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Economic Intelligence
Committee

*Aid and Trade Activities of Communist
Countries in Less Developed Areas of the
Free World, 1969*

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Foreword

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

This report, covering the 12 months from 1 January through 31 December 1969, constitutes the twenty-fourth report of the EIC-R14 series. The present report updates and revises data in the previous annual reports; 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 Subcommittee on International Trade and Aid 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 10 February 1970. Project tables on economic credits and grants (formerly Appendix Tables 1-4) are available to recipients on request.

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 Romania. 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 normally 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 East Asia 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
1969

Summary

The rapid expansion that characterized the Communist offensive in the Third World until 1964 has given way to low-keyed programs in recent years. The lack of significant growth is apparent in all sectors of the program: trade, military and economic aid, technical services, and training. While the level of new aid extensions* has fluctuated widely from year to year, deliveries of economic and military aid together have leveled off at almost \$900 million annually during the past four years. Communist countries' annual total trade with the Third World remained constant at roughly \$4.8 billion during 1965-68. The scale of Communist technical assistance, both military and non-military, has not shown any appreciable growth since the mid-1960s, nor have the Communist countries expanded their programs to train Third World academic students during this period.

The general lack of growth in the Communist economic offensive primarily reflects the leveling-off in aid flows from the USSR, which accounts for almost 80% of all Communist economic and military assistance. Soviet economic aid deliveries have remained at roughly \$300 million a year -- equal to about one-tenth of 1% of Soviet GNP -- for the past four years, while Soviet military aid flows to the Third World as a whole have averaged about \$380 million a year during this period. Soviet trade with these countries has shown no appreciable growth since 1965.

* 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 drawings refers to the delivery of goods or the use of services.

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Communist China's trade with the less developed countries has not changed significantly in the past several years while deliveries of economic aid in 1969 remained at the low level of 1968. Although East European countries greatly increased their extensions of new economic aid in 1969, aid deliveries, which accounted for somewhat less than 20% of the Communist total, declined during the year. East European trade with the developing countries, however, has grown fairly rapidly -- at an average annual rate of 8% since 1964 -- and exceeds Soviet trade with these areas.

The absence of vigorous Soviet aid initiatives in recent years seems to reflect the Soviet leadership's realization that aid as a political weapon has severe limitations, conveys no guarantee of continuing influence, and sometimes leads to unwanted involvement in disputes between two client states. Moreover, during the past few years the USSR's attention has been turning to other, more urgent problems: the China border conflict, East-West European relations, and domestic economic problems. In some cases the amount of Soviet aid extended and drawn has been limited by the USSR's belated appreciation of the restricted absorptive capacities of Third World countries for both arms and investment aid.

Economic Aid (See Figure 1)

Communist countries extended \$940 million of economic aid to less developed countries in 1969, bringing total cumulative aid extensions up to \$10.8 billion. One-half of the total extended in 1969 was provided by the USSR, 48% by East European countries, and the remainder by Communist China. Near East and South Asian countries again received the major share of new commitments, with Iraq, Iran, and Turkey accounting for two-thirds of the total. Guinea, which received aid commitments of \$104 million -- \$92 million from the USSR and \$12 million from Communist China -- was the only other country to which large amounts of aid were extended. Aid deliveries in 1969, estimated at \$415 million, dropped for the fifth consecutive year, reflecting reduced levels of East European and Soviet deliveries. Simultaneously, repayments of principal and interest

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due for Soviet deliveries of economic aid rose to some \$180 million in 1969, about 30% higher than in 1968. (See Figure 2.)

During 1969, Communist economic technicians in less developed countries numbered 22,000, only slightly more than in 1968. Although the USSR accounted for about 70% of total economic aid deliveries in 1969, only 45% of the technicians were from the USSR. East Europeans, many of whom were under commercial contract rather than associated with aid projects, accounted for 35% of the total number of technicians. The remainder were from Communist China. As in the past, about one-half of the total number of Communist technicians were in African countries and most of the remainder were in the Near East and South Asia. Communist countries continued in 1969 to provide technical training for personnel from the less developed countries and to expand the training of these personnel on-the-job and in training facilities being built in their own countries.

A total of approximately 16,700 students from less developed countries were in attendance at Soviet and East European academic institutions during 1969. New enrollees increased to 3,400 in 1969, reflecting openings made available by students who had completed their academic training.

Military Aid (See Figure 1)

Known military aid commitments, totaling about \$180 million in 1969, were significantly less than those in recent years. Three recipients -- the UAR, Iraq, and India -- accounted for about 85% of the new aid provided, with the remainder extended to six other countries. Cash sales totaling \$20 million were made to Nigeria. Arms deliveries of \$340 million were somewhat lower in 1969 than in the past several years, with the Arab states accounting for about one-half of the total. By the end of 1969 the combat equipment losses resulting from the June 1967 war had been replaced. Also, of particular significance in 1969 was the implementation of the 1968 Soviet-Pakistani arms agreement, which represented a marked shift in the former Soviet policy of selling only non-combat equipment to Pakistan. During 1969, developing countries paid an estimated \$110 million in principal and interest to the USSR

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on their debt for Soviet military aid. The number of Communist military technicians in the less developed countries declined by more than 5% to an estimated 7,200 in 1969, and the number of developing country nationals going to Communist countries for military training may have fallen off by as much as 20%.

Trade

Preliminary data suggest that total Communist trade with the less developed countries may have been slightly above the 1968 level in 1969, with East European and Soviet trade with North African and Near Eastern countries the most active part of the total.

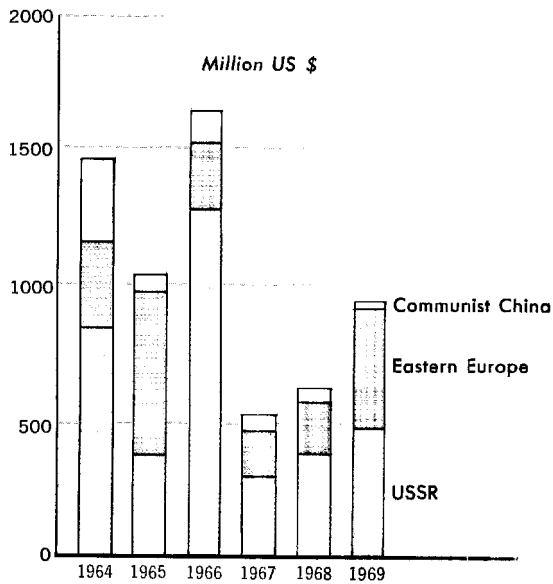
Communist trade with the less developed countries reached \$4.8 billion in 1968, an increase of 5% over 1967. Virtually all of the increase was in Eastern Europe's trade (especially its export trade) with these areas. As in the past, the less developed countries' share of Soviet and East European trade was less than 10%, but it was possibly somewhat more than 20% of Communist China's trade. For most less developed countries the Communist countries accounted for only a small part of their total trade. For the UAR, Afghanistan, and Syria, however, Communist trade comprised more than one-third of their total trade. More than half of the Communist countries' imports from less developed countries came from Near East and South Asian countries in 1968, and almost two-thirds of their exports went to these areas. There were no marked changes in the commodity composition of Soviet trade with the less developed countries in 1968. Machinery and equipment continued to account for the major share of Soviet exports, and food was the major import category. The commodity composition of East European trade was roughly comparable to that of the USSR, although sales of fertilizers and other chemicals made up a larger portion of Eastern Europe's exports, and imports of manufactures comprised a smaller share of East European than of Soviet purchases from the Third World. Natural rubber accounted for a major share of Communist China's purchases.

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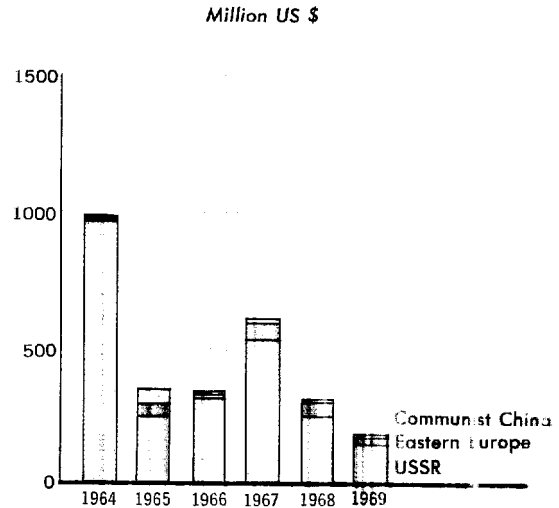
Figure

COMMUNIST ACTIVITY IN LESS DEVELOPED COUNTRIES OF THE FREE WORLD,* 1964-69

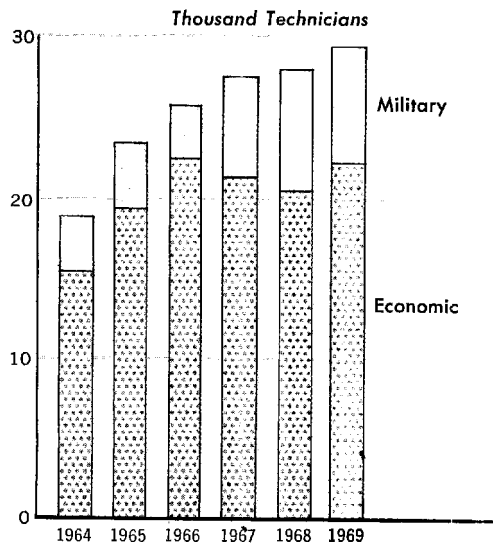
ECONOMIC ASSISTANCE EXTENDED



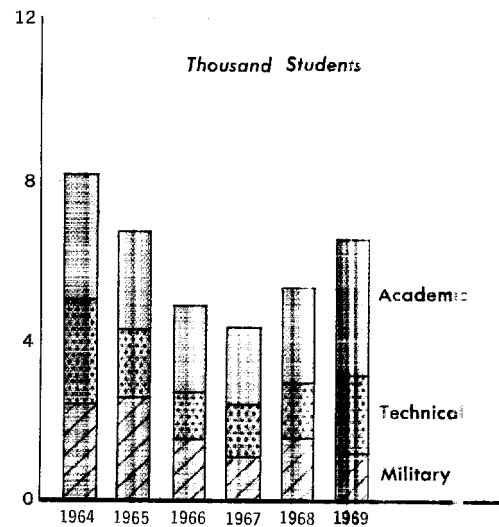
MILITARY ASSISTANCE EXTENDED



ECONOMIC AND MILITARY TECHNICIANS IN LESS DEVELOPED COUNTRIES



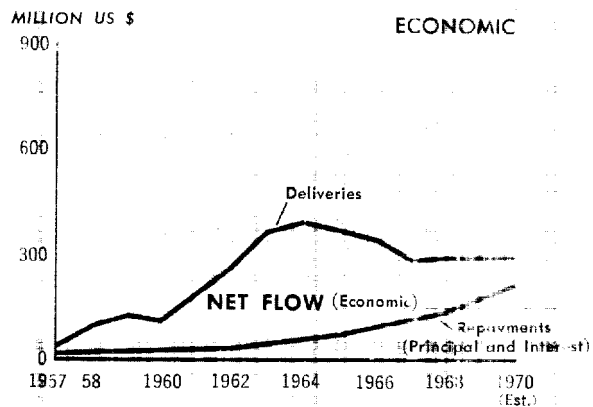
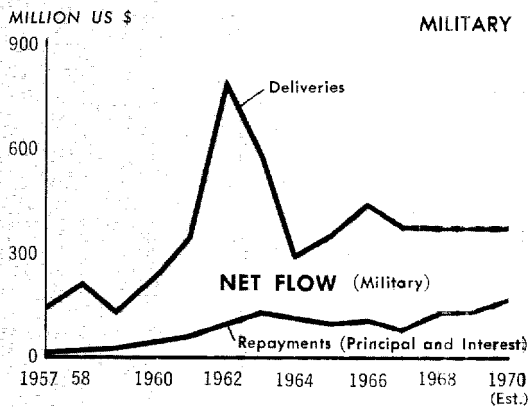
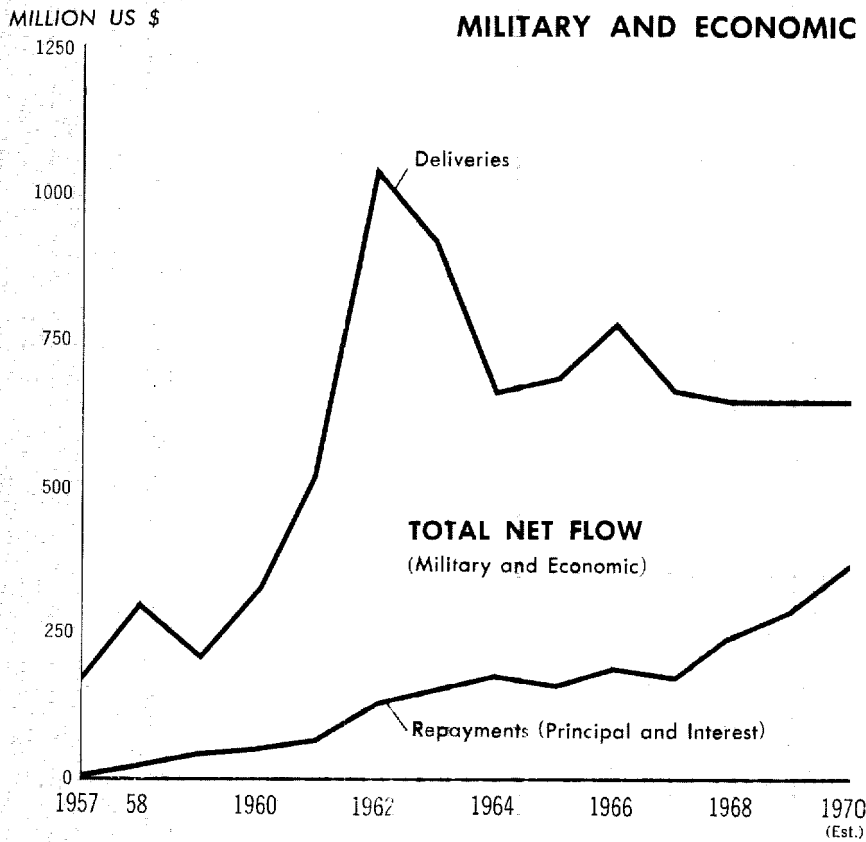
STUDENTS DEPARTING FROM LESS DEVELOPED COUNTRIES FOR TRAINING IN COMMUNIST COUNTRIES



*Trade of Communist Countries with Less Developed Countries of the Free World is shown in Figure 4.

Figure 2

TOTAL ANNUAL NET FLOWS OF SOVIET MILITARY AND ECONOMIC AID TO LESS DEVELOPED COUNTRIES OF THE FREE WORLD



NOTE: Excluding downpayment deliveries, but including grant aid.

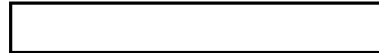
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I. Communist Activities
In Less Developed Areas, by Type of Activity

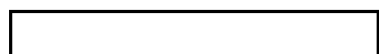
Major Trends and Prospects

The rapid expansion that characterized the Communist economic offensive in the Third World until 1964 has given way during the past several years to low-keyed programs in which few dynamic elements are discernible. Soviet trade with the developing countries has shown no appreciable growth since 1965, while annual deliveries of Soviet assistance have leveled off at somewhat below the peak period of the mid-1960s. Trade between Communist China and the Third World has actually declined since 1966 and, with the exception of survey work for the Tan-Zam Railroad, Chinese foreign aid during the past couple of years has been almost nil. Indeed, the only area in which the less developed countries' economic ties with the Communist world have shown sustained growth is their trade with Eastern Europe, which now exceeds their trade with the USSR, although accounting for little more than 2½% of total Third World trade.

The USSR, which has been providing about two-thirds of the Communist countries' economic and about 90% of the military aid, remains a major source of development assistance for a small number of Asian and Near Eastern states, particularly India, Egypt, and Afghanistan. In spite of large-scale commitments to these countries, however, annual Soviet economic aid deliveries to the Third World as a whole have remained at roughly \$300 million for the past four years. Soviet military deliveries, too, have declined from the peak years, 1962 and 1963, and have averaged about \$380 million a year during the same period. This includes the value of equipment in the USSR's resupply of the Arab states, which accounted for more than \$250 million of Soviet military deliveries in 1967 and somewhat less than \$200 million annually since then.

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The lack of dynamism in the USSR's foreign assistance program also is shown in the Soviet government's failure to take bold new foreign aid initiatives during the past several years. In a number of recent instances the USSR has declined obvious opportunities to use foreign aid to enhance its status with new Third World regimes. Peru's new revolutionary junta, which has adopted a stridently nationalistic stance, particularly vis-a-vis US economic interests, was unable to obtain \$100 million of Soviet assistance to finance a priority hydroelectric project; indeed, the USSR has so far provided no economic assistance to the new Peruvian regime. The Soviet Union has shown similar restraint in aid negotiations with the Suharto government in Indonesia. No attempt has been made to curry favor with the new regime through offers of new assistance, and the USSR has taken a hard line toward resolving Indonesia's outstanding (pre-Suharto) debt.

A more conservative aid policy is also evident in recent Soviet relations with states in the Near East and South Asia, where roughly three-quarters of Soviet economic and military aid has been concentrated. The USSR's refusal to provide credits for a potentially prestigious but uneconomic steel mill in Pakistan and its decision to defer assistance for another project in Pakistan because of domestic supply problems typify the more conservative approach. The USSR also has so far declined to supply certain types of weapons, particularly additional armored personnel carriers and antiaircraft guns, to several Arab states, and the USSR delayed its reply to Jordan's request for arms for five months. Although a tight domestic supply situation in the USSR may well have reduced Soviet export availabilities of some goods, the USSR clearly has adopted a more selective attitude to both economic and military assistance in recent years. Even Soviet propaganda polemics against the recommendation of UNCTAD II that developed countries allocate 1% of their GNP to development aid suggests that Moscow's leaders are content with a low-keyed program in which gross outflows come to less than one-tenth of 1% of the USSR's national output.

The slowdown in the Soviet aid offensive cannot be attributed to the economic costs of the program. While economic and military aid drawings, together, have been on the order of almost \$700 million a year during

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the past four years, annual Third World repayments for past Soviet deliveries have been rising rapidly and are estimated to have reached a level of about \$300 million in 1969. Hence the net outflow of Soviet economic and military aid has been declining and in 1969 totaled about \$350 million.

In part the current Soviet aid posture reflects growing concern with making aid more economically effective and an increased Soviet awareness of the limited absorptive capacity of many Third World countries for both arms and investment aid. This fails to account, however, for the harder terms associated with some Soviet credits in recent years and for the Soviet failure to exploit aid opportunities where absorptive capacity has not been a factor. It seems more likely that the lack of vigorous Soviet aid initiatives in recent years may reflect the realization that aid as a political weapon has severe limitations; that it conveys no guarantee of continuing influence, as Soviet experience in Indonesia, Ghana, and Guinea has shown; and that it sometimes leads to unwanted involvement in differences between two client states, as in the Iran-Iraq and India-Pakistan disputes.

In addition, the Soviet leadership currently is faced with urgent problems in such vital areas as its domestic economy and East-West European and Sino-Soviet relations. In these circumstances it seems unlikely that the USSR will make any drastic shifts in the scope or direction of its foreign aid program in the near future. Deliveries of economic assistance may well rise somewhat above their present level as large recipients in the Near East and South Asia reach a more advanced stage in the implementation of projects currently under way and launch new development programs in the early 1970s. There is nothing at this time to suggest, however, that any marked or sustained upsurge in foreign aid will occur.

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Economic AssistanceCredits and Grants*Extensions*

In 1969 the Communist countries extended \$940 million of economic assistance to the less developed countries (see Table 1). Although this volume of new commitments exceeded that of 1968 by \$335 million, the level of extensions fluctuates widely from year to year and is not a meaningful indicator of future aid disbursements. The new commitments brought the total of Communist aid extended since the start of the program in 1954 up to about \$10.8 billion (see Figure 3 and Tables 4-8). East European countries extended \$455 million of economic assistance in 1969, but as in most years Soviet aid extensions, which amounted to \$474 million, represented the largest share of new Communist undertakings. Communist China extended only one credit, \$12 million to Guinea.

Four countries -- Guinea, Iran, Iraq, and Turkey -- received more than three-fourths of total Communist aid extended in 1969. The remainder was divided among 11 countries. Peru, Jordan, and Mauritius received their first commitments of Communist aid.

Major Soviet credits during 1969 included \$166 million to Turkey to supplement credits extended in 1967 for constructing a steel mill, \$121 million to Iraq for oil exploration and drilling equipment, and \$92 million to Guinea to exploit bauxite deposits. In both Iraq and Guinea, repayment will be made in the oil and bauxite, respectively produced by the Soviet-assisted projects.

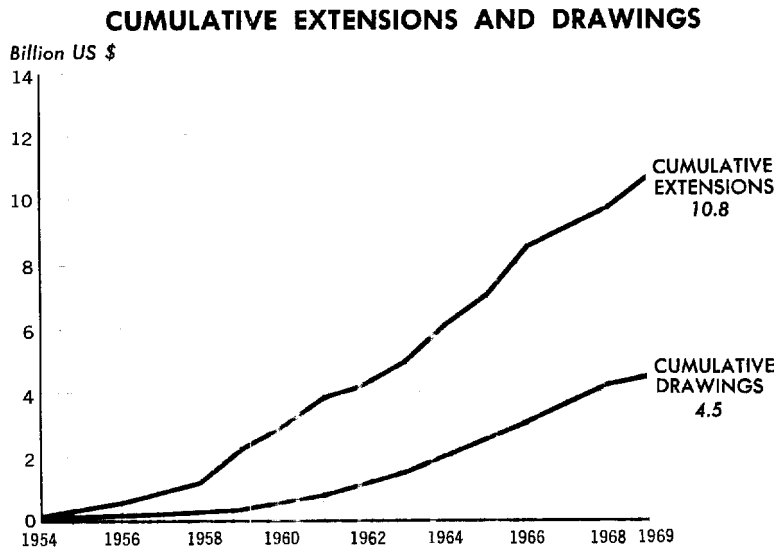
Czechoslovakia's \$200 million credit to Iran* comprised almost one-half of Eastern Europe's total aid commitments in 1969. East Germany, the second largest East European aid donor during the year, extended \$156 million of aid to five less developed countries -- more than ten times the amount it had

* Negotiated in 1968 and reported in R14-S23 as extended in 1968.

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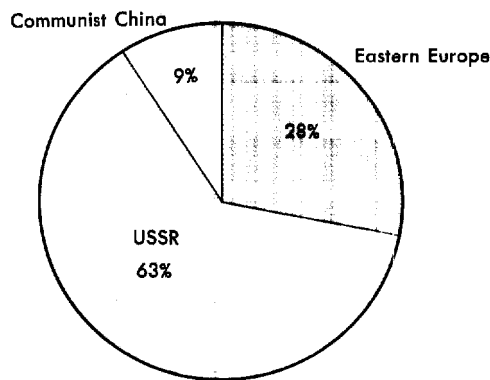
Figure 3

COMMUNIST ECONOMIC CREDITS AND GRANTS TO LESS DEVELOPED COUNTRIES OF THE FREE WORLD EXTENSIONS AND DRAWINGS, 1954-69



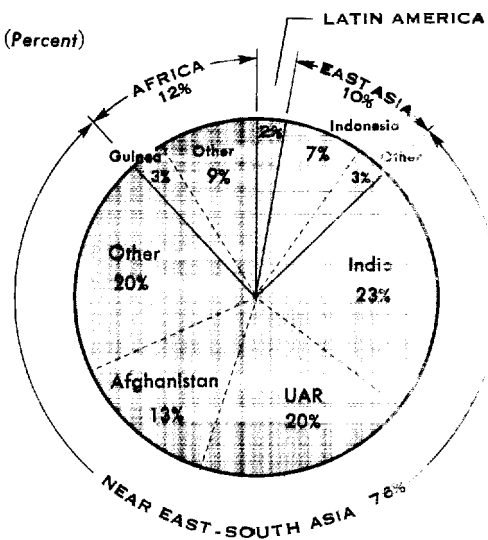
**SHARE OF TOTAL
ECONOMIC ASSISTANCE EXTENDED
1954-69
By Donor**

(Percent)



**SHARE OF TOTAL
ECONOMIC ASSISTANCE DRAWN, 1954-69
By Recipient**

(Percent)



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extended in each of the two previous years. The upsurge in East German aid undertakings in 1969 was part of an initiative to strengthen political and economic relations with the less developed countries and particularly to win diplomatic recognition of the East German regime.

Drawings

Drawings on Communist economic aid in 1969 declined for the fifth straight year to an estimated \$415 million, or about 10% below the 1968 level (see Table 9). These drawings brought cumulative deliveries of Communist aid since 1954 to about \$4.5 billion, or 40% of total aid extended. Reduced drawings on Soviet and East European credits were largely responsible for the decline in 1969. Communist China's aid deliveries were approximately the same as in 1968. To some extent the apparent drop in East European drawings may reflect inadequate reporting on these deliveries during 1969. Drawings on Soviet aid were slightly below the 1968 level but roughly the same as in 1967. Their failure to rise above these levels is due largely to slow implementation of aid undertakings in major recipient countries -- particularly India, where shortfalls in inputs of Indian labor and capital delayed work on major Soviet-aided projects. Drawings by the UAR were significantly below those of the past several years, as equipment previously delivered was being put in place on the final stages of the Aswan Dam, and work on other major projects was just beginning.

Repayments

In 1969 the less developed countries were scheduled to repay the USSR an estimated \$180 million in principal and interest for deliveries of economic assistance under credit. This was about 30% more than was actually repaid in 1968 and twice as much as in 1966 (see Table 2).

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Table 2

Estimated Repayments of Soviet Economic Aid by the
Less Developed Countries
1957-69

<u>Year</u>	<u>Million US \$</u>	<u>Year</u>	<u>Million US \$</u>
1957-59	21	1966	89
1960	20	1967	103
1961	23	1968	138
1962	29	1969	179 <u>a/</u>
1963	39		
1964	64		
1965	74	<i>Total</i>	779

a. *Scheduled.*

Out of total repayments of \$780 million made by the less developed countries during the period 1957-69, \$550 million represented principal. At the end of 1969 the outstanding debt amounted to \$2.4 billion, excluding interest.

India and the UAR -- the major recipients of Soviet aid -- have borne the largest share of the repayments burden. Together they were scheduled to pay approximately 60% of the total due the USSR in 1969 and since 1954 have accounted for two-thirds of the total repaid. Increasingly, countries have felt the burden of these obligations and have asked the USSR to reschedule their payments over longer time periods. During 1969 the USSR deferred debt service obligations which Guinea had been unable to meet. This was the eighth occasion on which the USSR has provided relief to developing countries on economic aid debt. The rescheduling of economic debt service has resulted in the deferment of about \$100 million of payments that otherwise would have fallen due by the end of 1969.

In recent years the rapid rise in repayments, in the face of declining deliveries, has resulted in a reduction of the net flow of Soviet development

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aid to the less developed countries (see Figure 2). As repayments continue to rise faster than deliveries, the net flow will be reduced further and eventually could fall to zero unless there is a marked change in Soviet assistance policy.

Technical Assistance

Communist Economic Technicians

Approximately 22,000 economic technicians from Communist countries were employed in 47 less developed countries during 1969, a slight increase over 1968 (see Table 10). These include personnel working under both commercial contracts and aid agreements. To a large extent the increase in 1969 was accounted for by the 1,000 Chinese laborers that were engaged in building a road in Pakistan during most of the year. Nevertheless, by the end of the year the number present in the less developed countries had been reduced significantly because of the departure of large numbers of East Europeans, especially from Tunisia. The Soviet share of the total number of Communist technicians in the less developed countries dropped slightly in 1969 to 45%. The East Europeans maintained their usual portion of almost 35%, and the Chinese share increased to more than 20%.

The concentration of technical personnel in a relatively few countries continued to characterize the Communist technical assistance program. About 50% of the 9,800 Soviet technicians working in the less developed countries in 1969 were located in four countries: Algeria, India, Iran, and Afghanistan. The UAR, Syria, and Iraq accounted for another 20%. Almost 45% of the 7,200 East European technicians in the less developed countries were assigned to Libya and Tunisia, and of the 5,000 Chinese personnel in the less developed countries, more than one-half were in three countries: Pakistan, Tanzania, and Mali.

African countries again accounted for more than half of all Communist economic technicians in the less developed countries. This ratio far outweighs Africa's share of total Communist aid and reflects the relatively large numbers of East European and Soviet personnel involved in non-project work in North Africa and the labor-intensive Chinese aid projects farther south. The majority of the 3,170 East Europeans in Libya and Tunisia were employed on

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a commercial contract basis as skilled laborers and technical and medical personnel, and almost half of the 1,880 Soviet technicians in Algeria were assigned as medical personnel and teachers. Large contingents of Chinese carried out survey work for the Tan-Zam Railroad, and others were assigned to agricultural development projects in Mali. The work of Communist technicians continues to be important, not only in implementing assistance projects but also in training local personnel to take over these functions eventually.

Technical Trainees in Communist Countries

During 1969, approximately 2,000 trainees from the less developed countries were receiving technical training in the USSR and Eastern Europe. Most of these trainees had arrived during the year. About 55% of the new arrivals went to the USSR and the remainder to East European countries. Together they raised the total number that have gone to Communist countries for technical training since 1956 to about 17,000 (see Table 11).

Communist training programs usually are intended to provide laborers, technicians, and administrative personnel with skills that are needed for implementing specific Communist-assisted development projects in the less developed countries. As in previous years, almost all of the technical trainees came from countries in which major Communist development projects are under way. Near East and South Asian countries accounted for 90% of the number of personnel receiving training during the year. Most of the remainder were from Africa, although a few came from Indonesia and Latin American countries.

In addition to the provision of technical training within the USSR, more than 150,000 skilled workers and technicians have received on-the-job training at Soviet-assisted projects since 1954. The USSR also has continued to construct technical training facilities within the less developed countries. At the end of 1969, 70 such Soviet-built facilities already were in operation -- again mostly in countries where

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major Soviet investment projects are under way -- and an additional 35 were planned or under construction. Such local training facilities have been assuming greater importance in preparing national cadres of skilled workers and technicians to implement development plans, and particularly to work on Communist-aided projects. As the less developed countries are able to provide more of the generalized and primary technical training domestically, the expenses of sending personnel to the USSR for training will increasingly be limited to enrollment in advanced and specialized courses not provided at home.

Academic Students in Communist Countries

More than 16,700 students from less developed countries were being trained in Soviet and East European academic institutions during 1969 (see Table 12). As in the previous four years, about 12,000 of the students were accommodated in the USSR, suggesting that about this number of places in the Soviet educational system is being allocated to Third World nationals. The remaining students were in East European countries. Communist China, whose academic training program has been dormant since the beginning of the cultural revolution in 1966, accepted no new students from the less developed countries for the third successive year.

During 1969, approximately 3,400 new students enrolled in Soviet and East European programs. This was a significant increase over the 2,200 students who arrived for training in these countries during 1968 and seems to indicate that a larger number of places were made available by Third World students who had completed their studies by 1969. Students from Africa, comprising 50% of the total from less developed countries, continued to make up the largest regional contingent in Communist countries during 1969. Near East and South Asian students accounted for about 40% of the total, and most of the remainder came from Latin America. The largest percentage increase in the number of students during the year was from Algeria and Syria, which together sent over 500 students to the USSR.

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With the exception of students from some Latin American countries, most of those who arrived for training in the USSR during 1969 did so with the permission of their governments. Contrasted with earlier years, when large numbers of students were recruited clandestinely, the USSR is relying to an increasing extent on the cooperation of less developed countries' governments in selecting and processing students. Most exchanges in 1969 were carried out under the terms of cultural or educational agreements.

Since 1956 an estimated 34,500 students have undertaken academic training in Communist countries. About 68% of the total number have studied in the USSR, 30% in Eastern Europe, and the remaining 2% in Communist China.

Military Assistance

Credits and Grants

Extensions

Communist countries are known to have extended about \$180 million of new military aid to the less developed countries in 1969, bringing total extensions since the beginning of the program in 1955 to more than \$6 billion (see Table 3 and Tables 13-15). The new commitments are approximately 40% below 1968 extensions. The Soviet share of the 1969 commitments accounted for almost 75% of the total; Czechoslovakia, Poland, and Communist China accounted for the remainder.

The UAR and Iraq, which concluded agreements with the USSR for an estimated \$50 million and \$45 million, respectively, were the major recipients of new arms aid in 1969. Both agreements are believed to provide mainly for deliveries of aircraft and aviation support equipment. The USSR also extended an estimated

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\$33 million of aid to India for Osa-class missile patrol boats and naval support craft. In addition, the USSR signed smaller aid agreements with Iran and South Yemen, and a series of cash agreements, valued at about \$11 million, with Nigeria for MIG-17 jet fighters and ground forces equipment.

Czechoslovakia has increased its commitments to supply arms to the Arab countries since the Arab-Israeli war of June 1967 and extended some \$30 million of aid to Iraq, Syria, and the UAR together during 1969. In addition to L-29 jet trainers produced exclusively by Czechoslovakia, this aid included armored personnel carriers which may be in short supply in the USSR. Small amounts of Czech aid also were extended to India and Uganda, and Nigeria purchased small arms ammunition for cash. Poland provided Iraq with a small amount of aid, and Bulgaria made cash sales to Nigeria. China apparently signed a small pact with Syria for artillery and communications equipment.

It is apparent that Moscow has become increasingly concerned with the impact of its arms aid on regional power balances since the Arab defeat in June 1967. The USSR has replaced Arab equipment losses and has continued to modernize their arms inventories. More technical assistance is accompanying Soviet equipment deliveries. The capability of recipients to provide the maintenance and service needed to keep equipment operational is being given greater attention than in the past.

Drawings

Communist military aid deliveries during 1969 amounted to an estimated \$340 million -- slightly lower than average deliveries during the last several years (see Tables 16-18). As in 1968, more than one-half of total Communist arms delivered in 1969 went to the Arab states. Deliveries to India totaled about \$80 million, or slightly below the 1968 level. Of particular significance during 1969 was the implementation of the 1968 Soviet-Pakistani arms agreement, which represented a marked shift in the former Soviet policy of selling only non-combat equipment to Pakistan.

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Most of the deliveries of military equipment during 1969 were provided under agreements concluded in the two preceding years. By the end of 1969 the USSR had replaced almost all of the major combat equipment lost by the Arab countries in the 1967 war, including jet fighters and bombers. No new advanced weapons systems are known to have been delivered to these states, although in 1969 the USSR made its first deliveries of modern Yurka-class minesweepers to Egypt and supplied Syria with its first SAM equipment. Deliveries also continued under existing agreements with Afghanistan and Iran, and Sudan received Soviet arms, including its first Soviet aircraft, in 1969. Communist countries also continued military deliveries to Nigeria, mostly on a cash basis.

As in 1968, Czechoslovakia was responsible for the major share of East European deliveries in 1969. Czech shipments consisted primarily of L-29 jet trainers to Syria and armored personnel carriers and ground support equipment to Egypt and Iraq.

Repayments

During 1969, thirteen less developed countries paid an estimated \$110 million in principal and interest for Soviet military aid. India and Iraq made the largest payments during the year and accounted for almost 70% of the total. Because of the Soviet agreements in 1967 to defer payments on the UAR's military debt, some \$44 million of Egyptian payments originally due in 1969 were postponed until a later date. In addition, Indonesia defaulted in 1969 on the payment of approximately \$20 million of its military debt falling due under its 1966 rescheduling agreement with the USSR. The payments believed to have been made in 1969 bring total estimated debt service payments for Soviet military aid since 1955 to approximately \$850 million. The net flow of aid has been reduced by this amount, but, as is shown in Figure 2, the net annual flow of military aid follows a more erratic pattern than economic aid because of wider fluctuations in annual deliveries.

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~~SECRET~~Technical Assistance*Military Technicians*

The estimated number of Communist military technicians in less developed countries declined from 7,650 in 1968 to about 7,200 in 1969 (see Table 19). Most of the decline resulted from a reported 50% reduction in the number of Soviet military advisers in Syria. Larger numbers of technicians were on location in India, Iraq, and Southern Yemen in 1969, while the numbers on hand in nine other Third World countries were somewhat reduced. The largest increase took place in Sudan, where 200 technicians were present in 1969, compared with 15 in 1968.

The increased role of Soviet military advisers in the Arab states noted in 1968 continued in 1969. Although there is no evidence that Soviet personnel have been given command authority in the Arab armed forces, their on-site presence enhances Arab defensive capabilities and affords the USSR greater opportunity to exert some influence on Arab military operations. It also means risking the death or injury in combat of Soviet military personnel as made manifest in the reported death of a Soviet colonel during an Israeli air attack on a UAR SAM site in October.

Military Trainees from Less Developed Countries

During 1969 a total of about 1,200 nationals from 14 less developed countries arrived for military training in Communist countries, about 20% less than in 1968 (see Table 20). The estimated number of trainees departing for training from Algeria, Syria, and the UAR declined by about 650 in 1969, but it is probable that not all departures of trainees from these countries were detected. The largest numbers of new trainees came from Iraq, Southern Yemen (which sent its first contingent to the USSR for air force and naval training), and the Sudan.

At the end of 1969, about 3,000 trainees from the less developed countries were being trained in Communist countries. More than 90% of these trainees were in the USSR, while, except for a few Tanzanians in China, the rest were in Eastern Europe.

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As in 1968, Algeria had the largest contingent -- more than 15% of the total -- of military students undergoing training in Communist countries during 1969. Afghanistan, India, Iraq, Syria, and the UAR also had sizable numbers enrolled, a substantial number of whom are pilot trainees.

Despite intensified Soviet training efforts, the Arab countries have barely enough pilots trained to fly the jet aircraft currently in their inventories and only about half of these pilots are combat ready. The Arab countries as well as the USSR have been dissatisfied with the current pilot training program. The Arabs claim the training they have been given is poor and ill-suited to their needs, while the USSR claims that the Arab students generally have been poorly qualified to begin with. Considering the lack of qualified trainees, the high dropout rate, and the time needed for advanced flight training, the supply of combat-ready pilots will remain the crucial bottleneck for the Arab air forces for the foreseeable future.

Since 1955 an estimated total of nearly 26,400 military personnel from less developed countries have been sent to Communist countries for training. About 85% of this number were trained in the USSR.

Trade

Value

Preliminary data suggest that total Communist trade with less developed countries in 1969 may have been slightly above the 1968 level. The most dynamic areas appear to have been East European and Soviet trade with North African and Near Eastern countries, following the negotiation of new trade agreements with them during 1968. Neither the value of trade nor its direction and composition, however, can be estimated on the basis of available data.*

* *The remainder of this section deals with trade in 1968, the last year for which comprehensive data are available.*

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Total Communist trade with the less developed countries rose to \$4.8 billion in 1968, an increase of 5% over the previous year (see Figure 4 and Table 21). Virtually all the growth occurred in East European trade with these areas, which increased by about 12% during the year. Soviet and Chinese Communist trade with the Third World continued at about the same level as in recent years. During 1968 the East European share of total Communist trade with the less developed countries rose slightly to 43%; the USSR accounted for 38% and Communist China for 16%. Other Communist countries, together, took up less than 3%.

Most of the growth in Eastern Europe's trade with the less developed countries in 1968 occurred in exports, which rose 16% to a record \$1.2 billion. This increase was largely a result of East European countries' successful efforts to find new outlets for their machinery and manufactures. The expansion in Romanian sales to the less developed countries was particularly notable during the year. East European imports also registered a substantial gain in 1968. Total imports for the year recovered to about \$930 million -- roughly the same level as 1966 but 7% higher than 1967. Greece, Iran, Pakistan, and Syria accounted for almost two-thirds of the increase in Eastern Europe's exports, while increases in imports were more widely distributed among the less developed countries.

The total value of the USSR's trade with the less developed countries in 1968 increased by less than \$65 million, or 3.6%. Imports, which rose by 10% to a total of about \$885 million, were still below the peak level of 1966. The 1968 import growth was concentrated in Afghanistan, Algeria, Ecuador, Iran, Nigeria, Spain, and the UAR. Soviet exports to the Third World fell by 1% in 1968 to a level of around \$950 million. Increased exports to India, Iran, Iraq, and Sudan were more than offset by a decline of over \$80 million in Soviet exports to the UAR and smaller decreases in exports to Afghanistan, Ceylon, and Greece.

Communist China's trade with the less developed countries declined for the second consecutive year.

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Although the drop was small in 1968, both exports and imports shared in the decline. The most significant development in Chinese Communist trade with the Third World during 1968 was the increase of about \$25 million in the value of Chinese Communist exports going through Singapore, while exports through Hong Kong dropped from \$107 million in 1967 to \$91 million in 1968. Communist China's trade with Burma, which had amounted to more than \$20 million in 1967, fell to virtually nothing.

Direction of Trade and Relative Shares

Of the Communist countries' total trade with less developed countries in 1968, the Near East and South Asia accounted for 62% of their exports and for 53% of their imports. The UAR and India continued to be the Communist nations' major trading partners in this area (see Figure 4). Africa accounted for about 16% of Communist trade, while Latin America took 6% of the Communist countries' exports and provided 14% of their Third World imports. East Asia accounted for about 12% of Communist countries' total trade, and Portugal and Spain together for about 5%.

While Soviet trade with other regions has grown at an annual average rate of about 9%, its trade with the less developed countries has stayed virtually the same since 1965. As a result the Third World's share of total Soviet trade fell from almost 11% in 1965 to around 9% in 1968. Between 1967 and 1968 the developing countries' share of all Communist trade changed little, as shown in the following tabulation:

Share of Less Developed Countries in the Trade of Communist Countries

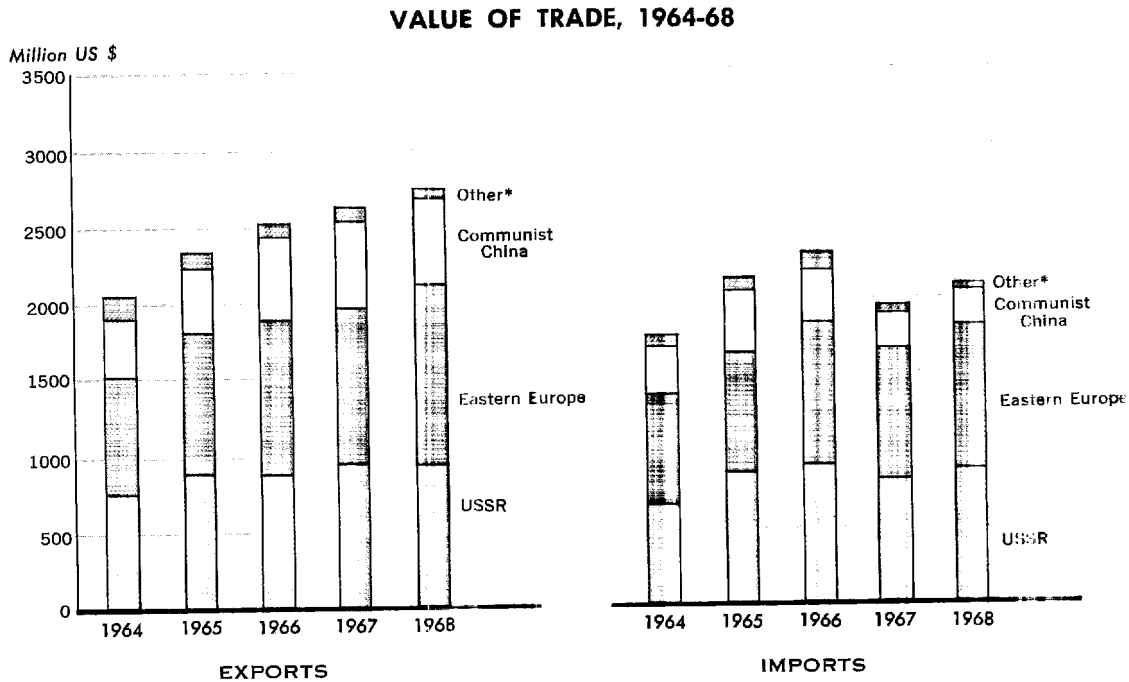
	<u>Percent of Total Trade Turnover</u>	
	<u>1967</u>	<u>1968</u>
USSR	9.7	9.2
Eastern Europe	7.3	7.2
Communist China	20.8	21.3

The Communist countries also accounted for only a small share of the less developed countries' total

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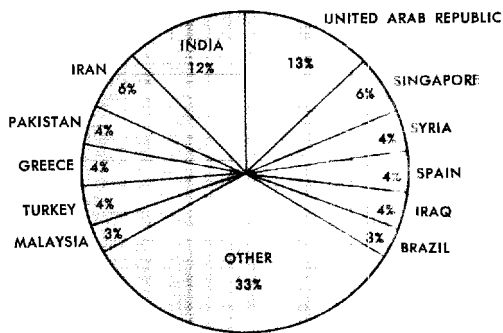
Figure 4

COMMUNIST EXPORTS TO, AND IMPORTS FROM LESS DEVELOPED COUNTRIES OF THE FREE WORLD

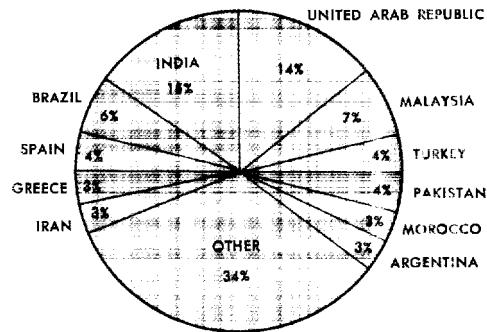


* Including trade of Albania, Cuba, North Korea, North Vietnam, and Mongolia.

PERCENT DISTRIBUTION, 1968



TOTAL EXPORTS: 2,756
(Million US \$)



TOTAL IMPORTS: 2,071
(Million US \$)

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trade in 1968 -- 5.5% of their exports and 6.8% of their imports. For a few countries, the percentage was much greater: in 1968, Communist countries accounted for approximately 50% of Egypt's global trade turnover, for almost 40% of Afghanistan's, and for nearly 35% of Syria's. An additional 12 countries -- Cambodia, Ceylon, Guinea, India, Lebanon, Mali, Morocco, Pakistan, Tunisia, Turkey, Sudan, and Yemen -- conducted more than 10% of their total trade with the Communist camp.* Moreover, if military aid shipments were included in the imports of some countries (particularly India, Iraq, Syria, and the UAR) the Communist share of their total imports would be substantially larger.

Commodity Composition

Machinery and equipment continued to account for a major and growing share, 50% in 1968, of Soviet exports to the less developed countries (see Figure 5). Reflecting largely the deliveries of Soviet-aided industrial installations, most of the machinery and equipment category has been designated for complete plants in recent years. Except for food, which dropped sharply as a percent of total exports because of reduced wheat shipments to the UAR in 1968, most other broad export categories retained roughly the same ratio to total trade as in the previous year.

The commodity composition of Soviet imports in 1968 showed only minor changes from 1967. The share of food rose from 34% of the total in 1967 to 38% in 1968. Although this increase reflected larger Soviet purchases of several different food products, by far the greatest rise was in cocoa purchases, which grew from about \$40 million in 1967 to almost \$62 million in 1968. Of particular significance during 1968 was the import of \$8.9 million of natural gas from Afghanistan -- the first major Soviet purchase of energy resources from a less developed country. These imports are being used to defray debt service payments

* For data on the Communist countries' share of the foreign trade of the less developed countries in 1967-68, see Table 22.

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due for Soviet aid. Similar use will be made of the gas soon to be made available from Iran. Manufacturers made up only about 18% of the USSR's imports from the Third World.

The estimated commodity composition of East European exports to the less developed countries follows roughly the same pattern as Soviet exports to these areas. By far the largest component is equipment and manufactures. As with the USSR, these exports were followed in importance by food, wood products, and fuels. Exports of fertilizers and other chemicals, however, made up a far larger share (about 10%) of Eastern Europe's sales to the Third World. As with the USSR, East European imports from the developing countries were primarily agricultural products. Manufactures, however, accounted for a smaller share (possibly 10%) of East European than of Soviet purchases from the Third World.

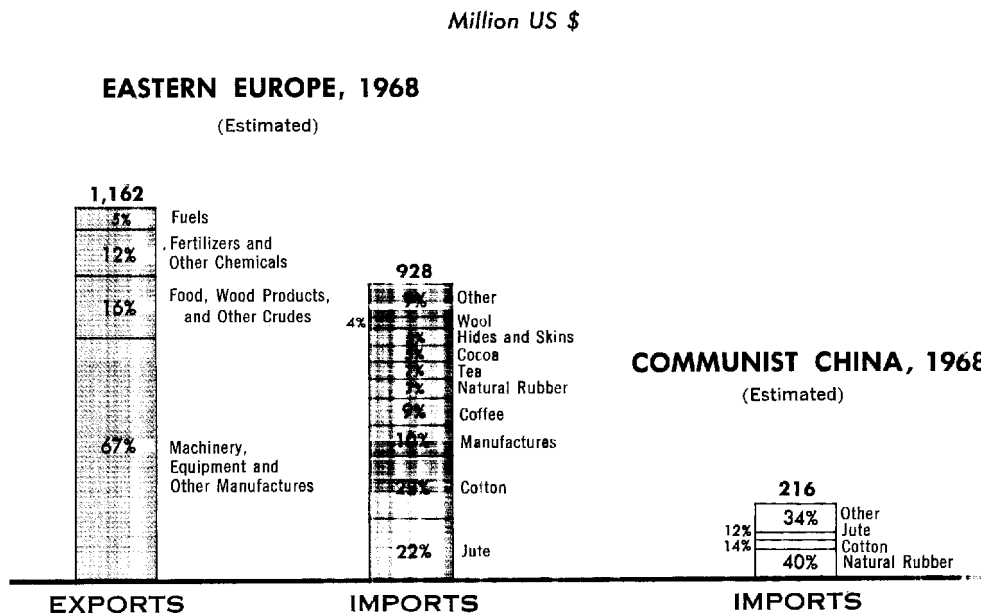
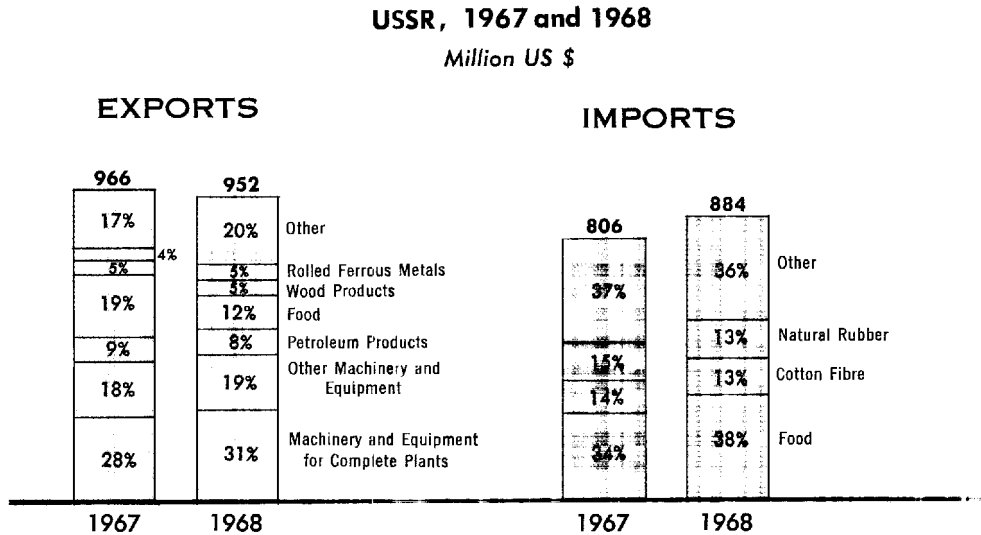
Communist China's imports from the less developed countries in 1968 consisted almost entirely of raw materials. Natural rubber purchased from Ceylon, Malaysia, Singapore, and Indonesia accounted for nearly half the total. Cotton, jute, and mineral phosphate accounted for a large share of the remainder.*

** No adequate data are available to estimate the composition of Communist China's exports to the less developed countries.*

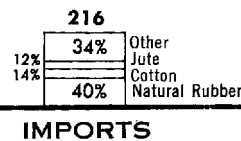
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Figure 5

COMMUNIST EXPORTS TO, AND IMPORTS FROM LESS DEVELOPED COUNTRIES OF THE FREE WORLD By Commodity Group*



COMMUNIST CHINA, 1968
(Estimated)



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*USSR trade based on data from Soviet trade yearbooks; East European trade based on data from Free World trading partners; Communist China import data based on data from Free-World trading partners. The commodity composition of Communist China's exports cannot be estimated on the basis of available data.

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*Aid and Trade Activities of Communist
Countries in Less Developed Areas of the
Free World, 1969*

Statistical Supplement to R 14-S24

Communist Economic Credits and Grants to Less Developed Countries, 1954-69

Secret

EIC R14-S24-S
March 1970

Copy No 12

W A R N I N G

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Printed and Disseminated by the
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GROUP 1
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declassification

Prepared by the Subcommittee on International Trade and Aid

Foreword

This publication contains details on non-military credits and grants extended by the Communist countries since 1954 to less developed countries in Africa, the Far East, Latin America, and the Near East and South Asia. This information was previously included in the annual EIC R-14 series on "Aid and Trade Activities of Communist Countries in Less Developed Areas of the Free World." It is now being issued separately on request to those consumers who find a continuing need for this information.

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 normally 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.

The term *extension* refers to a commitment to provide goods and services either on deferred payment terms or as grants. Assistance is considered to have been extended when accords are initiated and constitute a formal declaration of intent. The term *drawing* refers to the delivery of goods or the use of services.

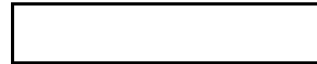
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*Aid and Trade Activities of Communist
Countries in Less Developed Areas of the
Free World, 1969*

MIDYEAR SUPPLEMENT, 1 January—30 June 1970
AND MONTHLY REPORT

Secret

EIC R14-S24

July 1970

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Foreword

The attached summary and tables, covering the six months from 1 January through 30 June 1970, 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-R14-24, dated February 1970. Data have been revised to include new information, and figures in the current supplement supersede those in previous issues. The supplement was prepared by the Central Intelligence Agency and reviewed and coordinated by the Subcommittee on International Trade and Aid of the Economic Intelligence Committee.

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 Romania.

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 East Asia 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 1970

Communist economic aid extensions to less developed countries of the Free World during the first half of 1970 fell to \$146 million which, at an annual rate, is the lowest level of commitments for any year since 1962. All of the aid was provided by four East European countries and Communist China; the USSR did not extend any new economic aid (see Table 1). The 1970 extensions bring Communist economic aid to a cumulative total of \$10.9 billion since 1954. The Soviet share of this total is over 60%.

Table 1

Economic Aid Extended by Communist Countries
to Less Developed Countries of the Free World
January-June 1970

	Million Current US \$							
			Eastern Europe					
	Total	USSR	Total	Czecho- slovakia	East Germany	Hungary	Poland	Communist China
<i>Total</i>	146.5	0	104.9	15.0	14.1	65.8	10.0	41.6
Algeria	14.1	..	14.1	..	14.1	..	..	..
Iraq	30.8	..	30.8	..	..	30.8	..	..
Peru	25.0	..	25.0	..	..	15.0	10.0	..
Sudan	51.6	..	10.0	..	..	10.0	..	41.6
Uruguay	15.0	..	15.0	5.0	..	10.0	..	..
Venezuela	10.0	..	10.0	10.0	..	..	..	..

Aid extensions in the first six months of the year were made to six countries, three of them in Latin America. The \$50 million of credits extended to Peru, Uruguay, and Venezuela were all commercial, and were to facilitate the purchase of machinery and equipment by private investors in those countries. Although some of the East European credits allowed as much as 8 to 10 years for repayment, generally they carried interest as high as 7%, and some required downpayments and repayment in hard currency. The terms of the one Chinese credit were more liberal—no interest and 10 years to repay in local commodities following a grace period. The largest single new extension was the Chinese credit of \$41.6 million to Sudan followed by a \$30.8 million Hungarian credit to Iraq for plants and

equipment, 70% of which is to be repaid in crude oil over several years. East Germany's only aid undertaking in the first half of 1970 was a \$14.1 million credit to Algeria for constructing a water supply system equipment plant.

The number of Communist economic technicians in the less developed countries declined slightly from the 1969 level to 21,750 in the first half of 1970 (see Table 2). Major shifts in personnel involved Chinese Communist technicians: 1,000 Chinese laborers were withdrawn from Pakistan in 1969 following the completion of the Gilgit-Sinkiang road, while Chinese technicians working on the Tan-Zam railroad increased to more than 2,000 in the first half of 1970.

By far the most significant new development in Communist military aid activity during the first half of 1970 was the Soviet-UAR January accord covering delivery of the SA-3 surface-to-air missile system and related air defense equipment. Unlike other Soviet military assistance agreements, the SA-3 accord, with an estimated minimum value of \$100 million, provides that Soviet military personnel operate the new equipment; since the delivery of weapons so far is not known to have involved transfer of ownership to the UAR, it is as yet uncertain whether the SA-3 system itself actually comes under the Soviet military aid program. The only other arms aid accords concluded during the first half of the year were an estimated \$30 million accord between the USSR and Iran for additional ground equipment and an estimated \$8 million Czech-Syrian agreement for tanks and other ground forces equipment.

Since 1955, the Communist countries have agreed to provide a total of at least \$6.3 billion in military aid to the less developed countries, of which approximately 85% has been delivered. The USSR continues to account for the predominant share—almost 90%—of Communist military aid extensions and drawings. The UAR was the most significant recipient of Communist military equipment during the first six months of 1970, acquiring from the USSR the SA-3 system with a low altitude capability, and the ZSU-23-4 radar-controlled, self-propelled antiaircraft gun. Egypt is the first less developed country of the Free World to receive these sophisticated armaments. Other Communist arms deliveries to the Near East under previous agreements included fighters, helicopters, and a variety of ground equipment sent to Iran, Iraq, Syria, and the UAR. Soviet deliveries to India under a 1965 naval aid agreement were completed and New Delhi received some additional SU-7 fighters, while Communist China delivered 12 MIG-19 jet fighters to Pakistan probably under an agreement signed in 1969. The Sudan obtained tanks and armored personnel carriers from the USSR and

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Czechoslovakia while several other African countries received minor shipments of vehicles, ammunition, and support equipment (see Table 3).

The number of Communist military technicians present in the less developed countries during the first half of 1970 remained at about the same level as at the end of 1969—approximately 7,000—while an estimated 3,500 personnel were being trained in Communist countries in June 1970. No appreciable change was noted in the scale and pattern of Communist military technical assistance, with the significant exception of Egypt. At least 4,000 Soviet military personnel (not counted as military technicians) are believed to have arrived in the UAR since February, more than doubling the 3,000 present in December 1969. Unlike the Soviet personnel previously stationed in the UAR in an advisory capacity, the new Soviet personnel are present in an operational role, primarily to man and defend the SA-3 system, although there are now about 90 Soviet pilots attached to operational squadrons in Egypt.

Preliminary Soviet trade statistics for 1969 reveal that Soviet trade turnover with the less developed countries last year reached a record \$2.3 billion—the first significant increase in this trade since 1965 (see Table 4). The 1969 gain was about equally distributed between exports and imports, both of which rose by 25% over their 1968 levels.

The increased trade turnover was concentrated among the USSR's major half-dozen or so trading partners in the Third World. The UAR, India, and Algeria, together, accounted for more than half the rise in Soviet imports, primarily reflecting improved export availabilities in these countries. About one-half of the increase in Soviet exports went to Iran and the UAR, together.

Most of the rise in Soviet exports appears to have been on commercial account, although increased foreign aid deliveries contributed to the growth of the USSR's exports to Iran and Syria. Similarly, the increase between 1968 and 1969 in less developed countries' exports for repayment of past aid contributed substantially to the overall growth in Third World deliveries to the USSR only in the case of India and the UAR. Indian repayment obligations rose by \$20 million in 1969 and those of the UAR by \$11 million.



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

April 1970

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Foreword

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 Romania. 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 normally included.

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AID AND TRADE ACTIVITIES
OF COMMUNIST COUNTRIES
IN LESS DEVELOPED AREAS
OF THE FREE WORLD
1969

Summary

The rapid expansion that characterized the Communist offensive in the Third World until 1964 has given way to low-keyed programs in recent years. The lack of significant growth is apparent in all sectors of the program: trade, military and economic aid, technical services, and training. While the level of new aid extensions* has fluctuated widely from year to year, deliveries of economic and military aid together have leveled off at almost \$900 million annually during the past four years. Communist countries' annual total trade with the Third World remained constant at roughly \$4.8 billion during 1965-68. The scale of Communist technical assistance, both military and non-military, has not shown any appreciable growth since the mid-1960s, nor have the Communist countries expanded their programs to train Third World academic students during this period.

The general lack of growth in the Communist economic offensive primarily reflects the leveling-off in aid flows from the USSR, which accounts for almost 80% of all Communist economic and military assistance. Soviet economic aid deliveries have remained at roughly \$300 million a year -- equal to about one-tenth of 1% of Soviet GNP -- for the past four years, while Soviet military aid flows to the Third World as a whole have averaged about \$380 million a year during this period. Soviet trade with these countries has shown no appreciable growth since 1965.

* *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 drawings refers to the delivery of goods or the use of services.*

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Communist China's trade with the less developed countries has not changed significantly in the past several years while deliveries of economic aid in 1969 remained at the low level of 1968. Although East European countries greatly increased their extensions of new economic aid in 1969, aid deliveries, which accounted for somewhat less than 20% of the Communist total, declined during the year. East European trade with the developing countries, however, has grown fairly rapidly -- at an average annual rate of 8% since 1964 -- and exceeds Soviet trade with these areas.

The absence of vigorous Soviet aid initiatives in recent years seems to reflect the Soviet leadership's realization that aid as a political weapon has severe limitations, conveys no guarantee of continuing influence, and sometimes leads to unwanted involvement in disputes between two client states. Moreover, during the past few years the USSR's attention has been turning to other, more urgent problems: the China border conflict, East-West European relations, and domestic economic problems. In some cases the amount of Soviet aid extended and drawn has been limited by the USSR's belated appreciation of the restricted absorptive capacities of Third World countries for both arms and investment aid.

Economic Aid (See Figure 1)

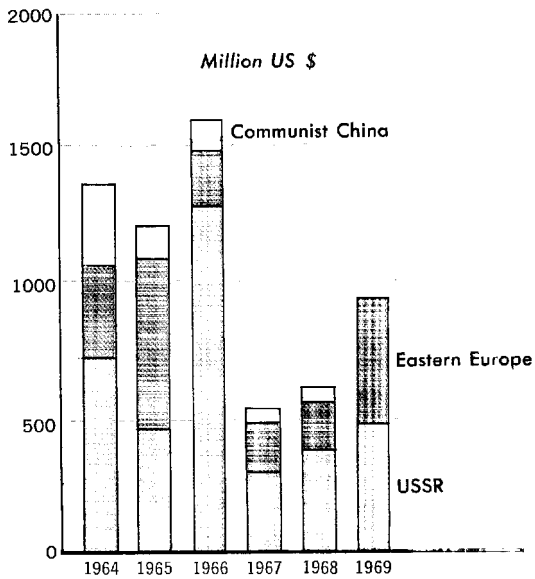
Communist countries extended about \$930 million of economic aid to less developed countries in 1969, bringing total cumulative aid extensions up to \$10.9 billion. East European countries extended about \$455 million of economic assistance in 1969, but as in most years Soviet aid extensions, which amounted to \$475 million, represented the larger share of new Communist aid undertakings. Near East and South Asian countries again received the major share of new commitments, with Iraq, Iran, and Turkey accounting for two-thirds of the total. Guinea, which received a commitment of \$92 million from the USSR, was the only other country to which a large amount of aid was extended. Aid deliveries in 1969, estimated at \$410 million, dropped for the fifth consecutive year, reflecting reduced levels

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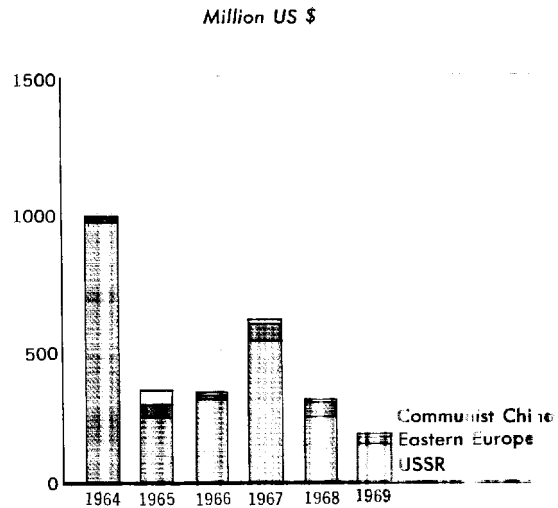
Figure 3

COMMUNIST ACTIVITY IN LESS DEVELOPED COUNTRIES OF THE FREE WORLD,* 1964-69

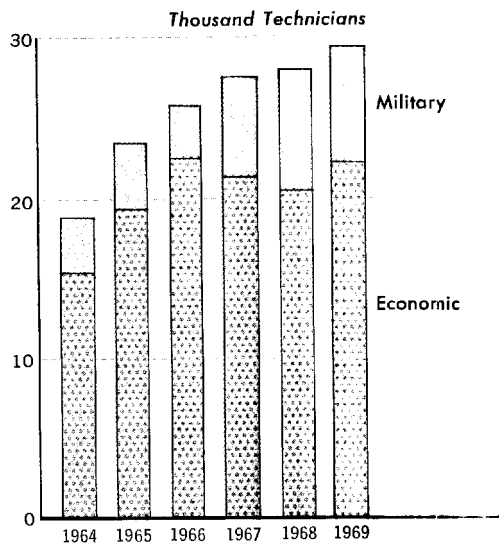
ECONOMIC ASSISTANCE EXTENDED



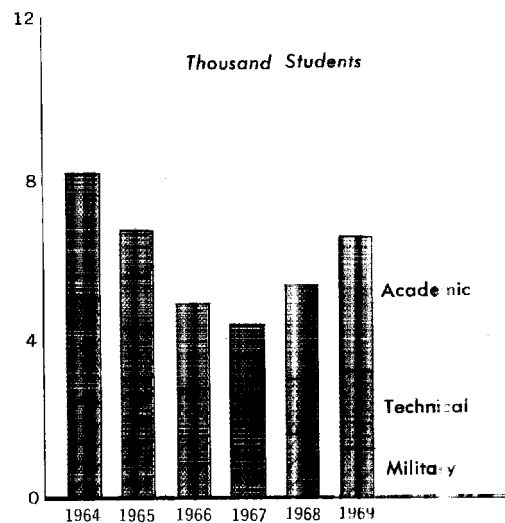
MILITARY ASSISTANCE EXTENDED



ECONOMIC AND MILITARY TECHNICIANS IN LESS DEVELOPED COUNTRIES



STUDENTS DEPARTING FROM LESS DEVELOPED COUNTRIES FOR TRAINING IN COMMUNIST COUNTRIES



*Trade of Communist Countries with Less Developed Countries of the Free World is shown in Figure 3.

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

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of East European and Soviet deliveries. Simultaneously, repayments of principal and interest due for Soviet deliveries of economic aid rose to some \$180 million in 1969, about 30% higher than in 1968.

During 1969, Communist economic technicians in less developed countries numbered about 22,000, only slightly more than in 1968. Although the USSR accounted for 70% of total economic aid deliveries in 1969, only 45% of the technicians were from the USSR. East Europeans, many of whom were under commercial contract rather than associated with aid projects, accounted for almost 35% of the total number of technicians. The remainder were from Communist China. As in the past, about one-half of the total number of Communist technicians were in African countries and most of the remainder were in the Near East and South Asia. Communist countries continued in 1969 to provide technical training for personnel from the less developed countries and to expand the training of these personnel on-the-job and in training facilities being built in their own countries.

A total of more than 16,600 students from less developed countries were in attendance at Soviet and East European academic institutions during 1969. New enrollees increased to more than 3,300 in 1969, reflecting openings made available by students who had completed their academic training.

Military Aid (See Figure 1)

Known military aid commitments, totaling about \$180 million in 1969, were significantly less than those in recent years. Arms deliveries of \$340 million were somewhat lower in 1969 than in the past several years, with the Arab states accounting for about one-half of the total. By the end of 1969 the combat equipment losses resulting from the June 1967 war had been replaced. Also, of particular significance in 1969 was the implementation of the 1968 Soviet-Pakistani arms agreement, which represented a marked shift in the former Soviet policy of selling only non-combat equipment to Pakistan. During 1969, developing countries paid an estimated \$110 million in principal and interest to the USSR

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on their debt for Soviet military aid. The number of Communist military technicians in the less developed countries declined to an estimated 6,900 in 1969, and the number of developing country nationals going to Communist countries for military training may have fallen off by as much as 20%.

Trade

Preliminary data suggest that total Communist trade with the less developed countries may have been slightly above the 1968 level in 1969, with East European and Soviet trade with North African and Near Eastern countries the most active part of the total.

Communist trade with the less developed countries reached \$4.8 billion in 1968, an increase of 5% over 1967. Virtually all of the increase was in Eastern Europe's trade (especially its export trade) with these areas. As in the past, the less developed countries' share of Soviet and East European trade was less than 10%, but it was possibly somewhat more than 20% of Communist China's trade. For most less developed countries the Communist countries accounted for only a small part of their total trade. For the UAR, Afghanistan, and Syria, however, Communist trade comprised more than one-third of their total trade. More than half of the Communist countries' imports from less developed countries came from Near East and South Asian countries in 1968, and almost two-thirds of their exports went to these areas. There were no marked changes in the commodity composition of Soviet trade with the less developed countries in 1968. Machinery and equipment continued to account for the major share of Soviet exports, and food was the major import category. The commodity composition of East European trade was roughly comparable to that of the USSR, although sales of fertilizers and other chemicals made up a larger portion of Eastern Europe's exports, and imports of manufactures comprised a smaller share of East European than of Soviet purchases from the Third World. Natural rubber accounted for a major share of Communist China's purchases.

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

Major Trends and Prospects

The rapid expansion that characterized the Communist economic offensive in the Third World until 1964 has given way during the past several years to low-keyed programs in which few dynamic elements are discernible. Soviet trade with the developing countries has shown no appreciable growth since 1965, while annual deliveries of Soviet assistance have leveled off at somewhat below the peak period of the mid-1960s. Trade between Communist China and the Third World has actually declined since 1966 and, with the exception of survey work for the Tan-Zam Railroad, Chinese foreign aid during the past couple of years has been almost nil. Indeed, the only area in which the less developed countries' economic ties with the Communist world have shown sustained growth is their trade with Eastern Europe, which now exceeds their trade with the USSR, although accounting for little more than 2½% of total Third World trade.

The USSR, which has been providing about two-thirds of the Communist countries' economic and about 90% of the military aid, remains a major source of development assistance for a small number of Asian and Near Eastern states, particularly India, Egypt, and Afghanistan. In spite of large-scale commitments to these countries, however, annual Soviet economic aid deliveries to the Third World as a whole have remained at roughly \$300 million for the past four years. Soviet military deliveries, too, have declined from the peak years, 1962 and 1963, and have averaged about \$380 million a year during the same period.

The lack of dynamism in the USSR's foreign assistance program also is shown in the Soviet government's failure to take bold new foreign aid initiatives during the past several years. In a number of recent instances the USSR has declined obvious opportunities to use foreign

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aid to enhance its status with new Third World regimes. The USSR has so far provided no economic assistance to Peru's new revolutionary junta, which has adopted a stridently nationalistic stance, particularly vis-a-vis US economic interests. The Soviet Union has shown similar restraint in aid negotiations with the Suharto government in Indonesia. No attempt has been made to curry favor with the new regime through offers of new assistance, and the USSR has taken a hard line toward resolving Indonesia's outstanding (pre-Suharto) debt.

A more conservative aid policy is also evident in recent Soviet relations with states in the Near East and South Asia, where roughly three-quarters of Soviet economic and military aid has been concentrated. The USSR's refusal to provide credits for a potentially prestigious but uneconomic steel mill in Pakistan and its decision to defer assistance for another project in Pakistan because of domestic supply problems typify the more conservative approach. Although a tight domestic supply situation in the USSR may well have reduced Soviet export availabilities of some goods, the USSR clearly has adopted a more selective attitude to both economic and military assistance in recent years. Even Soviet propaganda polemics against the recommendation of UNCTAD II that developed countries allocate 1% of their GNP to development aid suggests that Moscow's leaders are content with a low-keyed program in which gross outflows come to less than one-tenth of 1% of the USSR's national output.

The slowdown in the Soviet aid offensive cannot be attributed to the economic costs of the program. While economic and military aid drawings, together, have been on the order of almost \$700 million a year during the past four years, annual Third World repayments for past Soviet deliveries have been rising rapidly and are estimated to have reached a level of about \$300 million in 1969. Hence the net outflow of Soviet economic and military aid has been declining and in 1969 totaled about \$350 million.

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In part the current Soviet aid posture reflects growing concern with making aid more economically effective and an increased Soviet awareness of the limited absorptive capacity of many Third World countries for both arms and investment aid. This fails to account, however, for the harder terms associated with some Soviet credits in recent years and for the Soviet failure to exploit aid opportunities where absorptive capacity has not been a factor. It seems more likely that the lack of vigorous Soviet aid initiatives in recent years may reflect the realization that aid as a political weapon has severe limitations; that it conveys no guarantee of continuing influence, as Soviet experience in Indonesia, Ghana, and Guinea has shown; and that it sometimes leads to unwanted involvement in differences between two client states, as in the Iran-Iraq and India-Pakistan disputes.

In addition, the Soviet leadership currently is faced with urgent problems in such vital areas as its domestic economy and East-West European and Sino-Soviet relations. In these circumstances it seems unlikely that the USSR will make any drastic shifts in the scope or direction of its foreign aid program in the near future. Deliveries of economic assistance may well rise somewhat above their present level as large recipients in the Near East and South Asia reach a more advanced stage in the implementation of projects currently under way and launch new development programs in the early 1970s. There is nothing at this time to suggest, however, that any marked or sustained upsurge in foreign aid will occur.

Economic Assistance

Credits and Grants

Extensions

In 1969 the Communist countries extended about \$930 million of economic assistance to the less developed countries (see Table 1). Although this volume of new commitments exceeded that of 1968 by \$330 million, the level of extensions fluctuates widely from year to year and is not a meaningful indicator of future aid disbursements. The new commitments brought the total of Communist aid

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extended since the start of the program in 1954 up to about \$10.9 billion (see Figure 2 and Tables 3 and 4). East European countries extended \$455 million of economic assistance in 1969, but as in most years Soviet aid extensions, which amounted to \$475 million, represented the largest share of new Communist undertakings.

Four countries -- Guinea, Iran, Iraq, and Turkey -- received more than three-fourths of total Communist aid extended in 1969. The remainder was divided among 10 countries. Peru, Jordan, and Mauritius received their first commitments of Communist aid.

Major Soviet credits during 1969 included \$166 million to Turkey to supplement credits extended in 1967 for constructing a steel mill, \$121 million to Iraq for oil exploration and drilling equipment, and \$92 million to Guinea to exploit bauxite deposits. In both Iraq and Guinea, repayment will be made in the oil and bauxite, respectively produced by the Soviet-assisted projects.

Czechoslovakia's \$200 million credit to Iran* comprised almost one-half of Eastern Europe's total aid commitments in 1969. East Germany, the second largest East European aid donor during the year, extended \$156 million of aid to five less developed countries -- about 15 times the average amount it had extended in the two previous years. The upsurge in East German aid undertakings in 1969 was part of an initiative to strengthen political and economic relations with the less developed countries and particularly to win diplomatic recognition of the East German regime.

Drawings

Drawings on Communist economic aid in 1969 declined for the fifth straight year to an estimated \$410 million, or about 10% below the 1968 level (see Table 5). These drawings brought

* *Negotiated in 1968 and reported in last year's annual report as extended in 1968.*

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cumulative deliveries of Communist aid since 1954 to about \$4.5 billion, or 40% of total aid extended. Reduced drawings on Soviet and East European credits were largely responsible for the decline in 1969. Communist China's aid deliveries were approximately the same as in 1968. To some extent the apparent drop in East European drawings may reflect inadequate reporting on these deliveries during 1969. Drawings on Soviet aid were slightly below the 1968 level but roughly the same as in 1967. Their failure to rise above these levels is due largely to slow implementation of aid undertakings in major recipient countries -- particularly India, where shortfalls in inputs of Indian labor and capital delayed work on major Soviet-aided projects. Drawings by the UAR were significantly below those of the past several years, as equipment previously delivered was being put in place on the final stages of the Aswan Dam, and work on other major projects was just beginning.

Repayments

In 1969 the less developed countries were scheduled to repay the USSR an estimated \$180 million in principal and interest for deliveries of economic assistance under credit. This was about 30% more than was actually repaid in 1968 and twice as much as in 1966 (see Table 2).

India and the UAR -- the major recipients of Soviet aid -- have borne the largest share of the repayments burden. Increasingly, countries have felt the burden of these obligations and have asked the USSR to reschedule their payments over longer time periods, and on a number of occasions the USSR has provided relief to developing countries on economic aid debt.

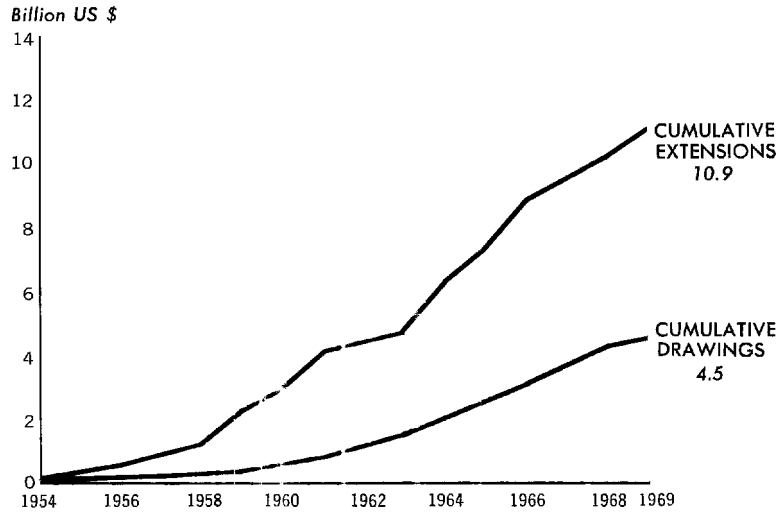
In recent years the rapid rise in repayments, in the face of declining deliveries, has resulted in a reduction of the net flow of Soviet development aid to the less developed countries. As repayments continue to rise faster than deliveries, the net flow will be reduced further and eventually could fall to zero unless there is a marked change in Soviet assistance policy.

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Figure

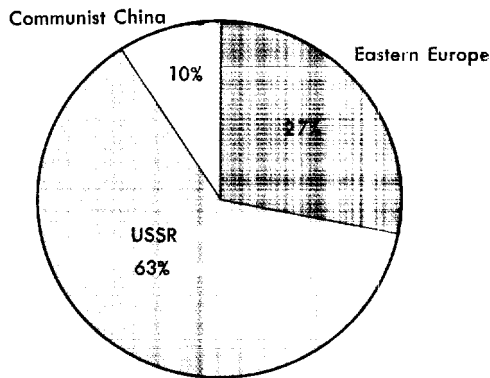
COMMUNIST ECONOMIC CREDITS AND GRANTS TO LESS DEVELOPED COUNTRIES OF THE FREE WORLD EXTENSIONS AND DRAWINGS, 1954-69

CUMULATIVE EXTENSIONS AND DRAWINGS



SHARE OF TOTAL
ECONOMIC ASSISTANCE EXTENDED
1954-69
By Donor

(Percent)



SHARE OF TOTAL
ECONOMIC ASSISTANCE DRAWN, 1954-69
By Recipient

(Percent)

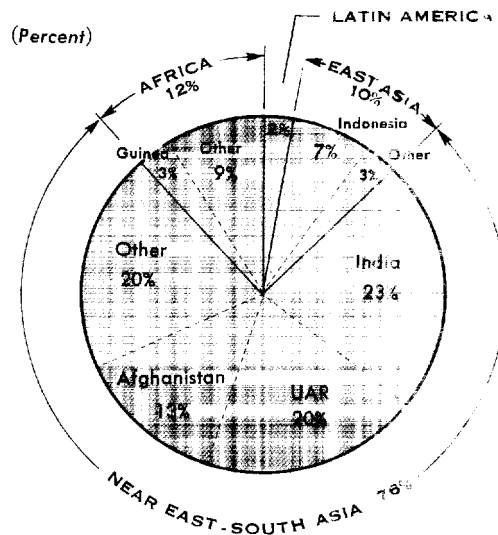


Table 2

Estimated Repayments of Soviet Economic Aid
by the Less Developed Countries
1957-69

<u>Year</u>	<u>Million US \$</u>	<u>Year</u>	<u>Million US \$</u>
1957-59	21	1966	89
1960	20	1967	103
1961	23	1968	138
1962	29	1969	179 <u>a/</u>
1963	39		
1964	64		
1965	74	<i>Total</i>	<i>779</i>

a. *Scheduled.*

Technical Assistance

Communist Economic Technicians

Approximately 22,000 economic technicians from Communist countries were employed in 47 less developed countries during 1969, a slight increase over 1968 (see Table 6). These include personnel working under both commercial contracts and aid agreements. To a large extent the increase in 1969 was accounted for by the 1,000 Chinese laborers that were engaged in building a road in Pakistan during most of the year. Nevertheless, by the end of the year the number present in the less developed countries had been reduced significantly because of the departure of large numbers of East Europeans, especially from Tunisia. The Soviet share of the total number of Communist technicians in the less developed countries dropped slightly in 1969 to 45%. The East Europeans maintained their usual portion of almost 35%, and the Chinese share increased to more than 20%.

The concentration of technical personnel in a relatively few countries continued to characterize the Communist technical assistance program. About 50% of the 9,900 Soviet technicians working in the

less developed countries in 1969 were located in four countries: Algeria, India, Iran, and Afghanistan. The UAR, Syria, and Iraq accounted for another 20%. Almost 45% of the 7,100 East European technicians in the less developed countries were assigned to Libya and Tunisia, and of the 5,000 Chinese personnel in the less developed countries, more than one-half were in three countries: Pakistan, Tanzania, and Mali.

African countries again accounted for more than half of all Communist economic technicians in the less developed countries. This ratio far outweighs Africa's share of total Communist aid and reflects the relatively large numbers of East European and Soviet personnel involved in non-project work in North Africa and the labor-intensive Chinese aid projects farther south. The majority of the 3,170 East Europeans in Libya and Tunisia were employed on a commercial contract basis as skilled laborers and technical and medical personnel, and almost half of the Soviet technicians in Algeria were assigned as medical personnel and teachers. Large contingents of Chinese carried out survey work for the Tan-Zam Railroad, and others were assigned to agricultural development projects in Mali. The work of Communist technicians continues to be important, not only in implementing assistance projects but also in training local personnel to take over these functions eventually.

Technical Trainees in Communist Countries

During 1969, approximately 2,000 trainees from the less developed countries were receiving technical training in the USSR and Eastern Europe. Most of these trainees had arrived during the year. About 55% of the new arrivals went to the USSR and the remainder to East European countries. Together they raised the total number that have gone to Communist countries for technical training since 1956 to about 17,000 (see Table 7).

Communist training programs usually are intended to provide laborers, technicians, and administrative personnel with skills that are needed for implementing specific Communist-assisted development projects in the less developed countries. As in

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previous years, almost all of the technical trainees came from countries in which major Communist development projects are under way. Near East and South Asian countries accounted for 90% of the number of personnel receiving training during the year. Most of the remainder were from Africa, although a few came from Indonesia and Latin American countries.

In addition to the provision of technical training within the USSR, more than 150,000 skilled workers and technicians have received on-the-job training at Soviet-assisted projects since 1954. The USSR also has continued to construct technical training facilities within the less developed countries. At the end of 1969, 70 such Soviet-built facilities already were in operation -- again mostly in countries where major Soviet investment projects are under way -- and an additional 35 were planned or under construction. Such local training facilities have been assuming greater importance in preparing national cadres of skilled workers and technicians to implement development plans, and particularly to work on Communist-aided projects. As the less developed countries are able to provide more of the generalized and primary technical training domestically, the expenses of sending personnel to the USSR for training will increasingly be limited to enrollment in advanced and specialized courses not provided at home.

Academic Students in Communist Countries

More than 16,600 students from less developed countries were being trained in Soviet and East European academic institutions during 1969 (see Table 8). As in the previous four years, about 12,000 of the students were accommodated in the USSR, suggesting that about this number of places in the Soviet educational system is being allocated to Third World nationals. The remaining students were in East European countries. Communist China, whose academic training program has been dormant since the beginning of the cultural revolution in 1966, accepted no new students from the less developed countries for the third successive year.

During 1969, more than 3,300 new students enrolled in Soviet and East European programs.

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This was a significant increase over the 2,200 students who arrived for training in these countries during 1968 and seems to indicate that a larger number of places were made available by Third World students who had completed their studies by 1969. Students from Africa, comprising 50% of the total from less developed countries, continued to make up the largest regional contingent in Communist countries during 1969. Near East and South Asian students accounted for about 40% of the total, and most of the remainder came from Latin America. The largest percentage increase in the number of students during the year was from Algeria and Syria, which together sent over 500 students to the USSR.

Most of the students who arrived for training in the USSR during 1969 did so with the permission of their governments. Contrasted with earlier years, when large numbers of students were recruited clandestinely, the USSR is relying to an increasing extent on the cooperation of less developed countries' governments in selecting and processing students. Most exchanges in 1969 were carried out under the terms of cultural or educational agreements.

Since 1956 an estimated 34,500 students have undertaken academic training in Communist countries. About 68% of the total number have studied in the USSR, 30% in Eastern Europe, and the remaining 2% in Communist China.

Military Assistance

Credits and Grants

Extensions

Communist countries are known to have extended about \$180 million of new military aid to the less developed countries in 1969, bringing total extensions since the beginning of the program in 1955 to more than \$6 billion. The new commitments are approximately 40% below 1968 extensions. The Soviet share of the 1969 commitments accounted for about 75% of the total; Czechoslovakia, Poland, and Communist China accounted for the remainder.

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It is apparent that Moscow has become increasingly concerned with the impact of its arms aid on regional power balances since the Arab defeat in June 1967. The USSR has replaced Arab equipment losses and has continued to modernize their arms inventories. More technical assistance is accompanying Soviet equipment deliveries. The capability of recipients to provide the maintenance and service needed to keep equipment operational is being given greater attention than in the past.

Drawings

Communist military aid deliveries during 1969 amounted to an estimated \$340 million -- slightly lower than average deliveries during the last several years. As in 1968, more than one-half of total Communist arms delivered in 1969 went to the Arab states. Of particular significance during 1969 was the implementation of the 1968 Soviet-Pakistani arms agreement, which represented a marked shift in the former Soviet policy of selling only non-combat equipment to Pakistan.

Most of the deliveries of military equipment during 1969 were provided under agreements concluded in the two preceding years. By the end of 1969 the USSR had replaced almost all of the major combat equipment lost by the Arab countries in the 1967 war, including jet fighters and bombers. No new advanced weapons systems are known to have been delivered to these states, although in 1969 the USSR made its first deliveries of modern Yurka-class minesweepers to Egypt. Deliveries also continued under existing agreements with Afghanistan and Iran, and Sudan received Soviet arms, including its first Soviet aircraft, in 1969. Communist countries also continued military deliveries to Nigeria, mostly on a cash basis.

As in 1968, Czechoslovakia was responsible for the major share of East European deliveries in 1969. Czech shipments consisted primarily of L-29 jet trainers to Syria and armored personnel carriers and ground support equipment to Egypt and Iraq.

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Repayments

During 1969, thirteen less developed countries paid an estimated \$110 million in principal and interest for Soviet military aid. India and Iraq made the largest payments during the year and accounted for almost 70% of the total. Because of the Soviet agreements in 1967 to defer payments on the UAR's military debt, some \$44 million of Egyptian payments originally due in 1969 were postponed until a later date. The payments believed to have been made in 1969 bring total estimated debt service payments for Soviet military aid since 1955 to approximately \$850 million. The net flow of aid has been reduced by this amount, but the net annual flow of military aid follows a more erratic pattern than economic aid because of wider fluctuations in annual deliveries.

Technical Assistance

Military Technicians

The estimated number of Communist military technicians in less developed countries declined from 7,600 in 1968 to about 6,900 in 1969. Larger numbers of technicians were on location in India, Iraq, and Southern Yemen in 1969, while the numbers on hand in nine other Third World countries were somewhat reduced. The largest increase apparently took place in Sudan.

The increased role of Soviet military advisers in the Arab states noted in 1968 continued in 1969. Although there is no evidence that Soviet personnel have been given command authority in the Arab armed forces, their on-site presence enhances Arab defensive capabilities and affords the USSR greater opportunity to exert some influence on Arab military operations. It also means risking the death or injury in combat of Soviet military personnel as made manifest in the reported death of a Soviet colonel during an Israeli air attack on a UAR SAM site in October.

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Military Trainees from Less Developed Countries

During 1969 a total of about 1,200 nationals from 14 less developed countries arrived for military training in Communist countries, about 20% less than in 1968. The estimated number of trainees departing for training from Algeria, Syria, and the UAR declined in 1969, but it is probable that not all departures of trainees from these countries were detected. The largest numbers of new trainees came from Iraq, Southern Yemen (which sent its first contingent to the USSR for air force and naval training), and the Sudan.

At the end of 1969, about 3,000 trainees from the less developed countries were being trained in Communist countries. More than 90% of these trainees were in the USSR, while, except for a few Tanzanians in China, the rest were in Eastern Europe.

As in 1968, Algeria had the largest contingent -- more than 15% of the total -- of military students undergoing training in Communist countries during 1969. Afghanistan, India, Iraq, Syria, and the UAR also had sizable numbers enrolled, a substantial number of whom are pilot trainees.

Despite intensified Soviet training efforts, the Arab countries have barely enough pilots trained to fly the jet aircraft currently in their inventories and only about half of these pilots are combat ready. The Arab countries as well as the USSR have been dissatisfied with the current pilot training program. The Arabs claim the training they have been given is poor and ill-suited to their needs, while the USSR claims that the Arab students generally have been poorly qualified to begin with. Considering the lack of qualified trainees, the high dropout rate, and the time needed for advanced flight training, the supply of combat-ready pilots will remain the crucial bottleneck for the Arab air forces for the foreseeable future.

Since 1955 an estimated total of nearly 26,400 military personnel from less developed countries

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have been sent to Communist countries for training. About 85% of this number were trained in the USSR.

Trade

Value

Preliminary data suggest that total Communist trade with less developed countries in 1969 may have been slightly above the 1968 level. The most dynamic areas appear to have been East European and Soviet trade with North African and Near Eastern countries, following the negotiation of new trade agreements with them during 1968. Neither the value of trade nor its direction and composition, however, can be estimated on the basis of available data.*

Total Communist trade with the less developed countries rose to \$4.8 billion in 1968, an increase of 5% over the previous year (see Figure 3 and Table 9). Virtually all the growth occurred in East European trade with these areas, which increased by about 12% during the year. Soviet and Chinese Communist trade with the Third World continued at about the same level as in recent years. During 1968 the East European share of total Communist trade with the less developed countries rose slightly to 43%; the USSR accounted for 38% and Communist China for 16%. Other Communist countries, together, took up less than 3%.

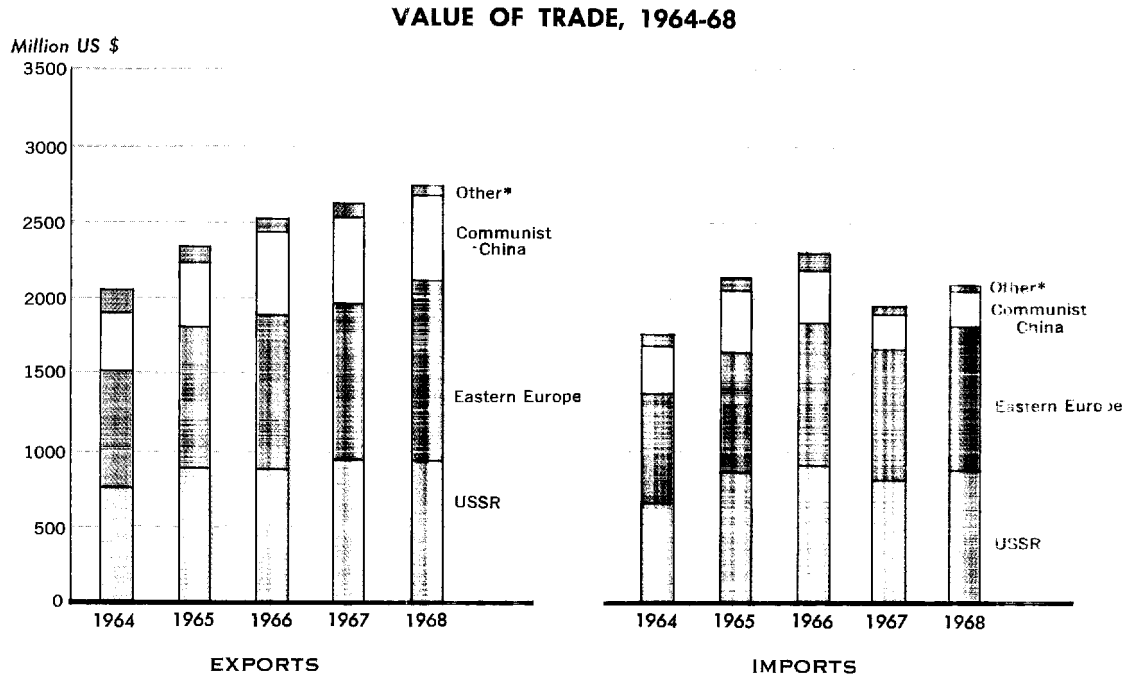
Most of the growth in Eastern Europe's trade with the less developed countries in 1968 occurred in exports, which rose 16% to a record \$1.2 billion. This increase was largely a result of East European countries' successful efforts to find new outlets for their machinery and manufactures. The expansion in Romanian sales to the less developed countries was particularly notable during the year. East European imports also registered a substantial gain in 1968. Total imports for the year recovered to about \$930 million -- roughly the same level as 1966 but 7% higher than 1967. Greece, Iran, Pakistan, and Syria accounted for almost two-thirds

* *The remainder of this section deals with trade in 1968, the last year for which comprehensive data are available.*

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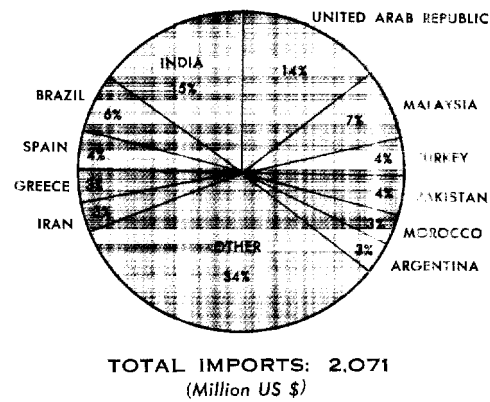
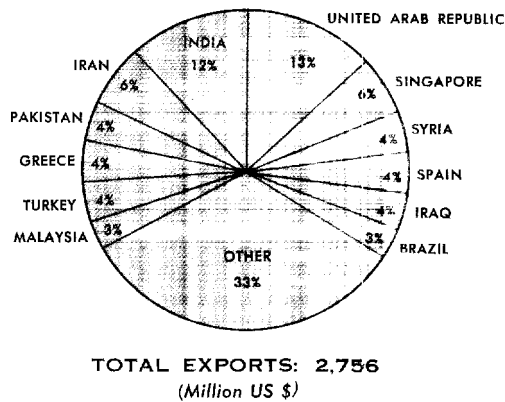
Figure 3

COMMUNIST EXPORTS TO, AND IMPORTS FROM LESS DEVELOPED COUNTRIES OF THE FREE WORLD



* Including trade of Albania, Cuba, North Korea, North Vietnam, and Mongolia.

PERCENT DISTRIBUTION, 1968



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of the increase in Eastern Europe's exports, while increases in imports were more widely distributed among the less developed countries.

The total value of the USSR's trade with the less developed countries in 1968 increased by less than \$65 million, or 3.6%. Imports, which rose by 10% to a total of about \$885 million, were still below the peak level of 1966. The 1968 import growth was concentrated in Afghanistan, Algeria, Ecuador, Iran, Nigeria, Spain, and the UAR. Soviet exports to the Third World fell by 1% in 1968 to a level of around \$950 million. Increased exports to India, Iran, Iraq, and Sudan were more than offset by a decline of over \$80 million in Soviet exports to the UAR and smaller decreases in exports to Afghanistan, Ceylon, and Greece.

Communist China's trade with the less developed countries declined for the second consecutive year. Although the drop was small in 1968, both exports and imports shared in the decline. The most significant development in Chinese Communist trade with the Third World during 1968 was the increase of about \$25 million in the value of Chinese Communist exports going through Singapore, while exports through Hong Kong dropped from \$107 million in 1967 to \$91 million in 1968. Communist China's trade with Burma, which had amounted to more than \$20 million in 1967, fell to virtually nothing.

Direction of Trade and Relative Shares

Of the Communist countries' total trade with less developed countries in 1968, the Near East and South Asia accounted for 62% of their exports and for 53% of their imports. The UAR and India continued to be the Communist nations' major trading partners in this area (see Figure 3). Africa accounted for about 16% of Communist trade, while Latin America took 6% of the Communist countries' exports and provided 14% of their Third World imports. East Asia accounted for about 12% of Communist countries' total trade, and Portugal and Spain together for about 5%.

While Soviet trade with other regions has grown at an annual average rate of about 9%, its trade with the less developed countries has stayed virtually the same since 1965. As a result the Third

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World's share of total Soviet trade fell from almost 11% in 1965 to around 9% in 1968. Between 1967 and 1968 the developing countries' share of all Communist trade changed little, as shown in the following tabulation:

Share of Less Developed Countries
in the Trade of Communist Countries

	Percent of Total Trade Turnover	
	1967	1968
USSR	9.7	9.2
Eastern Europe	7.3	7.2
Communist China	20.8	21.3

The Communist countries also accounted for only a small share of the less developed countries' total trade in 1968 -- 5.5% of their exports and 6.8% of their imports. For a few countries, the percentage was much greater: in 1968, Communist countries accounted for approximately 50% of Egypt's global trade turnover, for almost 40% of Afghanistan's, and for nearly 35% of Syria's. An additional 12 countries -- Cambodia, Ceylon, Guinea, India, Lebanon, Mali, Morocco, Pakistan, Tunisia, Turkey, Sudan, and Yemen -- conducted more than 10% of their total trade with the Communist camp.* Moreover, if military aid shipments were included in the imports of some countries (particularly India, Iraq, Syria, and the UAR) the Communist share of their total imports would be substantially larger.

Commodity Composition

Machinery and equipment continued to account for a major and growing share, 50% in 1968, of Soviet exports to the less developed countries (see Figure 4). Reflecting largely the deliveries of Soviet-aided industrial installations, most of the

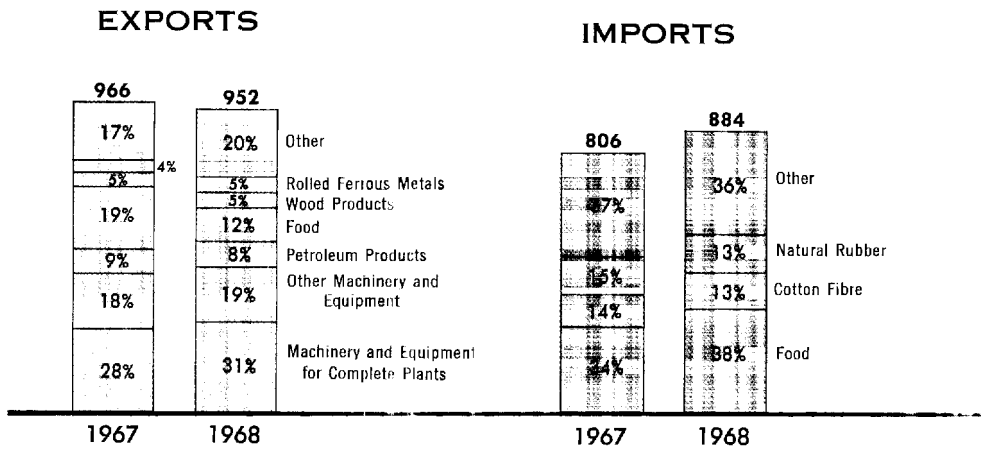
* For data on the Communist countries' share of the foreign trade of the less developed countries in 1967-68, see Table 10.

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Figure 4

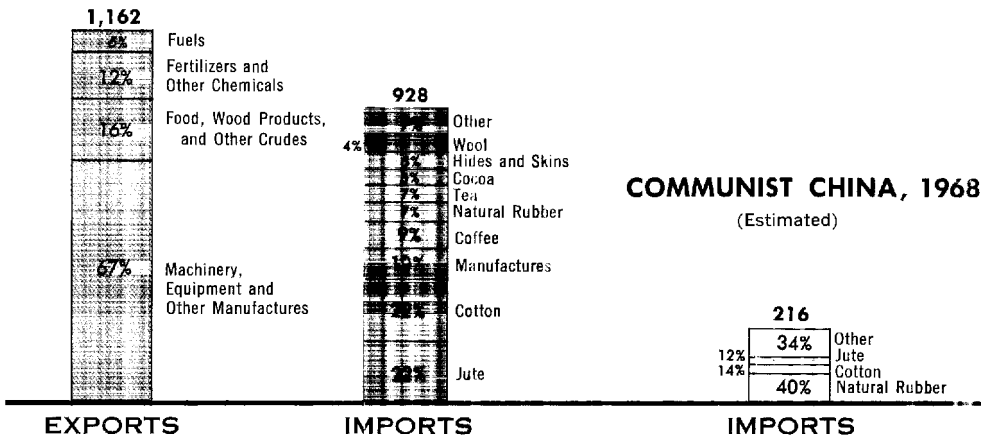
COMMUNIST EXPORTS TO, AND IMPORTS FROM LESS DEVELOPED COUNTRIES OF THE FREE WORLD By Commodity Group*

USSR, 1967 and 1968
Million US \$



Million US \$

EASTERN EUROPE, 1968 (Estimated)



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*USSR trade based on data from Soviet trade yearbooks; East European trade based on data from Free-World trading partners; Communist China import data based on data from Free-World trading partners. The commodity composition of Communist China's exports cannot be estimated on the basis of available data.

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machinery and equipment category has been designated for complete plants in recent years. Except for food, which dropped sharply as a percent of total exports because of reduced wheat shipments to the UAR in 1968, most other broad export categories retained roughly the same ratio to total trade as in the previous year.

The commodity composition of Soviet imports in 1968 showed only minor changes from 1967. The share of food rose from 34% of the total in 1967 to 38% in 1968. Although this increase reflected larger Soviet purchases of several different food products, by far the greatest rise was in cocoa purchases, which grew from about \$40 million in 1967 to almost \$62 million in 1968. Of particular significance during 1968 was the import of \$8.9 million of natural gas from Afghanistan -- the first major Soviet purchase of energy resources from a less developed country. These imports are being used to defray debt service payments due for Soviet aid. Similar use will be made of the gas soon to be made available from Iran. Manufactures made up only about 18% of the USSR's imports from the Third World.

The estimated commodity composition of East European exports to the less developed countries follows roughly the same pattern as Soviet exports to these areas. By far the largest component is equipment and manufactures. As with the USSR, these exports were followed in importance by food, wood products, and fuels. Exports of fertilizers and other chemicals, however, made up a far larger share (about 10%) of Eastern Europe's sales to the Third World. As with the USSR, East European imports from the developing countries were primarily agricultural products. Manufactures, however, accounted for a smaller share (possibly 10%) of East European than of Soviet purchases from the Third World.

Communist China's imports from the less developed countries in 1968 consisted almost entirely of raw materials. Natural rubber purchased from Ceylon, Malaysia, Singapore, and Indonesia accounted for nearly half the total. Cotton, jute, and mineral phosphate accounted for a large share of the remainder.*

* No adequate data are available to estimate the composition of Communist China's exports to the less developed countries.

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