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BIWEEKLY REPORT

**SINO-SOVIET BLOC
ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS**

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PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE



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SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS*

I. Summary of Events, 14-27 August 1956.

The most significant features of the Sino-Soviet Bloc effort to expand economic relations with the Free World during the period 14-27 August 1956 are (1) the signing of a 3-year mutual economic agreement between Ceylon and Czechoslovakia and (2) reports indicating that the USSR is participating in the development of a new research center in Bangalore that will influence the economic development of India.

The agreement between Ceylon and Czechoslovakia provides for the shipment of machinery and other capital goods on an 8-year credit basis in return for Ceylonese raw materials. Soviet participation in the establishment of a new experimental research center in India, designed to conduct research on industrialization methods which will take maximum advantage of indigenous resources, technological capabilities, and manpower, includes the loan of Soviet equipment valued at US \$800,000** and the use of Soviet research specialists. A 1-year trade agreement also was signed between Pakistan and Czechoslovakia during this period.

Running counter to these Sino-Soviet Bloc advances in South Asia, a report from Afghanistan states that Afghanistan and the USSR have disagreed over the costs of construction of port facilities at Qizil Qala and that work has stopped at the project site.

* Although the main emphasis of the Biweekly is on economic activities of the Sino-Soviet Bloc in underdeveloped areas of the Free World, significant Bloc activities of this nature in areas not considered underdeveloped also will be discussed.

** Unless otherwise specified, all dollar values in this report are in terms of US dollars.

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In the Far East, Prime Minister Souvanna Phouma of Laos, after a meeting with Premier Chou En-lai of Communist China, announced that China had offered economic aid to Laos and that representatives of the two countries would meet in order to "draw up concrete help for my country's five-year plan."

Sino-Soviet Bloc economic activities in the Middle East included the ratification of trade agreements between Lebanon and both Rumania and Communist China and the signing of a trade and payments agreement between Greece and Poland. Lebanon will export agricultural products in return for Bloc capital goods, chemical raw materials, and consumer goods. The agreement between Greece and Poland calls for commodity exchanges amounting to \$6 million in each direction. Also in the Middle East the government of Syria established a firm, headed by a native Communist, designed to expand trade relations between Syria and the Sino-Soviet Bloc, and Czechoslovakia delivered an electrified swing bridge to Egypt.

In Latin America the Sino-Soviet Bloc is reported to be negotiating on a commercial level with Cuba, Uruguay, and Chile. In Cuba the USSR is discussing an additional purchase of 127,000 Spanish long tons of sugar. If this sale is concluded, Cuba will have sold 767,000 tons of sugar, worth about \$58 million, to the USSR and 65,000 tons in addition, worth \$5 million, to other Bloc countries since 1 January 1955. Although these sales are equivalent to 6 to 7 percent of total Cuban exports, Cuba will not become dependent on trade with the Bloc, because the USSR is normally self-sufficient in sugar and Cuba no longer is carrying over a burdensome sugar surplus.

Uruguay, utilizing foreign exchange from a trade balance accumulated in previous trade with the USSR, has purchased 2,100 metric tons of cotton from the USSR. The Uruguayan government made a further grant of \$1.9 million in accumulated funds to a private firm for use in payment for textile machinery to be purchased from East Germany. East Germany also plans increased trade with Chile, beginning with the purchase of 20,000 metric tons of nitrates valued at \$900,000. In return, Chile expects to import East German optical goods, machinery, ships, and other products.

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The only significant Sino-Soviet Bloc economic activity in Europe during this period was the recent visit to Iceland by a delegation of high-ranking Czechoslovak officials to inspect Icelandic fish-processing plants and herring ports.



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