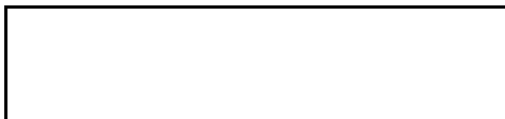


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BIWEEKLY REPORT

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

EIC-WGR-1/43

30 September 1957

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

ECONOMIC INTELLIGENCE COMMITTEE



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These biweekly reports on "Sino-Soviet Bloc Economic Activities in Underdeveloped Areas" are prepared and issued by a Working Group of the Economic Intelligence Committee, including representatives of the Departments of State, the Army, the Navy, the Air Force, Commerce, and Agriculture; the International Cooperation Administration; the Office of the Secretary of Defense; and the Central Intelligence Agency. Their purpose is to provide up-to-date factual information on significant developments in the economic relations of Sino-Soviet Bloc countries with underdeveloped countries of the Free World. The EIC-R-14 series of reports, under the same title, provide periodic summaries and analytical interpretations of these developments.

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Summary of Events
13 - 26 September 1957

The conclusion of an economic assistance agreement between Communist China and Ceylon and the continuation of the rapid pace of implementing the Soviet aid program in Syria were the principal events affecting the economic relations between the Sino-Soviet Bloc and the underdeveloped countries of the Free World during the period 13 - 26 September.

Since mid-1955 the Soviet Bloc has agreed to supply military equipment and supplies valued at about \$350 million to underdeveloped countries. Most of the war materiel has already been delivered to Egypt, Syria, Afghanistan, and Yemen and was sold under credit arrangements believed generally to call for repayment over a 10-year period at 2-percent interest.

The aid agreement between Ceylon and Communist China provides for Communist China to furnish \$15.75 million in grant assistance over the next 5 years for development of its rubber industry. A new 5-year agreement on the exchange of rubber and rice also was signed by these countries, but the new agreement omits the provision found in the expiring pact which required Communist China to make premium payments for Ceylonese rubber. Also in South Asia, Afghanistan cancelled plans for Soviet assistance on two projects, both of which were scheduled for inclusion under the Soviet \$100 million credit program.

In Burma the USSR has proposed an agreement under which cooperation in the application of atomic energy for peaceful purposes would be established. No Burmese officials, however, seem to be interested in this proposal.

The USSR continued to press forward rapidly its economic assistance program in Syria, sending 18 technicians to Damascus to discuss and complete details of Soviet economic aid. Czechoslovak experts

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also began work at the site chosen for the construction of a new oil refinery near Homs. In Iran, the Soviet Trade Commissioner for Iran stated that the USSR has offered unlimited credit to Iran for the expansion of heavy industry including a steel mill. Both the Iranian Prime Minister and the Foreign Minister, however, denied receiving such an offer.

It was announced in Belgrade that the USSR and Yugoslavia had established definite programming schedules for several developmental projects under Bloc aid agreements. The projects involved are a coal-mining combine in the Kasmets region, a nitrogen fertilizer plant in Pancevo, and an aluminum combine in Montenegro, all of which the USSR postponed earlier in 1957. It was also revealed that the nuclear reactor promised by the USSR would probably be delivered in May 1958, several months earlier than previously planned.

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