962 following the peak year of 1961, when a record of almost \$850 million in military assistance was extended to less developed countries. Nevertheless, it is anticipated that substantial amounts of military aid may be added to the obligations undertaken in the first half of the year if negotiations with India, Indonesia, Syria, and the UAR result in firm agreements.

India is proceeding with plans to construct an integrated MIG-21 complex and hopes to conclude agreements for these with the USSR later this year. Negotiations also are underway for additional equipment for SAM sites in India. Although no new military aid agreement was reached between the USSR and the UAR during Khrushchev's visit in May, Khrushchev assured Nasser that the USSR would provide

Table 2

Military Aid Extended by Communist Countries  
 to Less Developed Countries of the Free World  
 September 1955 - June 1964

	Million Current US \$
Estimated minimum value	3,448
Less downpayments	121
Amount of aid	3,327
Credits	1,956
Discounts and grants	1,371

\* For further details on Communist military assistance to less developed countries, see the chart, Figure 3, following p. 16.



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whatever arms the UAR might need. Vice-President Amer has accepted an invitation to visit Moscow, at which time Egyptian military requirements probably will be discussed.

Deliveries of military equipment under earlier agreements continued at high levels, especially to Algeria, Indonesia, and the UAR. Although no new military aid agreement was announced following Algerian Premier Ben Bella's visit to the USSR in May, sizable deliveries of land armaments, including 145 tanks and armored vehicles, were noted in the first half of 1964. Indonesian requirements for increased transport and patrol craft were reflected in the deliveries of at least 9 major ships from the USSR. These ships included 2 destroyers, 2 minesweepers, 2 transports, 2 frigates, and a tanker. Shipments of electronic equipment, vehicles, auxiliary equipment, and spare parts also continued. The USSR delivered at least 40 MIG-21 jet fighters as well as armor and artillery to the UAR. Missiles for the Komar-class patrol boats were observed for the first time in late May, and increased quantities of SAM equipment also were received recently as part of an effort to establish some of the Egyptian SAM sites in operational readiness.

In Indonesia, contract negotiations were underway with the USSR to implement the \$55 million military agreement of November 1963. Although details on financing are not yet available, it is probable that part of this new military credit may come from unused economic credits provided for under the 1960 agreement. In June, Czechoslovakia finally agreed to reschedule Indonesian repayments of military credits.

## 2. Technical Assistance

### a. Military Technicians

Approximately 3,215 military technicians from Communist nations were in less developed countries during the first half of 1964, approximately 14 percent more than the number present in the last half of 1963. The number of Communist military technicians increased in Algeria, Indonesia, Syria, and the UAR, whereas the number in Iraq and Yemen decreased markedly because of the completion of some military construction projects. The remaining contingents of Communist military technicians remained at relatively the same levels as in the previous 6-month period. If new military assistance results from the negotiations currently underway with several countries, the number of Communist technicians in these countries may be expected to increase further.

### b. Military Trainees from Less Developed Countries

During the first 6 months of 1964, about 740 nationals from less developed countries enrolled in military programs in the USSR and Eastern Europe. This figure may be compared with almost 1,800

students who departed for military training in Communist countries during the last half of 1963. As of the end of June 1964, approximately 2,830 military trainees were training at Communist military institutions. To date, approximately 16,755 military personnel from less developed countries have been sent to Communist countries for training; more than 80 percent of these have been trained in the USSR. Approximately 45 percent of these trainees have been from Indonesia. Iraq, the Syrian Arab Republic, and the UAR have accounted for an additional one-third of the military personnel trained in the Communist countries.

#### D. Trade

The spring of 1964 was highlighted by Communist participation in the United Nations Conference on Trade and Development (UNCTAD) which opened in Geneva on 23 March. In general, the speeches by the Communist delegates contained relatively mild recitations of familiar Communist arguments and high-sounding declarations of good intentions. Perhaps betraying some sensitivity to the relatively low level of the USSR's current trade with less developed countries, the Soviet delegate estimated that Soviet trade with less developed countries would increase by more than 8 times by 1980 and attain a value of more than \$11 billion. In particular, he said that the USSR would increase its purchases of cotton, jute, and wool as well as products of mining industries, raw materials for the chemical industry, and manufactured goods. At the same time, the Communist countries strongly resisted recommendations that would have the effect of improving the terms and conditions of their aid and trade with less developed countries.

##### 1. Value of Trade, 1963

Trade turnover between Communist countries, excluding Cuba,\* and less developed countries of the Free World amounted to almost \$2.8 billion\*\* in 1963, an increase of 11 percent above the 1962 level compared with 9 percent in 1962 over 1961. Soviet trade with the area in 1963 totaled \$1,037 million, that of Eastern Europe \$1,220 million, and that of Communist China \$445 million.\*\*\*

\* Cuba's trade with less developed countries in 1963 amounted to \$121 million, about 9 percent above the 1962 level. As in the past, Cuba's trade with developing countries was largely with Morocco, Spain, Chile, and the UAR. (For data on Cuba's exports to and imports from individual less developed countries, see Tables 12 and 13, pp. 77 and 79, respectively, below.)

\*\* The value figures presented in this section are based primarily on trade statistics as reported by the less developed countries. Because of differences in reporting methods, these figures differ substantially from those on the same trade as reported by official Communist sources. Unless otherwise noted, the data in this section exclude Cuba.

\*\*\* For data on Communist exports to and imports from individual less developed countries, see Tables 10 and 11, pp. 69 and 73, respectively, below.

The less developed countries' share of total Communist trade in 1963 was about 7 percent, the same as in previous years. Similarly, the Communist area's share in the aggregate trade of less developed countries remained at roughly 5 percent. In spite of these relatively low ratios, the share of Communist trade in the total trade of certain less developed countries continued to be significant. For example, Communist countries supplied about one-half of Afghanistan's imports, one-fourth of Mali's and Guinea's, and roughly one-fifth of the imports of Burma, Cambodia, Iceland, and Iraq. The Communist area also provided a sizable market for several less developed countries: it absorbed more than two-fifths of the exports of the UAR and between 20 and 30 percent of the exports of Sudan, Greece, Iraq, Iran, Guinea, Afghanistan, and Syria. Communist countries continued to purchase sizable portions of the major hard currency exports of some less developed countries. For example, they purchased almost one-fifth of Ghana's total exports of cocoa beans in 1963, one-third of Sudan's cotton exports, and roughly 70 percent of the 1963/64 Syrian cotton crop and more than half the cotton crop of the UAR.\*

## 2. Direction of Trade, 1963

The trade of the Communist countries continued to be concentrated on a small number of partners, reflecting, in part, a trade momentum generated by disbursements under Communist economic credits, the largest portion of which has gone to a limited number of less developed countries. Almost half of Soviet trade turnover with the less developed countries in 1963 was accounted for by Afghanistan, India, Indonesia, and the UAR, all major recipients of Soviet aid. The correlation between trade and drawings is less positive for the Eastern European countries. In 1963, almost three-fifths of East European trade with less developed countries was conducted with only seven countries -- Argentina, Brazil, Spain, Greece, Turkey, India, and the UAR; only the last two figure prominently in the East European aid program. As in previous years, Communist China's trade continued to be accounted for mainly by its Asian neighbors -- Burma, Ceylon, Indonesia, and Malaya -- and the UAR.

By area, Asia accounted for the largest share of Communist countries' trade with less developed areas -- about 41 percent, the same share as in 1962. Trade with the area increased about 10 percent during the year, largely because of a 13-percent increase in Communist exports: Ceylon and Malaya and Singapore accounted for the major portion of this gain. A smaller increase of 7 percent was recorded in Communist imports from the area.

Africa continued to account for 13 percent of total Communist trade with less developed countries in 1963, the same share it

\* For data on the Communist share of the exports and imports of individual less developed countries in 1963, see Table 14, p. 81, below.

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held in 1962. Total Communist trade with Africa increased by 13 percent as a result of a 40-percent increase in Communist purchases from the area. This increase was accounted for largely by increased imports from Ghana, Morocco, Sudan, Tanganyika, and Uganda. Communist exports to the area declined by 5 percent.

Latin America's share in total Communist trade with less developed countries fell slightly from 12 percent in 1962 to 11 percent in 1963. As a result of the relatively stable level of both exports and imports in 1963, trade between the Communist area and Latin America was only slightly below the \$299 million level of 1962. Argentina and Brazil continued to be the two most important Latin American countries trading with the Communist area, accounting for more than four-fifths of the Latin American total. A 27-percent decline in Argentina's trade with the Communist countries in 1963 was compensated for by a 21-percent increase in Brazil's trade with the USSR and Eastern Europe.

Communist trade with the less developed countries of the Middle East increased 12 percent, while the share of this area in total Communist trade with less developed countries remained at 31 percent, the same as in 1962. Although Communist exports to this area increased only 2 percent, imports rose by almost one-fourth, reflecting primarily increased Communist purchases from the UAR. In spite of this increase, however, the Communist area accounted for 53 percent of the UAR's cotton exports in the 1963/64 season compared with more than 68 percent in 1962/63, reflecting the success of Egypt's efforts to sell more of its cotton for hard currency.

Although Communist trade with the less developed countries of Europe increased by more than 50 percent, it still amounted to only \$124 million, or less than 5 percent of total Communist trade with all less developed countries. The increase was due primarily to a rise in Soviet and East European trade with Spain.

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