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*Aid and Trade Activities of Communist
Countries in Less Developed Areas of the
Free World, 1967*

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FOREWORD

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

This report updates the previous annual report and includes the more significant developments during the reporting period. It also covers noteworthy noneconomic activities, including military aid and student exchanges. 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 countries of the Free World: 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. Yugoslavia is not included.

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 of the Far East except Japan; (3) Portugal and Spain in Europe; (4) all countries in Latin America except Cuba; and (5) all countries in the Near East and South Asia.

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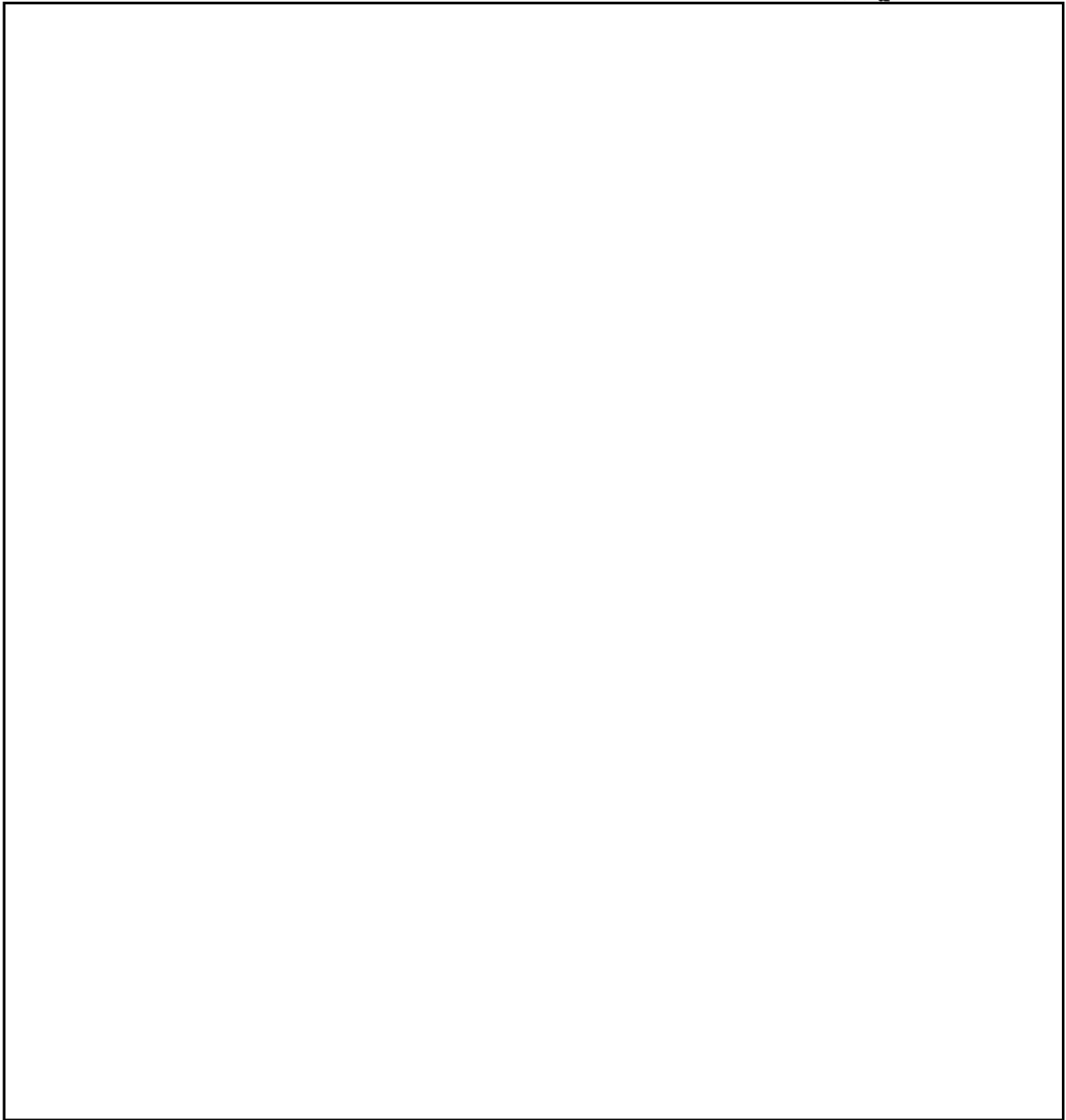
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AID AND TRADE ACTIVITIES OF COMMUNIST COUNTRIES IN LESS DEVELOPED AREAS OF THE FREE WORLD, 1967

SUMMARY

Major Trends

During 1967 the Communist countries continued to expand their presence in the less developed countries by delivering large amounts of military and economic goods and services, primarily from aid agreements made in previous years. New aid commitments emphasized military assistance, which rose sharply compared with 1966. The decline in new extensions of economic aid followed three years of record high commitments in 1964-66, and in part reflected the lack of opportunities for new aid extensions and the large backlog of unexpended credits (*see Figure 1*).*

Soviet aid undertakings during 1967 were highlighted by military assistance to the Arab states. Substantial deliveries of military equipment were quickly made to the UAR, Syria, and Iraq after June as Moscow sought to shore up the military capabilities of these countries and to restore its prestige in the Middle East. Political considerations also were dominant in Soviet arms aid to Yemen, where the Soviet-supported Republican regime was threatened. Nigeria, which traditionally has relied on the West for its military supplies, signed its first arms agreement with the USSR. A large arms credit to Iran in January 1967 was of economic as well as political value to the Soviet Union. Under its terms, Iran will make repayment in natural gas, which the USSR will use to meet expanding industrial needs in the Transcaucasus region. In summary, the use of economic and military aid continues to be an important facet of Soviet foreign policy in Free World less developed areas.

* In this report the term *extension* refers to a commitment to provide goods and services, either as a grant or on deferred payment terms. Assistance is considered to have been extended when accords are initialed and constitute a formal declaration of intent. The term *obligation* refers to our tentative estimate of the allocation of Communist aid to end uses. The term *drawings* refers to the delivery of goods or the use of services.

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The Eastern European countries also lowered new aid commitments during the year compared with 1966. As in the past, these commitments were primarily economic rather than military, and were directed largely to the countries of the Near East and South Asia. Notable progress was made in East European aid relations with Latin America, where there were increased signs of reciprocal interest during 1967. East European aid and trade delegations to Latin America concluded at least two new credits (Ecuador and Uruguay) as well as a number of trade agreements.

Communist China's new aid commitments were also considerably smaller than in recent years and consisted exclusively of economic credits and grants. The major outlay during the year was to the UAR, where, in an effort to continue some Chinese influence following the June war, the Chinese provided the Nasser regime with a \$21 million grant in wheat and foreign exchange. Peiping also made some headway in its aid efforts by adding Mauritania and Zambia to its expanding list of recipients in Africa. In Burma, however, the Chinese program sustained a major setback when Rangoon dismissed Chinese technicians because of serious political differences with Peiping.

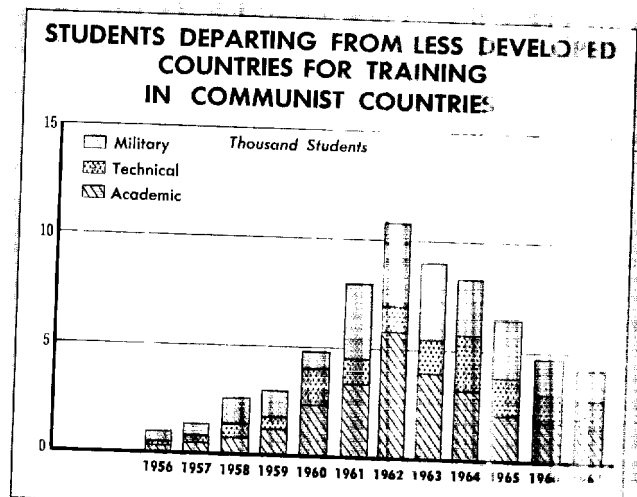
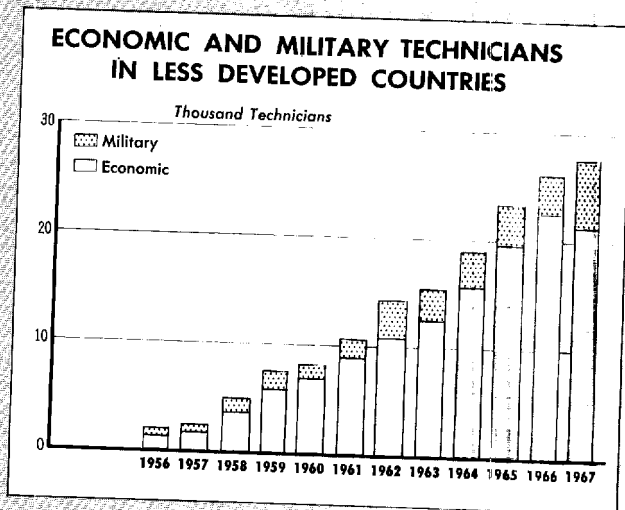
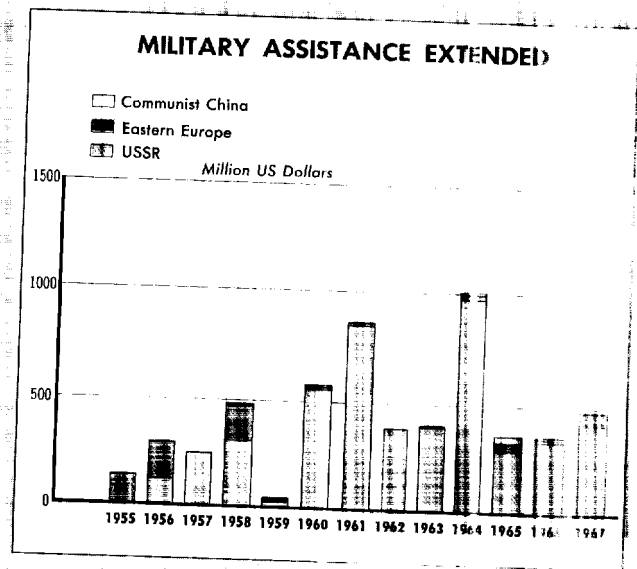
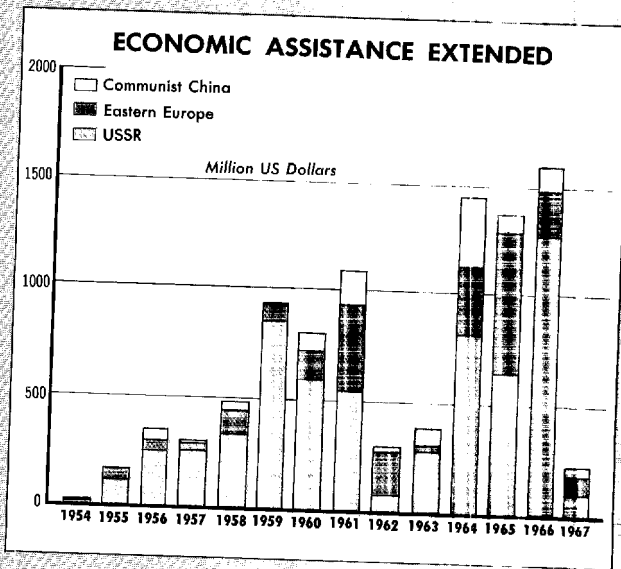
Economic Credits and Grants

The Communist countries extended approximately \$215 million of new economic aid to the less developed countries of the Free World in 1967, bringing total extensions since 1954 to about \$9.4 billion. This is the smallest amount of new commitments in any year since 1955. The largest decline occurred in new commitments by the USSR, which fell from about \$1.3 billion in 1966 to about \$90 million in 1967. About two-thirds of the new Soviet aid went to Chile in the form of a \$55 million credit for industrial projects and machinery and equipment. The East European countries extended about \$75 million in economic aid, with Bulgaria and Rumania being the major sources. The UAR, after Chile, was the major recipient of economic aid during 1967, accounting for about 30 percent of East Europe's new commitments and about 40 percent of Communist China's \$50 million in new aid.

Drawings on Communist economic aid of about \$500 million in 1967 were virtually the same as the average annual level of the past four years. Drawings on Soviet credits, representing about 60 percent of the total, declined for the third consecutive year while those on East European and Chinese credits rose slightly in 1967. Cumulative drawings since the inception of the program in 1954 have amounted

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COMMUNIST ACTIVITY IN LESS DEVELOPED COUNTRIES OF THE FREE WORLD*, 1954-67



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

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to somewhat more than \$3.6 billion, or almost 40 percent of total aid extended by the Communist countries.

Economic Technicians

The number of Communist economic technicians employed in less developed countries declined by about 5 percent to approximately 21,200 in 1967. By the end of the year, the number fell to less than 20,000 as Communist economic technicians left Burma and various countries in Africa and the Near East either because of political considerations or because of the completion of their work on various projects. Of the total in less developed countries in 1967, about one-half were from the USSR, about one-fifth from Communist China, and the remaining 30 percent from Eastern Europe. As in the past the largest share of Communist technicians (about 50 percent in 1967) were employed in Africa, notably in Algeria, Guinea, Mali, and Tunisia. The next heaviest concentration (about 45 percent of the total) was in the Near East and South Asian countries, with Afghanistan, India, and the UAR having the largest numbers.

Academic Students and Technical Trainees

The number of academic students who departed for training in Communist institutions in 1967 was about 1,600. The total in training at the end of the year was about 14,300, somewhat less than in 1966, which may indicate a leveling off in the program. Of the new enrollees, about 61 percent came from Africa, 25 percent from the countries of Near East and South Asia, 10 percent from Latin America, and 4 percent from the Far East. The USSR continued to receive the largest number of new students, about 83 percent of the total, with Eastern Europe accounting for the remainder in 1967.

Technical trainees who departed for Communist countries in 1967 are estimated to have numbered 1,200, or approximately the same as in 1966. About 13,500 have undertaken such training since 1956, and about 2,100 were being trained at the end of 1967.

Military Credits and Grants

The Communist countries extended an estimated \$480 million worth of military aid to the less developed countries during 1967—an increase of about 40 percent over the level in 1966 and the largest amount committed since 1964. Total military aid extended during 1955-67 amounted to about \$5.5 billion. About 90 percent of the new arms aid came from the USSR, which completed new agreements with

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a number of the Arab countries and a sizable \$110 million pact with Iran—that country's first with a Communist state. Deliveries of military aid in 1967 amounted to about \$400 million. The Arab states of the Near East received at least half of the total, with remaining deliveries to Afghanistan, Algeria, India, and various African states.

Military Technicians and Trainees

The number of Communist military technicians in less developed countries rose to about 6,100 in 1967, nearly double that in 1966. The increase was due almost entirely to the large influx of Soviet technicians and advisers to the Arab states following the June war.

During 1967, a total of about 1,200 nationals from eleven less developed countries enrolled in military training programs in Communist countries, about 80 percent of the number who departed for training in 1966. At the end of the year, about 3,500 were being trained in Communist countries—94 percent in the USSR.

Trade

There appeared to be very little change in both the value and direction of Communist trade with the less developed countries during the first half of 1967. In 1966, total trade turnover was about \$4.8 billion, 7 percent more than in 1965. East European trade with the less developed countries expanded in 1966 and exceeded that of the USSR—\$1.9 billion versus \$1.8 billion. Communist China's trade with the less developed countries also increased in 1966 to about \$900 million. Communist exports to the less developed countries continued to exceed imports in 1966, but the trade surplus which has decreased in recent years remained about the same as in 1965.

The geographic distribution of Communist trade with the less developed countries in 1966 continued to follow the pattern of recent years. Thus the Near East and South Asian countries accounted for the major share (57 percent) of the total, while Africa and the Far Eastern countries each accounted for 13 percent, Latin America 12 percent, and Europe—Portugal and Spain—5 percent of total Communist trade with the less developed countries. Although trade with the Communist countries represents a small (6 percent) share of the total trade of the less developed countries, it nevertheless forms a comparatively important segment of the trade of individual countries. Thus, in the case of Afghanistan, Syria, and the UAR, trade with the Communist countries accounted for more than one-fifth of individual imports and exports in 1966.

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