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**BIWEEKLY REPORT**

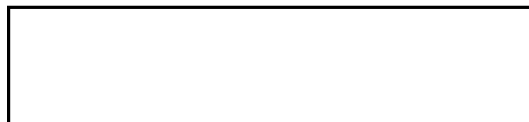
**SINO-SOVIET BLOC  
ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS**

EIC-WGR 1/57

14 April 1958

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  
28 March - 10 April 1958

The disclosure of Indonesian purchases of Bloc arms valued in excess of \$100 million was the most significant event affecting the economic relations between the Sino-Soviet Bloc and the underdeveloped countries of the Free World during the period 28 March - 10 April 1958. [redacted]

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[redacted] Indonesia also has arranged to obtain military goods, probably produced in the Bloc, from Egypt and Yugoslavia. The Indonesian Ministry of Shipping has announced that key members of Soviet crews of vessels recently purchased by Indonesia from the USSR will remain with the ships until Indonesian replacements are able to take over.

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Gamal Nasser, President of the recently formed United Arab Republic, is expected to seek some relief for the hard-pressed Egyptian economy during his forthcoming visit to Moscow. He may ask the USSR to consider paying hard currency for Egyptian cotton and to ease payment terms for the arms debt to Czechoslovakia and the USSR. He may even seek more Soviet long-term credits. [redacted]

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[redacted] India has decided to accept the recent Rumanian offer of assistance in the establishment of the proposed petroleum refinery in Assam. The total cost of the refinery is estimated to be \$31.5 million, about one-half of which will be a foreign exchange cost. The loan is to be repaid through the export of Indian commodities, which may include textiles, mica, shellac, oilseeds, jute goods, and hides and skins.

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The Burmese government has decided that loans from the USSR to Burma, totaling \$4.2 million to \$6.3 million, will not be formalized or

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drawn on this year, because of Burma's difficult financial situation. These loans were expected to finance the foreign exchange costs of two irrigation projects in central Burma. Also in Southeast Asia, arrangements have been made for delivery of the second portion of the \$22.4-million Chinese Communist aid program in Cambodia. Deliveries of the first portion, amounting to \$5.5 million, were completed in November 1957. The second portion will consist mainly of textiles, cement, and ferrous products worth \$6.86 million.

The Sino-Soviet Bloc has continued to expand its economic activities in other countries of the Free World. Chile has recently begun to export copper wire and iron ore to the Bloc and is negotiating a long-term nitrate sales contract with Communist China, Pakistan has ordered on deferred payment terms Czechoslovak equipment worth \$1.7 million to be used for the expansion of a cement plant in West Pakistan, and a trade mission from the Turkish state bank has signed an agreement in Moscow for the purchase of three small textile mills.

The USSR apparently has evolved a pattern for economic credits to underdeveloped countries of the Free World under which repayment is made in 12 annual installments. The exceptions have been credits to Afghanistan and Yugoslavia, which call for 22 and 10 annual installments, respectively. The European Satellites have generally required a shorter period for repayment. Most Soviet economic credits carry an interest rate of 2.5 percent, whereas Satellite economic credits carry interest rates of 3 to 4 percent and, in one instance, 6 percent. Generally, Soviet agreements provide for repayment in commodities or in convertible currencies. The terms for military credits call for repayment over relatively short periods of 5 to 7 years. Interest on these credits is believed to be 2 percent.

Over the past 2 years, Communist China has agreed to extend economic assistance worth about \$100 million to underdeveloped countries of the Free World. Until recently, all such assistance has been in the form of grants. In December 1957, however, Communist China began offering low-interest credits and, since then, has agreed to lend at least \$40 million to Indonesia, Burma, and Yemen. Communist China also has

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extended assistance to Bloc countries amounting to more than \$700 million during the past 4 years. More than \$175 million was budgeted for foreign aid by Communist China in 1957, and a similar amount has been budgeted for 1958.

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