

SECRET

25X1

BIWEEKLY REPORT

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

EIC-WGR 1/129

16 January 1961

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

ECONOMIC INTELLIGENCE COMMITTEE

SECRET

RETURN TO RECORDS CENTER 25X1

IMMEDIATELY AFTER USE

25X1

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

SECRET

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

Summary of Events

30 December 1960 - 12 January 1961

On 9 January, Communist China and Burma jointly announced the conclusion of an economic and technical cooperation agreement and a payments agreement. The former calls for the establishment of a line of credit of \$84 million that will be available to Burma until September 1967, with repayment to begin in 1971. The payments agreement provides for the establishment of a clearing account in the central bank of each country.

A joint Soviet-Indonesian communiqué has revealed that the USSR will extend a credit of \$300 million to \$400 million to Indonesia for military aid.

Considerable progress is being made in training Cambodian technicians to staff the four gift factories constructed with Chinese Communist aid funds. In October, 89 Cambodian trainees who had studied plywood, textile, and paper manufacturing in China returned for assignment, and 87 Cambodians departed in November and December to study cement manufacturing and electricity.

"Che" Guevara has revealed a significant feature of the multilateral payments agreement that Cuba recently concluded with the USSR and other Bloc countries. The accord permits the transfer of trade balances from one Bloc country to another (for example, a credit accumulated by Cuba from the sale of sugar to the USSR could be used to buy goods from Hungary). Cuba also has received \$32 million in additional economic assistance from the European Satellites.

On 2 January the Cuban Army displayed some of its Bloc military equipment in a parade in Havana. Total Bloc military materiel delivered to Cuba appears to have a value of about \$40 million to \$50 million.

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

SECRET

SECRET

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

CONTENTS

	<u>Page</u>
I. Latin America (Cuba)	1
A. Additional Soviet Bloc Economic Aid to Cuba . . .	1
B. Soviet Bloc Military Equipment in Cuba	1
II. Africa (Display of Soviet Arms in Guinea)	3
III. Asia	4
A. Sino-Burmese Economic Development Assistance Agreement	4
B. Training of Cambodian Technicians in Communist China	5
C. Soviet Military Aid for Indonesia	5

SECRET

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS*

I. Latin America (Cuba)

A. Additional Soviet Bloc Economic Aid to Cuba

In his speech on 7 January in Havana, Ernesto "Che" Guevara revealed a significant feature of the multilateral payments agreement that he recently signed in Moscow with the USSR and other unspecified Bloc countries. ** He said that this agreement permits the transfer of trade balances from one Bloc country to another (for example, a credit accumulated by Cuba from the sale of sugar to the USSR could be used to buy goods from Hungary). This departure from the Bloc's previous insistence on strict bilateralism indicates Soviet willingness to clear away some of the barriers to Cuban access to the combined markets and resources of the Bloc. [REDACTED]

25X1

In the course of his speech, Guevara announced additional economic aid to Cuba from the European Satellites. East Germany has extended its first assistance to Cuba in the form of a \$10 million*** credit; Rumania has granted Cuba a \$15 million credit, details of which were not disclosed; and Hungary has increased its credit to Cuba from \$8 million to \$15 million. In addition to the credits mentioned above, Hungary and Rumania have recently signed 1961 protocols to their long-term bilateral trade agreements with Cuba. [REDACTED]

25X1

B. Soviet Bloc Military Equipment in Cuba

On 2 January the Cuban Army displayed some of its Bloc military equipment in a parade in Havana. The arms on display apparently

* Although the main emphasis of the Biweekly Report 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.

** See the Biweekly Report of 2 January 1961.

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

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

SECRET

25X1

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

Next 1 Page(s) In Document Exempt

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

SECRET

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

III. Asia

A. Sino-Burmese Economic Development Assistance Agreement

25X1 As a climax to the almost excessive cordiality surrounding the current Chinese Communist friendship mission to Burma, a joint Sino-Burmese communiqué was issued on 9 January announcing the conclusion of an economic and technical cooperation agreement and a payments agreement. [REDACTED]

According to the text of the economic agreement, published by Peiping, a line of credit of \$84 million, bearing no interest, is to be available to Burma over a 6-year period ending in September 1967. The loan may be used to construct projects mutually agreed upon, to purchase machinery, to defray the costs of Chinese Communist technicians in Burma and Burmese trainees in China, and "for the supply of materials to generate Burmese currency required for the construction of agreed projects." The Peiping text calls for repayment of the loan in 10 equal annual installments beginning in 1971. Repayment may be made either in the form of Burmese exports or in "the currency of a third country agreed upon by China." [REDACTED]

The separate payments agreement provides for the establishment of a clearing account in the central bank of each country. At the end of each fiscal year the accounts are to be balanced, and net credits in excess of \$1.4 million are to be worked off within 6 months through shipments of goods or payment in a mutually agreed upon third currency. The agreement provides that the accounts may be used to pay for commodities; the cost of diplomatic and economic representatives; and "the expenses of experts, trainees, and all kinds of missions and delegations" as well as "other payments agreed upon" mutually. [REDACTED]

25X1 [REDACTED]

The friendship mission itself apparently was a great success. A Chinese Communist team of more than 440 delegates was headed by Premier Chou En-lai and Vice Premiers Chen I and Lo Jui-Ching. The mission was divided into 10 different groups, including (among others)

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

SECRET

SECRET

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

Buddhist, art and cultural, military, sports, journalistic, and film delegations. The most important group was a delegation sent to exchange instruments of ratification of the recent border agreement. The ratification was effected on the twelfth anniversary of Burma's Independence Day, and the Independence Day celebrations, which were unprecedentedly grandiose, were dominated by the Chinese guests of honor. A special Burmese order was created for and ceremoniously presented to Chou En-lai, with lesser decorations going to 13 other Chinese, including the Ambassador. Chou and Burmese Prime Minister U Nu jointly opened the massive Chinese Communist Industrial Exhibition, which covered 4,500 square meters and included more than 4,600 industrial and agricultural products.

25X1
25X1

25X1

25X1

* See the Biweekly Report of 10 October 1960.

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

SECRET

25X1

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8

Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020001-8