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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC-WGR 1/130

30 January 1961

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

ECONOMIC INTELLIGENCE COMMITTEE

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Summary of Events
13 - 26 January 1961

A new Soviet-Indonesian arms agreement provides for about \$244 million in military equipment to be supplied to Indonesia's armed forces. The contracts are in addition to an agreement negotiated last September for naval aid valued at more than \$277 million.

The USSR and Indonesia have signed an agreement under which the USSR will build two nuclear reactors valued at \$2.2 million. A reactor worth \$2 million, which will be constructed near Djakarta, is to be completed by the end of 1963. A smaller reactor valued at \$200,000 is to be installed at the Gadjah Mada University in Jogjakarta by the end of 1961.

Czechoslovakia has offered to provide a munitions factory to Cambodia on credit. The terms reportedly meet the Cambodian desire for repayment in 5 years at 1 percent interest, partly in foreign exchange and partly in Cambodian goods.

Czechoslovakia will soon begin to train personnel for Mali's civil airline. Reports also indicate that Czechoslovak Airlines (CSA) is making plans to extend its regular Prague-Zurich-Dakar-Conakry service to Bamako (Mali).

In December, several shipments of Bloc small arms and ammunition arrived in Mali from Guinea. Mali reportedly will receive a total of 150 tons of Bloc arms, of which at least 80 tons had been delivered by 7 January.

Czechoslovakia and Ecuador have agreed to barter Ecuadoran cacao worth \$630,000 for Czechoslovak tools and equipment to be used in Ecuador's technical schools. At about the same time, the first members of a resident Czechoslovak Legation arrived in Quito.

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The Cuban economic mission currently visiting the Bloc has signed economic agreements with Bulgaria and Albania. Bulgaria will purchase 40,000 tons of sugar and other products from Cuba in exchange for machinery, chemicals, and other goods. Bulgaria also granted Cuba a credit of \$5 million for construction work in connection with hydroelectric power stations and other industrial enterprises. The mission signed a 5-year trade and payments agreement, a cultural agreement, and a 1961 trade protocol with Albania.

Hungary has extended a credit of \$14.4 million to the Egyptian sector of the United Arab Republic (UAR) (probably for the import of capital goods), and Czechoslovakia and East Germany have extended small credits to the Syrian sector (for financing the import of machinery and equipment for electrical and water resources programs).

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SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS*

I. Latin America

A. New Cuban Economic Agreements with the Bloc

The section of the Guevara economic mission that remained in the Bloc completed its tour by signing economic agreements with Bulgaria and Albania. In Bulgaria the group negotiated a 1961 trade protocol calling for the purchase by Bulgaria of 40,000 Spanish long tons** of Cuban sugar and other products in exchange for machinery, chemicals, and other goods. Bulgaria also granted Cuba a credit of \$5 million*** for construction work in connection with hydroelectric power stations and other industrial enterprises. In Albania the trade mission concluded a 5-year trade and payments agreement, a cultural agreement, and a 1961 trade protocol. Albanian petroleum, textiles, handicrafts, and food are to be exchanged for sugar, coffee, hides, and other products. With completion of the Albanian agreements, Cuba now has trade and payments agreements with all regimes in the Sino-Soviet Bloc. [REDACTED]

[REDACTED]

In another development, Radio Havana announced that Communist China had purchased at a price of 4 cents per pound the 1 million Spanish long tons of sugar that it agreed to take in 1961. A contract for Communist China to purchase 5,000 metric tons of copper also was announced.

[REDACTED]

* 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.

** The Spanish long ton, which is the conventional unit of measure used in the international sugar market, is equal to 2,271.6 US pounds.

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

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B. Barter Agreement Between Ecuador and Czechoslovakia

25X1 Two Czechoslovak officials arrived in Quito in December 1960 and signed a previously negotiated contract to barter Ecuadoran cacao worth \$630,000 for Czechoslovak tools and equipment to be used in Ecuador's technical schools. Initial negotiations for the barter took place in September 1960, when the Ecuadoran Minister of Education visited Czechoslovakia.* Deliveries are scheduled over a 4-year period. [REDACTED]

At about the same time that the barter contract was signed, the first members of a resident Czechoslovak Legation arrived in Quito. Their arrival marks the first time since the expulsion of two Czechoslovak diplomats in September 1957 that this Bloc country has had a resident diplomatic mission in Quito. Relations were renewed in August 1960, when the Czechoslovak Minister to Brazil presented his credentials to the Ecuadoran President. [REDACTED]

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* See the Biweekly Report of 7 November 1960.

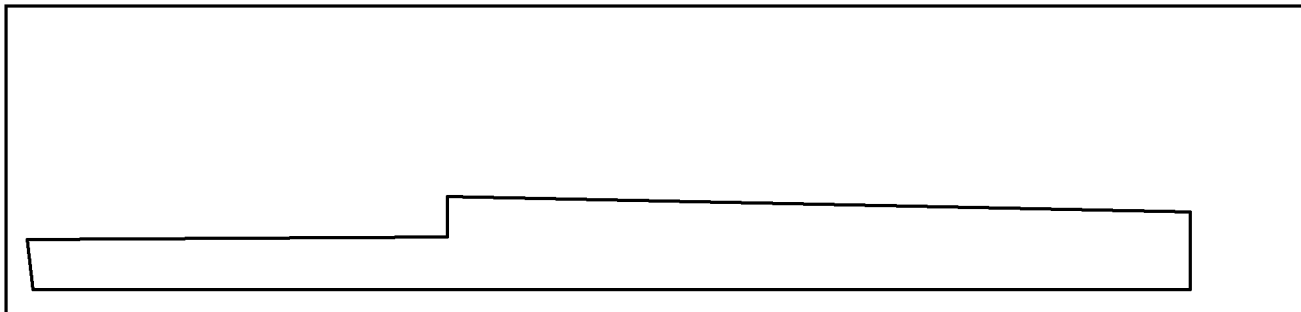
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25X1 The two Soviet reactors will make the USSR the chief source of foreign assistance in developing Indonesia's nuclear energy capacity. The US is supplying the only other nuclear energy projects currently scheduled -- two research facilities amounting to less than \$1 million. [REDACTED]

B. Czechoslovak Offer of a Munitions Plant to Cambodia

25X1 Cambodia's interest in acquiring a small arms and ammunition factory from Czechoslovakia, suggested by Sihanouk's inspection of a Czechoslovak munitions plant during his recent visit to the Bloc,** has resulted in a firm credit offer from Czechoslovakia. The proposal reportedly meets the terms desired by Cambodia -- repayment in 5 years at 1 percent interest, partly in foreign exchange and partly in Cambodian goods. The Cambodian Ministry of Plans is considering the Czechoslovak offer but also has solicited a bid from West Germany.

* See the Biweekly Report of 11 May 1959.

** See the Biweekly Report of 19 December 1960.

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