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Economic Intelligence  
Committee

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

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## FOREWORD

The EIC-R14 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 in the EIC-WGR-1 series.

This report, covering the 12 months from 1 January through 31 December 1967, constitutes the twenty-second report of the EIC-R14 series. The present 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. 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, which includes representatives of the Department of State, the Defense Intelligence Agency, the Departments of Commerce and Agriculture, the Agency for International Development, the National Security Agency, and the Central Intelligence Agency. The final report was approved by the Economic Intelligence Committee on 8 February 1968.

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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## 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, which had lost \$400 million to \$500 million worth of military equipment in the war with Israel. 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 initiated 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**

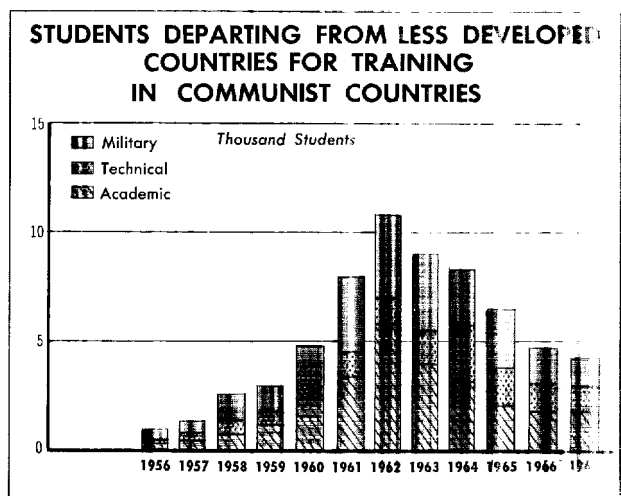
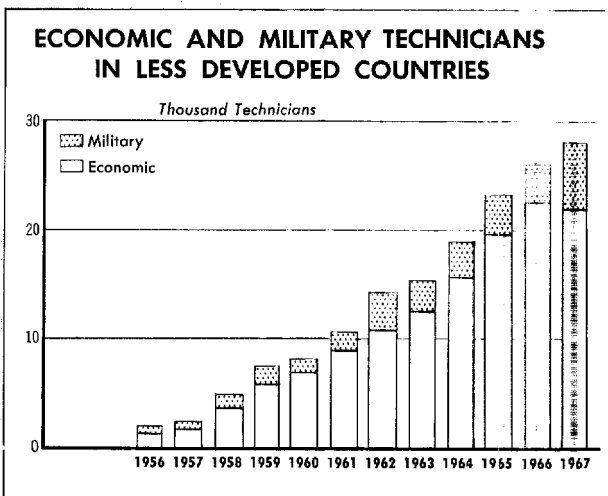
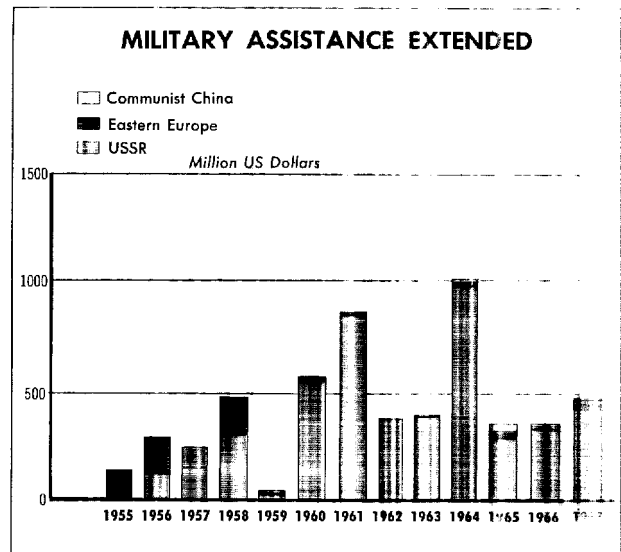
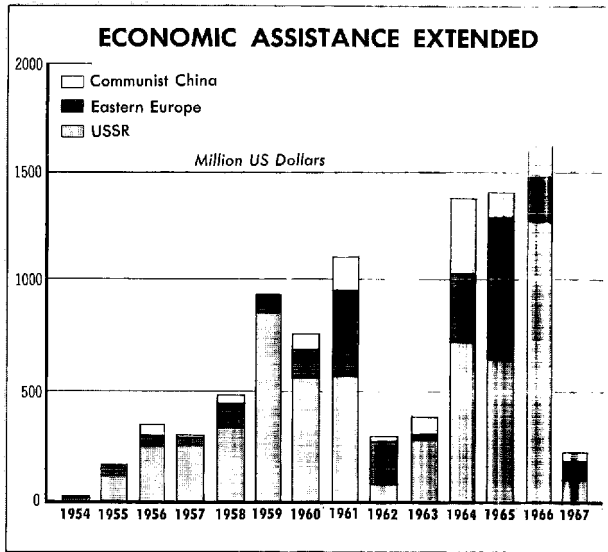
The Communist countries extended approximately \$215 million of new economic aid to the less developed countries of the Free World in 1967, bringing total extensions since 1954 to more than \$9.3 billion. This is the smallest amount of new commitments in any year since 1955. The largest decline occurred 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

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Fig 11

## 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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drawings since the inception of the program in 1954 have amounted 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 3 percent to approximately 21,900 in 1967. By the end of the year, the number fell to some 20,500, 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 1,700—somewhat less than in 1966. The total in training at the end of the year was about 14,400, somewhat less than in 1966, which may indicate a leveling off in the program. Of the new enrollees, about 58 percent came from Africa, 25 percent from the countries of Near East and South Asia, 13 percent from Latin America, and 4 percent from the Far East. The USSR continued to receive the largest number of new students, about 85 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 1,250, 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

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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 a number of the Arab countries and a sizable \$110 million pact with Iran—that country's first with a Communist state. Czechoslovakia and East Germany provided the remaining new arms aid from the Communist countries in 1967. Deliveries of military aid in 1967 continued at about the same high level—roughly \$400 million—as in recent years. The Arab states of the Near East received about 60 percent of the total, or about \$250 million, which in turn represented at least half of the total value of their military equipment losses during the June war. Remaining deliveries were 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

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

### A. MAJOR TRENDS

The Communist countries during 1967 continued to expand their presence in the less developed countries by delivering large amounts of military and economic goods and services. New aid commitments in 1967 emphasized military assistance, which rose well above that in 1966, and for the first time in several years exceeded economic assistance. New extensions of economic aid dropped sharply in 1967 after three years of record high commitments in 1964-66. This decline is attributed partly to the lack of opportunities for new aid extensions and partly to the large backlog of unexpended credits still available to the less developed countries.

The war in the Middle East was largely instrumental in shaping the predominantly military character of new Soviet aid undertakings in 1967. Following the June defeat of the Arab states, the USSR quickly delivered substantial quantities of military equipment to the UAR, Syria, and Iraq in an effort to shore up the military capabilities of these countries and to restore Soviet prestige in the Middle East. By the end of the year the USSR had replaced at least half, by value, of the estimated \$400 million to \$500 million worth of military equipment lost by the Arab states during the war. Political considerations also were dominant in Soviet arms assistance to the hard-pressed Republican regime in Yemen as well as to the Federal Military Government of Nigeria. The USSR succeeded in signing its first arms agreement with Nigeria, which traditionally has relied on the West for its military supplies. A large arms credit to Iran—the first Soviet military pact with this CENTO country—was of both political and economic value to the Soviet Union. Under its terms the USSR will receive payments in natural gas which it will use to meet expanding industrial needs in the Transcaucasus region.

The Eastern European countries, in contrast to the USSR, made most of their new commitments in the form of economic rather than military aid. Although less than in 1966, these commitments continued to be 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 increased signs of reciprocal interest were evident during the year. East European aid and trade delega-

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tions 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 considerably smaller than in 1966 and consisted entirely of economic credits and grants. Its major outlay was to the UAR where, in an effort to continue some influence with the Nasser regime, it granted \$21 million 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.

## B. ECONOMIC ASSISTANCE

### 1. Credits and Grants

#### a. *Extensions*

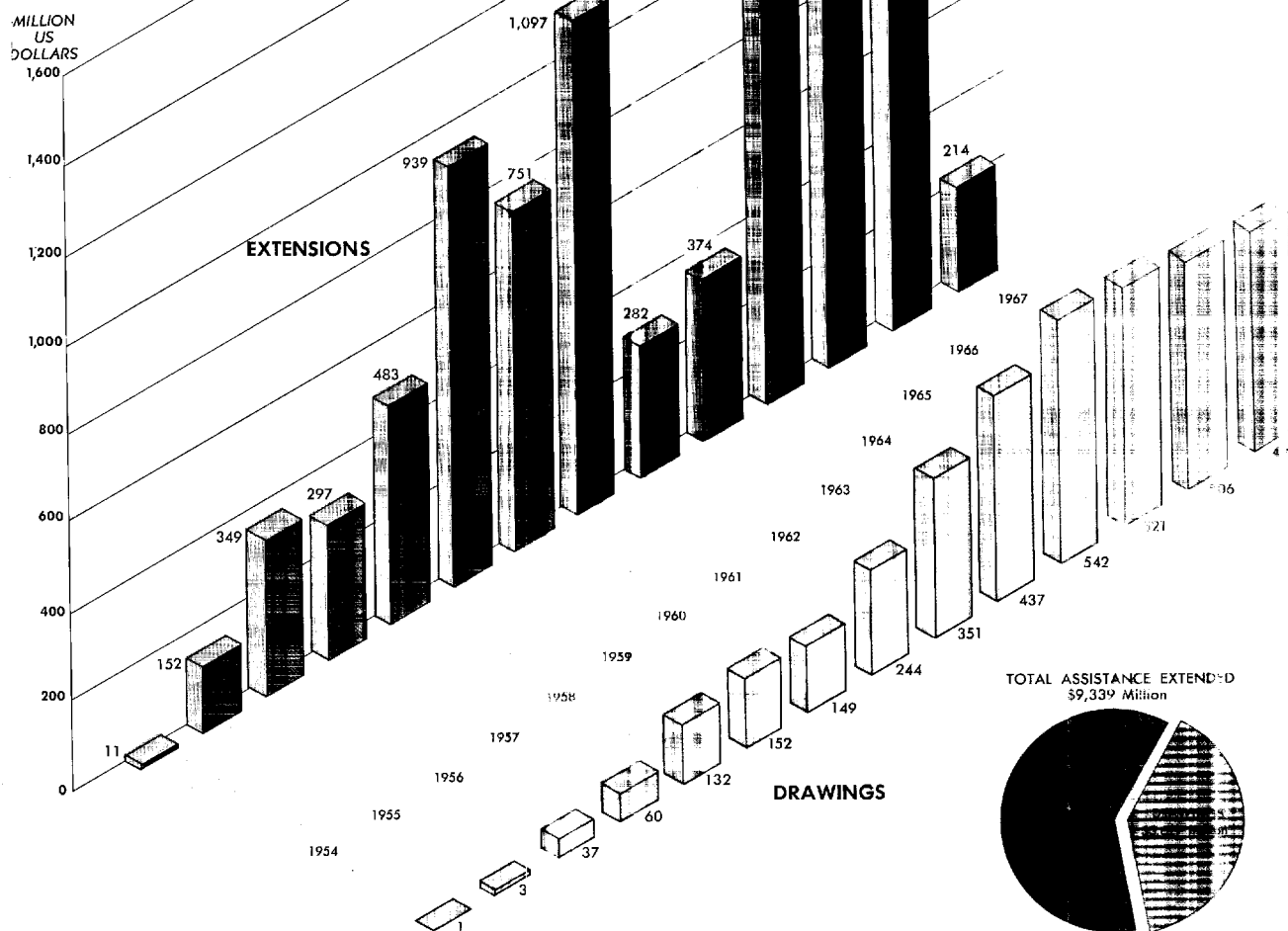
The Communist countries extended approximately \$215 million of new economic aid to the less developed countries of the Free World in 1967, bringing total extensions since 1954 to more than \$9.3 billion (see *Figure 2 and Table 1*).\* Although new commitments in 1967 were lower than in any year since 1955, the decline does not appear to signify any fundamental change in Communist attitudes toward foreign aid. As in the past, the Communist nations continued to make large credit offers in 1967. At least \$500 million in offers were not accepted by the less developed countries during the year.

The USSR accounted for most of the decline in new extensions of Communist aid as its new commitments fell from about \$1.3 billion in 1966 to only about \$90 million in 1967. About two-thirds of the USSR's new aid went to Chile in the form of a \$55 million credit for industrial projects and machinery and equipment. The remainder consisted of a \$16.7 million credit to Guinea and smaller extensions to five other less developed countries. In spite of its involvement in the Arab states, the USSR did not extend new economic assistance to any of these countries following the outbreak of hostilities in June. Moscow provided the UAR with only a short-term (2-year) commercial credit for wheat. The East European countries extended about \$75 million in economic aid with Bulgaria and Rumania supplying about two-thirds of the total. The UAR, after Chile, was the major

\* For a summary of specific credits and grants by Communist countries to less developed countries, see Tables 26 through 29, Appendix B.

Figure

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**ECONOMIC CREDITS AND GRANTS**  
**BY COMMUNIST COUNTRIES**  
**TO LESS DEVELOPED COUNTRIES OF THE FREE WORLD**  
**EXTENSIONS AND DRAWINGS**  
**1954-67**



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recipient of Communist 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.

b. *Drawings*

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 (*see Table 14\**). 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. The decline in Soviet drawings in 1967 largely reflected the sharp drop in aid deliveries to India, where domestic economic problems affected the utilization of project aid. Cumulative drawings since the inception of the aid program in 1954 have amounted to somewhat more than \$3.6 billion, or almost 40 percent of total aid extended by the Communist countries.

2. **Technical Assistance**

a. *Economic Technicians*

During 1967, approximately 21,900 economic technicians from Communist countries were employed in less developed countries—a decline of 3 percent from the 22,400 employed in 1966 (*see Table 15\*\**). This decline is attributed to reduced numbers of Chinese and Soviet technicians; the number of East European technicians in less developed countries rose by about 15 percent in 1967. By the end of 1967, however, the total number of Communist technicians present in less developed countries had declined to about 20,500, as a result of the exit of economic technicians from Burma and various countries in Africa and the Near East. About 450 Chinese technicians were expelled from Burma because of serious political differences; and 400 left Guinea after their completion of work on the Kinkon dam. There were also declines in the number of Communist technicians in the UAR, Ethiopia, and Tunisia.

Five new countries were added in 1967 to the ranks of less developed countries that employ Communist technicians: Cameroon, Chad, Mauritania, Uruguay, and Zambia.

As in most recent years, Africa received the largest share of Communist technicians sent to less developed countries. Eastern Europe and Communist China each assigned about two-thirds of their total

\* P. 60.

\*\* P. 61.



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technicians who were sent abroad to African countries in 1967. Only about 35 percent of Soviet personnel were in Africa, however. By far the largest number of Chinese were in Mali and Guinea. East Europeans were most heavily concentrated in Tunisia and Libya and Soviet technicians in Algeria. A large proportion of the Communist personnel assigned to Africa were engaged in nonproject activity as doctors, teachers, advisers, and planners.

The second largest concentration of Communist technicians in the less developed countries was in the Near East and South Asia, where about 45 percent of the total number of Communist personnel were assigned. The overwhelming proportion of these were Soviet technicians who, as in 1966, were concentrated in Afghanistan, India, and the UAR. These three countries accounted for 4,100 of the 11,000 Soviet technicians in all less developed countries during 1967. An additional 2,500 were present in four other Near East-South Asian countries—Iran, Iraq, Syria, and Yemen.

b. *Academic Students and Technical Trainees*

During 1967 an estimated 1,700 students departed from the less developed countries for training in Soviet and East European academic institutions (*see Table 17\**). Of some 26,100 students that have departed for such training since 1956, about 14,400 were being trained at the end of 1967. This is somewhat less than the number being trained at the end of 1966. The number of departures during 1967 also was somewhat less than in 1966 and was much lower than the average departures of over 4,000 per year during 1961-63. The decline since 1964 is attributed partly to the more stringent standards for admission and to the full capacity conditions in some institutions. The average period of training for students pursuing academic work is about five years, including one year of Russian-language training. Unless facilities are expanded beyond present capacity, in the future the number of new enrollees will be limited to vacancies left by those who have completed their training.

In 1967, African academic students continued to account for the largest number of departures to Communist countries. Algeria and Sudan, which together sent 270 students, made up about 16 percent of total departures in 1967. Students from Latin America and the Near East and South Asia accounted for an additional 13 percent and 25 percent, respectively.

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\* P. 65.

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There were some changes in the composition of the student body during 1967, partly because of internal problems of the less developed countries and partly because of changes in international political relations. In the wake of the June war with Israel, some Arab students were brought home by their governments before completing their studies. Thus all 68 Syrians studying in Bulgaria left for home at the beginning of June. As many as 300 Indonesian students, who were supporters of the former Sukarno regime, prematurely terminated their studies in the USSR and went to Communist China. No additional Ghanaian students have gone to the USSR since 1965.

Of the 26,100 students that have undertaken academic training in Communist countries since 1956, about two-thirds have gone to the USSR, more than 30 percent to East European countries, and the rest to Communist China. The USSR continued to receive the largest proportion of academic students departing from less developed countries for Communist countries, about 85 percent of the total. The remainder went to East European countries in 1967. There were no known departures of academic students to Communist China during the last two years.

About 1,250 personnel from less developed countries departed for Communist countries during 1967 to undertake training for jobs as skilled laborers and technical and managerial personnel (*see Table 16\**). Most of these positions related to Communist-aided projects. This is approximately the same number that went for technical training in the previous year and slightly above the average level of annual departures recorded since 1956, when the program began. A total of about 13,500 have undertaken such training since 1956, and about 2,100 were in training at the end of 1967. Trainees from Near East and South Asian countries have accounted for almost 70 percent of total technical trainees that have gone to Communist countries, and the UAR and India have been the principal countries that have sent personnel.

## C. MILITARY ASSISTANCE

### 1. Credits and Grants

The Communist countries extended about \$480 million of military aid to less developed countries during 1967—an increase of about 40 percent over the level in 1966 and the largest amount since 1964. Total military aid extended during 1955-67 amounted to \$5.5 billion (*see Table 2*). The USSR continued to be the major Communist

\* 1. 63.

Table 2

Military Aid Extended by Communist Countries to Less Developed Countries of the  
 Free World,<sup>a</sup> 1955-67

Year	Million Current US \$			
	Total	USSR	Eastern Europe	Communist China
1955.....	115	.....	115	.....
1956.....	286	117	169	.....
1957.....	238	238	.....	.....
1958.....	473	281	171	21
1959.....	36	30	1	5
1960.....	569	556	6	7
1961.....	847	832	15	.....
1962.....	371	371	.....	.....
1963.....	389	384	5	.....
1964.....	1,003	984	15	4
1965.....	362	273	45	44
1966.....	344	322	15	7
1967.....	480	435	45	.....
<i>Sep 1955-Dec 1967.....</i>	<i>5,513</i>	<i>4,823</i>	<i>602</i>	<i>88</i>

<sup>a</sup> Values based on Communist foreign trade prices. For an enumeration of military aid agreements, see Table 18, p. 68.

supplier of arms aid, accounting for more than 90 percent of the total in 1967. The remainder was provided by Czechoslovakia and East Germany.

Most of the USSR's arms agreements in 1967 were concluded with Near Eastern countries. In January the USSR signed a \$110 million accord with Iran, the first such Communist agreement with that country and the second (after a Chinese agreement with Pakistan) with a member of the Central Treaty Organization. Following the June war with Israel, the USSR made new military commitments to Iraq, Syria, and the UAR. In addition, the USSR concluded minor arms agreements with Guinea, Indonesia, Morocco, Nigeria, and Yemen and reportedly made offers to the Congo (K), Jordan, Lebanon, Libya, South Yemen, and the Sudan. Several of the USSR's new arms clients or prospective clients have been exclusively Western-oriented in arms supply.

During the year, Czechoslovakia signed small agreements with Iraq, Morocco, Nigeria, Syria, and the UAR.

Military aid deliveries in 1967 continued at about the same high level (roughly \$400 million) as in recent years (*see Tables 19 and 20\**). Soviet deliveries under the program largely were to the Arab

\* Pp. 72 through 76.

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states, where sizable quantities of Communist-provided equipment were lost during the June war. Even before the cease-fire, Soviet transport aircraft began an emergency resupply operation. This large-scale airlift involved largely defensive materiel—jet interceptors and antiaircraft guns—to replace some of the heavy losses in these categories. When it ended in midsummer, the airlift had included some 300 flights. A substantial number of ships also delivered artillery, armored vehicles, and a broad range of other military equipment, but the pace of deliveries slowed toward the latter part of the year. By the end of the year, total military deliveries to the Arab states of the Near East were estimated at about \$250 million, or at least 50 percent of the estimated value of Arab losses of military equipment during the June war.

The USSR is believed to have replaced most of the fighter aircraft, about half of the bombers, and some of the artillery, tanks, and vehicles lost during the conflict. In Algeria, the USSR probably has replaced all of the fighters and most of the light bombers, tanks, and artillery that were transferred to the UAR in June. Besides replacing the few aircraft that Iraq lost, the USSR expedited the delivery of MIG-21 fighters, SU-7 fighter-bombers, and ground forces equipment ordered under a previous agreement. A new Soviet-Iraqi arms agreement in July provided for additional quantities of aircraft and land armaments. Soviet deliveries to Syria are believed to have replaced a substantial portion of the air and ground forces equipment lost during the war. The supply of additional aircraft and land armaments was agreed to by the USSR, Czechoslovakia, and East Germany under new pacts with Syria in 1967.

Developments in Yemen during 1967 resulted in a significant change in the character of the Soviet arms aid program in that country. In September the USSR negotiated a military aid agreement with the Republican regime which provided for direct deliveries of military equipment, in contrast with former aid channeled through the UAR. Following the 5 November 1967 coup, arrangements were made with the successor Yemeni government to accept the Soviet arms aid previously negotiated. Deliveries began in mid-November in the form of an airlift of disassembled jet fighters and other equipment. More than 100 AN-12 transport flights have been made to Yemen, with at least 10 MIG-17 jet fighters, and possibly as many as 24, having been delivered by the end of 1967, plus considerable quantities of ammunition, spare parts, and ground equipment. In addition, Soviet pilots in

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early December flew a number of combat missions in support of Yemeni Republican forces.

Another important Soviet arms aid agreement in 1967 was the \$110 million pact with Iran, long a holdout against Soviet military assistance, for certain types of selected ground equipment. The agreement provides for Iran to make repayment initially in goods and later in natural gas. In mid-1967 the USSR began the delivery of arms under this agreement.

Soviet military aid deliveries to Algeria continued at a moderate level during 1967. These deliveries were highlighted by the introduction of three *Osa*-class guided missile patrol boats and three additional SO-1 class submarine chasers and by an increase in MIG fighter and light bomber inventories prior to the June war. In June, Algeria transferred 41 Soviet-built jet fighters and 12 IL-28 jet light bombers to the UAR air force as replacements for aircraft destroyed in the war with Israel. It is believed that the USSR replaced the jet fighters last summer during its large-scale airlift to the Arab countries and is in the process of replacing the light bomber aircraft.

Morocco concluded its first sizable Communist military assistance agreements since January 1962. Faced with a growing military equipment imbalance in comparison with Algeria and unable to obtain desired equipment from Western nations, Morocco negotiated an arms agreement with Czechoslovakia for an estimated \$20 million of ground forces equipment in July. Deliveries under this agreement in 1967 included at least 40 T-54 tanks and 74 armored personnel carriers. The USSR signed a pact for four AN-12 military transport aircraft in August. While ostensibly for the civil airlines, these military-type transports will effectively serve to augment Morocco's military airlift capability.

Deliveries of Soviet military equipment to India in 1967 were at a significantly lower rate than in 1966. Shipments included a small number of helicopters, a few patrol boats, some artillery and medium tanks, and the first consignment of SU-7 fighter-bombers under a 1966 agreement for 127 SU-7's and 12 trainers. Additional SU-7's as well as some submarines and other naval craft are scheduled for delivery in 1968. The MIG airframe factory at Nasik, which opened in late 1966, had assembled as many as 78 MIG-21 aircraft from imported Soviet components by the end of 1967. The program for assembling MIG's is still lagging, and the indigenous manufacture of complete aircraft is not expected to begin before 1970. Soviet arms aid to

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India now has reached the point where it constitutes the dominant source of supply for the Indian armed forces.

With its substantial relationship with India apparently in mind, the USSR has moved slowly in Pakistan. Under an agreement publicized as "commercial," it has supplied several thousand trucks and other vehicles for the Pakistani armed forces and delivered the first of six large MI-6 transport helicopters on order. Moscow, however, has thus far refused Pakistan's request for other major military equipment.

Other new Communist arms agreements have been of token size. As the result of negotiations with an Indonesian military mission in September, the USSR agreed to provide \$10 million worth of spare parts on a cash basis to the Indonesian navy and air force. It is estimated, however, that both services require more than \$50 million in spare parts to restore inventories to pre-coup levels.

In 1967, Nigeria received its first deliveries of Communist military equipment, consisting of eight Soviet MIG-17 jet fighters, two U-MIG-15 trainers, and eight Czechoslovak L-29 jet trainers. Afghanistan, Congo (B), Guinea, and Uganda also received small deliveries of aircraft, patrol boats, and land armaments. The despatch of military delegations from Mali to the USSR and China may presage new arms agreements with that country.

## 2. Technical Assistance

### a. *Military Technicians*

The estimated number of Communist military technicians in less developed countries rose to about 6,100 in 1967, nearly double the number present in 1966 (*see Table 21\**). The increase is due almost entirely to the large number of Soviet technicians and advisers despatched to the Arab countries following the June war. Indications are that approximately 2,000 were present in the UAR, about 1,100 in Syria, 850 in Algeria, and 200 in Iraq. Some of the new arrivals were involved in the assembly and flight check of newly arrived aircraft, and some probably have returned to the USSR.

### b. *Military Trainees from Less Developed Countries*

During 1967 a total of 1,200 nationals from eleven less developed countries enrolled in military training programs in Communist countries, about 80 percent of the number that departed for similar training in 1966 (*see Table 22\*\**). The largest reductions in departures oc-

\* P. 77.

\*\* P. 78.

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curred in Indonesia and the UAR. With the virtual suspension of the Soviet arms aid program in Indonesia, no trainees were sent from that country to Communist countries in 1967, compared with about 345 in 1966. The number of departures from the UAR fell from 235 in 1966 to 155 in 1967, apparently because of cost considerations. Algeria, India, and Iraq were the only countries sending somewhat more students for military training in 1967 than in the previous year.

At the end of 1967, about 3,500 military trainees from less developed countries were being trained in Communist countries. About 94 percent of these trainees were in the USSR, while the remaining 6 percent were divided between Communist China and East Europe. Algeria, Afghanistan, and India had the largest contingents of military trainees in the Communist countries at the end of 1967. Since November 1955 a total of about 23,500 military personnel from less developed countries have been sent to Communist countries for training—approximately 85 percent to the USSR. Although Indonesia has accounted for 39 percent of the total number of military trainees sent to Communist countries since 1955, it had only 7 percent, or 235, of the total in Communist countries at the end of 1967. The UAR, which has accounted for 17 percent of total trainees to date, had only 4 percent of those in training at the end of the year. Algeria, Afghanistan, Iraq, and Syria also are among those who have sent leading numbers of military personnel to the Communist countries for training during 1955-67.

#### D. TRADE\*

##### 1. Value

Preliminary data indicate that there was very little change in either the value or the direction of Communist trade with the less developed countries during the first half of 1967. The only notable exceptions were (1) a large decline in Communist imports from Argentina and (2) a significant increase in both Communist exports to and imports from Pakistan. Communist imports from Argentina fell from about \$185 million in the first six months of 1966 to about \$40 million during the first half of 1967, largely as a result of the virtual cessation of Communist wheat purchases. The value of Communist trade with Pakistan, on the other hand, rose from less than \$70 million during the first half of 1966 to about \$120 million in the first six months of

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\* The commodity composition of Communist trade with the less developed countries in 1966 will be covered in a forthcoming article in the *WIC Biweekly Report*.

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1967, as Pakistan continued to expand its trade with most of the Communist countries.\*

Total Communist trade with the less developed countries rose from about \$4.5 billion in 1965 to almost \$4.8 billion in 1966—an increase of about 7 percent (*see Figure 3*).\*\* This compares with an increase of about 17 percent in 1965 and is the smallest annual percentage gain since 1962. The reduced rate of growth in 1966 trade primarily was attributed to lower levels of Chinese imports and of Soviet exports. 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.

Eastern Europe's total trade and Communist China's exports accounted for almost all of the increase in the value of Communist trade with the less developed countries in 1966. Soviet trade with the less developed countries remained at approximately the 1965 level of \$1.8 billion, although Soviet exports to these countries declined for the first time since 1958. The decline in Soviet exports of about 3 percent was caused by a drop in exports to Ghana and Indonesia, following political changes in those countries, as well as by a drop in Soviet exports to India and the UAR. Soviet economic aid deliveries had contributed to the rapid acceleration of exports to less developed countries during 1958-64; since then, aid deliveries have leveled off and have declined as a percent of exports to the less developed countries, from 47 percent in 1964 to 38 percent in 1965 and 37 percent in 1966.

In 1966, East European countries as a group had a larger trade turnover with the less developed countries than did the USSR. East European trade with the developing countries was almost \$1.9 billion in 1966, an increase of 10 percent over 1965. Imports showed the larger gains. Increased purchases from Argentina and other Latin American countries largely offset the sharp drop in grain imports from Mexico. Imports from Spain and Greece also increased substantially

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\* Because of a lack of complete data for 1967, the remainder of this section analyzes developments during 1966. The value data on Soviet foreign trade with the less developed countries are from comprehensive official Soviet foreign trade handbooks. For Eastern Europe, Communist China, and other Communist countries, the trade returns of the less developed countries have been used. It should be noted that the figures used for Soviet trade are the sum of the figures given in the Soviet trade handbook for trade with each less developed country and this sum amounts to \$1,790 million. This handbook also gives a total figure for trade with the Free World which contains an unexplained export residual of \$369 million. This residual could include Soviet deliveries of military items, which are excluded from the country breakdowns and also from this section.

\*\* For detailed data on Communist exports to and imports from individual less developed countries, see Tables 23 and 24, pp. 79 and 83, respectively.



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during the year. East Europe's exports to Syria, Turkey, and the UAR together rose almost \$80 million in 1966, which more than offset the \$40 million decline in exports to Ghana.

Communist China's trade with the less developed countries rose to about \$900 million in 1966, as a 27-percent growth in exports more than offset the 13-percent decline in imports. Imports from Indonesia, Pakistan, Uganda, and the UAR fell considerably. China's exports to Ceylon, Malaysia, Singapore, and the UAR rose substantially during the year. Communist China's trade in 1966 continued to be concentrated mainly with its Asian neighbors—Ceylon, Indonesia, Malaysia, Pakistan, and Singapore. Because of large grain purchases from Argentina again in 1966, this country continued as a major Chinese Communist trading partner.

The relative shares of Communist countries' trade with the less developed countries were roughly the same in 1966 as in 1965.\* The Soviet share was 37 percent, Communist China's 19 percent, and Eastern Europe's 40 percent. Other Communist countries—North Korea, North Vietnam, Mongolia, Cuba, and Albania—accounted for the remainder of the trade with less developed countries in 1966.

## 2. Direction

In 1966, as in 1965, the less developed countries accounted for about 10 percent of total Communist trade, and the Communist share of the less developed countries' total trade was 6 percent. Communist trade continued to be concentrated in a few less developed countries, where it formed a major share of the total trade of these countries. In 1966 the Communist countries accounted for more than one-fifth of the total imports of Afghanistan, Cambodia, Ceylon, Iraq, Mali, Syria, and the UAR and for more than one-fifth of the total exports of Afghanistan, Greece, Syria, and the UAR.

Communist trade with the less developed countries during 1966 followed the geographic pattern of previous years. The Near East and South Asian countries continued to account for the largest portion of this trade, with most of the remainder divided into about equal shares among the Far East, Latin America, and Africa. Europe's share remained minimal.

Near East and South Asian countries' trade with the Communist world rose by 11 percent in 1966 and accounted for 57 percent of total

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\* For data on the Communist share of the total exports and imports of selected less developed countries, see Table 25, p. 86.

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Communist trade with the less developed countries. Communist exports to the Near East and South Asia rose by 17 percent and contributed heavily to this trade gain, while imports expanded only 3 percent. India and the UAR remained the principal Communist trading partners, and they accounted for 41 percent of the USSR's total trade with the less developed countries during the year. These two countries also account for a large share of Eastern Europe's trade with the less developed countries. This concentration reflects in part the trade momentum generated by deliveries under long-term economic credits and by repayments in commodities for both economic and military credits. It also reflects the desire of these countries to continue exchanges with bilateral trading partners as their foreign exchange holdings were reduced.

The Far Eastern countries' share of total Communist trade with less developed countries fell slightly in 1966 as the value of their total trade declined. This decline was attributable largely to the cutback in Indonesian and Burmese trade with the Communist countries following the abortive coup by the Indonesian Communist Party (PKI) in September 1965.

The value of Communist trade with Africa also fell in 1966. The decline of about 7 percent from 1965 was caused chiefly by a \$78 million drop in Communist trade with Ghana. Africa's share of total Communist trade with the less developed countries fell from 15 percent in 1965 to 13 percent in 1966.

Latin America's share of Communist trade with the less developed countries in 1966 remained at the same level as in 1965, about 12 percent, despite a 9-percent increase in the value of its trade with Communist countries. Increased Soviet purchases of Argentine wheat during the first half of 1966 accounted for most of the trade gain during the year.

Communist trade with the less developed countries of Europe—Portugal and Spain—increased by 31 percent in 1966. The \$58 million increase was almost entirely the result of increased East European and Cuban imports from Spain. In spite of the rapid rate of growth in this trade, the absolute amounts continued to be small and Europe accounted for only 5 percent of total Communist trade with the less developed countries in 1966. This compared with 4 percent in 1965.

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UNITED STATES  
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Committee

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

MIDYEAR SUPPLEMENT, 1 January—30 June 1968

**Secret**

EIC R14-S22

July 1968

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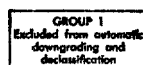
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Prepared by the Working Group on Communist Aid and Trade Activities  
in Less Developed Areas of the Free World

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FOREWORD

The attached summary and tables, covering the six months from 1 January through 30 June 1968, constitute the midyear supplement to EIC-R14, Aid and Trade Activities of Communist Countries in Less Developed Areas of the Free World, and update the data contained in EIC R14-S22, dated March 1968. Data have been revised to include new information, and figures in the current supplement supersede those in previous issues. The tables were prepared by the Central Intelligence Agency and were reviewed and coordinated by a Working Group of the Economic Intelligence Committee, which includes representatives of the Department of State, the Defense Intelligence Agency, the Departments of Commerce and Agriculture, the Agency for International Development, the National Security Agency, and the Central Intelligence Agency.

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.

The term less developed countries of the Free World includes the following: (1) all countries in Africa except the Republic of South Africa; (2) Portugal and Spain in Europe; (3) all countries in the Far East except Japan; (4) all countries in Latin America except Cuba; and (5) all countries in the Near East and in South Asia.

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AID AND TRADE ACTIVITIES OF COMMUNIST COUNTRIES  
IN LESS DEVELOPED AREAS OF THE FREE WORLD  
1 JANUARY-30 JUNE 1968

After declining sharply in 1967, Communist extensions of economic aid to the less developed countries rose during the first half of 1968 to \$483 million, bringing the total since 1954 to almost \$10 billion (see Tables 1, 2, and 3). The USSR provided the bulk of new aid commitments during the first half of 1968 while the major recipients were Iran and Afghanistan.

The USSR contributed \$327 million of the total extended in the first half of 1968, bringing its commitments since the inception of the aid program to \$6.3 billion. Soviet credits were provided to only two countries, Afghanistan and Iran, for implementing their current five-year plans. East European credits were \$156 million with Iran accounting for almost half of the total. Communist China's credits were confined to possible commitments in connection with the agreement to construct a railroad between Mali and Guinea.

Economic aid deliveries by all donors continued to lag in the first half of 1968. At an annual rate, they amounted to about \$350 million, or about 30 percent below the 1967 level (see Table 4). The largest decline was in Chinese deliveries, which lost their momentum because of a drop in foreign currency and commodity transfers.

The number of Communist economic technicians present in less developed countries since the end of 1967 increased by about 1,000 to 22,000 in the first half of 1968 (see Table 5). Most of the change is attributed to the large influx of East Europeans to Libya for work on new construction and on reconstruction following the earthquake.

During the first half of 1968, the Communist countries extended an estimated \$87 million in military assistance to less developed countries, the USSR providing about 70 percent, and Czechoslovakia and Bulgaria supplying the remainder (see Table 6). Sudan signed an estimated \$20 million agreement with the USSR -- its first military

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aid agreement with a Communist country. In addition, the USSR concluded agreements with India (\$25 million), Iraq (\$9 million), Cambodia (\$6 million), and South Yemen (amount undisclosed). Czechoslovakia signed a \$15 million agreement with Iraq, and Bulgaria concluded agreements for \$10 million with India and \$2 million with Iraq.

Soviet deliveries of equipment to the Arab states during the first half of 1968 were down considerably from those in the second half of 1967 and approximated the pre-war level. Soviet shipments to India, however, were up in value over those in 1967, primarily because of the delivery of 27 expensive SU-7 fighter bombers during the period (see Table 7). China, having made no known military aid deliveries to less developed countries in 1967, resumed aid shipments to Cambodia and Tanzania in 1968 under existing agreements.

An estimated 6,450 Communist military technicians were present in less developed countries during the first half of 1968, roughly the same number as in 1967 (see Table 8). During the period, 890 military personnel departed for training in Communist countries, compared with 595 during the first six months of 1967 (see Table 9). All of these military personnel have gone to the USSR. Some 3,980 personnel were being trained in Communist countries in June 1968, an increase of about 15 percent.

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

MIDYEAR SUPPLEMENT, 1 JANUARY-30 JUNE 1968

**Secret**

October 1968

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IN LESS DEVELOPED AREAS OF THE FREE WORLD  
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During the first half of 1968, the Communist countries extended an estimated \$87 million in military assistance to less developed countries, the USSR providing about 70 percent, and Eastern European countries supplying the remainder. The USSR signed agreements with several Arab countries, Cambodia, and Sudan -- this country's first military aid agreement with a Communist country.

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An estimated 6,500 Communist military technicians were present in less developed countries during the first half of 1968, roughly the same number as in 1967. During the period, 900 military personnel departed for training in Communist countries -- all to the USSR. About 4,000 personnel were being trained in Communist countries in June 1968.

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