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NIE 10-63  
10 January 1963

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NATIONAL INTELLIGENCE ESTIMATE

NUMBER 10-63

**Bloc Economic and Military  
Assistance Programs**

*Submitted by the*

DIRECTOR OF CENTRAL INTELLIGENCE

*Concurred in by the*

UNITED STATES INTELLIGENCE BOARD

As indicated overleaf  
10 JANUARY 1963

**APPROVED FOR RELEASE**

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The Atomic Energy Commission Representative to the USIB, and the Assistant Director, Federal Bureau of Investigation, the subject being outside of their jurisdiction.

[REDACTED]

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)


[REDACTED]



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## BLOC ECONOMIC AND MILITARY ASSISTANCE PROGRAMS

### THE PROBLEM

To evaluate Bloc economic and military assistance to the underdeveloped countries and to estimate future developments.

### SCOPE NOTE

We do not consider in this estimate programs of assistance to Communist countries. We have accordingly omitted the Bloc program of aid to Cuba. At its outset, this program was in some respects of the same nature as those for other underdeveloped countries outside the Bloc. With the establishment of a special political relationship between Castro and the Bloc, however, aid to Cuba soon took on much the same character as aid among Bloc countries.<sup>1</sup> In addition, we have concentrated upon the assistance programs of the USSR and the European Satellites, and deal only briefly with aid extended by Communist China.

### CONCLUSIONS

A. Bloc foreign aid programs in underdeveloped countries over the past nine years have achieved the initial objectives of

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<sup>1</sup> Bloc assistance to Cuba is discussed in: NIE 85-2-62, "The Situation and Prospects in Cuba," dated 1 August 1962; SNIE 85-3-62, "The Military Buildup in Cuba," dated 19 September 1962; and SNIE 85-4-62, "Castro's Subversive Capabilities in Latin America," dated 9 November 1962. It will also be discussed in NIE 85-63, "Possible Developments with Respect to Cuba," scheduled for early this year.

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NOTE: The Economic Intelligence Committee provides regular factual reporting of significant developments in Bloc economic relations with underdeveloped countries. These are provided in bi-weekly reports and semi-annual compilations (The EIC-WGR-1 series and the EIC-R14 series, respectively).

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gaining entry to these countries, breaking the Western monopoly of political influence, and greatly raising Bloc prestige. They have established the image of the USSR as a great power which is willing and able to come to the aid of the newly independent countries and to provide an alternative to dependence on the West. They have provided the Bloc with some opportunity to exert influence over the policies of the recipients and have helped to increase the general effectiveness of Soviet foreign policy. (Paras. 1-21, 25-27)

B. The results of the programs, however, have in many cases been less satisfactory than the Bloc probably expected. The Bloc has not been able to displace or seriously weaken Western influence; most recipient countries have assumed the stance of nonalignment, and they let their own national interests determine whether or not they support Bloc positions in foreign affairs. Moreover, the leaders of these countries are strongly nationalist, are little disposed to adopt Communist models, and have frequently cracked down on local Communist parties. (Paras. 21-22, 28-30)

C. Bloc economic aid extended to non-Communist countries since 1954 has totaled about \$4.5 billion, of which about one-fourth has been drawn. The peak years to date were 1959-1961 in which extensions ranged between \$870 and \$960 million annually. Extensions in 1962 were down to about \$400 million. There is usually a considerable lapse of time between extensions and actual drawing. Drawings have increased annually, reaching about \$390 in 1962. Military aid during the same period is estimated to be over \$2.5 billion; deliveries usually follow promptly after commitments and we believe some 90% of committed military aid has been delivered. Deliveries were highest in 1962, largely because of the massive shipments of military supplies to Indonesia. (Paras. 9, 12, 18)

D. The Bloc almost certainly will continue substantial aid programs over the next several years. Foreign assistance constitutes a mark of great power status which the USSR would be reluctant to give up, lest it surrender an important field of contest to the "imperialist" adversary and lose an opportunity to advance Soviet interests. It is possible that, during the next

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several years, economic considerations will impel the Bloc to subject projected economic aid programs to closer scrutiny. Problems of allocation of resources are likely to increase as deliveries of heavy industrial equipment under existing commitments compete with high priority internal programs. Our evidence is insufficient to warrant a confident judgment as to whether the sharp decrease in aid extended in 1962 resulted from a decision to reduce the burden of aid, the adoption of a more selective approach, or reflected fewer opportunities for new agreements of the kind which the Bloc wishes to enter into. However, we believe that the Soviets will not make a major cut-back in aid for economic reasons; they will probably do so only if, for more general reasons, they alter their overall policy towards undeveloped countries. They will be watchful for opportunities in Africa and Latin America and, we believe, will remain ready to make heavy commitments to individual countries whenever particularly favorable opportunities arise. (*Paras. 32-34*)

E. We believe that the Soviets will continue to place great stress on military aid, which has the advantage of being cheaper and quicker to implement than economic aid and which involves the recipient in a continuing dependence for spare parts, ammunition, and technical aid. We expect them to add new types of advanced weapons to the list already available to recipients, and to seek new customers for military assistance. The Soviets in recent years have allowed their own personnel to man these advanced weapons pending the availability of trained indigenous specialists, and we believe that they will do this in certain cases even when this exposes their own personnel, albeit incognito, to combat situations. It is also possible, although as yet we have no evidence of this, that the Soviets will request client states to grant them military support facilities or try to develop their local military presence in a way which would assist them in bringing military power to bear in crises at locations remote from the USSR. We believe it unlikely, however, that the recipients would wish to compromise their neutrality and expose themselves to future military hazard by entering into such arrangements. (*Paras. 16-17, 35-36*)

## DISCUSSION

### I. COMMUNIST OBJECTIVES

1. According to Marxist doctrine, in the inexorable course of history colonies are destined to throw off their fetters, to oust the colonial powers and, as a part of the inevitable decline of imperialism and a succession of revolutionary processes, to become part of the Communist world. Though this remains the long range Communist view, Soviet policy has shifted with changing circumstances, and various Communist leaders have differed and continue to differ as to the correct tactics to follow in order to further this goal.

2. In the early postwar years, Communist policy in underdeveloped areas relied primarily on open attempts by local Communist movements to seize power. Flagrant examples of this policy were the armed struggles in China, Indo-China, the Philippines, Malaya, and Burma. At the same time, the USSR paid little attention to the opportunities for establishing influence with new governments by the more conventional methods of international politics.

3. However, apart from the case of China and, later to a lesser extent, Indo-China, this approach was not successful and in the early fifties the Soviets found themselves in need of a new policy which would help to restore the tarnished prestige of communism in these countries and overcome the USSR's diplomatic isolation from these areas. Moreover, the Soviet economy had reached a level which permitted new forms of competition with the West, while the development of anti-Communist alliances armed with advanced weapons was making it imperative for the USSR to find ways of advancing its cause which minimized the danger of military conflict. Accordingly, more realistic policies were developed by Stalin's successors, who came to realize that foreign aid was an important instrument for the purpose of competing with the West on a world scale.

4. According to the new line, the nationalist governments of emerging countries were to be accepted and acknowledged and the Communist countries were to establish diplomatic relations with them and offer them trade and economic assistance. Simultaneously, local Communist parties were to be restrained from revolutionary activity that would give offense to the nationalist governments. The short-term objectives of the new policy were to gain entry to these countries for the Bloc, to establish a position which could be used to influence the policies of the recipients, and to reduce and if possible eliminate Western influence. The long term goal was gradually, by fostering internal change and



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a close association with the "socialist camp," to bring these countries eventually under Soviet control.

5. The Soviets believed that animosities against the former colonial masters and the desire for rapid economic advance were so widespread and deep in the underdeveloped countries that Communist aid would accelerate developments in their favor throughout the area. They soon established the idea that the USSR had arrived on the world scene as a major supplier of investment and arms to which an underdeveloped country, whether violently anti-Western or merely anxious to balance Western ties with Eastern ones, could turn for assistance. In actual practice, the programs have been determined both by the advantages perceived by the Soviets in particular cases and by the willingness of these countries to accept Bloc aid.

6. These programs have placed the Soviets in a position to apply some political pressure against the recipient governments. From time to time they have pressed for support of Soviet foreign policy positions. They have also urged these governments to allow the local Communist parties to operate, to reduce economic ties with the West, and even to imitate Soviet-type institutional forms in their internal administration. Nonetheless, the Soviets generally have avoided making it a prerequisite of assistance that recipient governments should make any specific political moves favoring Communist causes. Nor have they actually cut off aid programs to force compliance with political demands. Even at the present time, when new efforts are being made to build local Communist strength in the ex-colonial countries and "bourgeois nationalist" leaders are coming in for occasional sharp criticism by Bloc spokesmen, assistance programs are generally not exploited to try to work immediate political changes in the receiving country.

7. Communist China has in recent years raised objections to the aid programs of the Soviet Union. These objections have become part of the general Sino-Soviet controversy, but were not a cause of that controversy. Indeed, China has extended aid, though on a smaller scale, on much the same basis and for much the same purposes as the USSR. As the Sino-Soviet dispute deepened, however, the Chinese increasingly saw Soviet aid as serving particular Soviet interests which did not coincide with Chinese interests, e.g., assistance to India. They also resented the size of Soviet aid to non-Bloc countries as compared to aid to China. Because other elements in the Communist movement have similar objections, China has found the Soviet program a useful target for ideological attack, because it allegedly helps to consolidate the power of nationalist regimes which are the enemies of local Communist parties and which obstruct the eventual communization of the recipient countries.

## II. CHARACTERISTICS OF BLOC AID PROGRAMS

8. Since 1954, when the Soviets began their economic and military aid programs, the Bloc has extended about \$7 billion of credits and other forms of aid to some 30 underdeveloped nations. Of this, about 71 percent has been extended by the Soviet Union itself, while the European Satellites and Communist China have provided 21 percent and 8 percent respectively. The aid has been used for a wide variety of purposes, e.g., heavy industrial development, as in India, large projects for power development, as in Egypt, and the development of transportation facilities and light industry, as in Afghanistan and Guinea. It has also included extensive technical assistance and the provision of a wide range of armaments manufactured in the Bloc. Though the scale of the programs is substantial, it is nevertheless small in comparison to comparable programs of the West. Furthermore, total Western assistance to recipients of Bloc aid is greater than that extended by the Bloc countries. The greatest Bloc efforts have been concentrated in key countries, such as the UAR, India, and Indonesia, which are of particular importance in their respective areas of the world.

9. *Economic Aid.* Bloc economic aid extended to non-Communist countries has totaled about \$4.5 billion, of which only about one-fourth has been drawn.<sup>2</sup> Despite the large number of recipients, almost two-thirds of this total has been allocated to four countries—India, the UAR, Indonesia, and Afghanistan. In the first few years of the program, the main effort was made in Asia and the Middle East. In recent years, in response to opportunities in the newly-independent countries in Africa, the program has been extended to that area through a number of credits for small scale projects. In addition, the Bloc has for some time tried to extend its program into Latin America, and there have been recent signs of greater receptivity in that area, particularly in Brazil.

10. Apart from a few small grants, primarily from Communist China, almost all economic aid extended by the Bloc countries has been in the form of interest-bearing credits. Interest rates on Soviet loans are seldom higher than 2.5 percent and are sometimes lower. Satellite rates, however, are occasionally higher. Repayment may be made in indigenous commodities and is generally scheduled for a 12 year period. The first payment often is not due until after the completion of scheduled projects.

11. Though the Bloc countries advertise their credits as being "without strings," they do maintain some control over their programs. No advance conditions are demanded, and they leave to the recipient countries the initiative for suggesting the uses for which aid is to be put.

<sup>2</sup> See Annex A.

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However, few of the credits can be drawn upon before teams of Bloc engineers and designers make surveys and draw up detailed plans for specific projects. The credits are tied to these specific projects, for which the equipment and materials must be purchased from the lending Bloc country. Moreover, the credits are virtually all made for use in the public sector, a practice by which the Soviets hope to strengthen tendencies toward a socialist system.

12. These economic programs are slow in implementation. Out of about \$4.5 billion assistance extended through 1962, drawings have totaled only \$1.25 billion. There is often a lag of several years between the announcement of the credit and its actual use. The main reason for this delay—not unique to Bloc foreign aid programs—is that construction and installation cannot take place until each project is approved by both the lending and the recipient country and the necessary technical surveys are completed. Accordingly, most drawings on credits in the initial period are made for survey and design work.

13. To date slightly more than half of the economic credits have been for industrial development, though only in India has the aid program been concentrated almost exclusively in this field. Many of the remaining credits have been used for major multipurpose projects (e.g., the Aswan Dam, which will simultaneously serve purposes of reclamation, irrigation, and hydroelectric power), for transportation facilities, and for the development of mineral resources. Most Bloc credits to the UAR, Syria, Afghanistan, Iraq, Indonesia, Guinea, Ceylon, and Ghana are scheduled for such uses. Though these projects will be important eventually for the development of industry in these countries, they are oriented more at this stage toward resource development. Show projects of little economic value account for only a small part of Bloc aid programs.

14. *Technical Assistance.* Technical aid has constituted an important part of the aid programs ever since their initiation. The Soviets have hoped that technical aid would provide valuable opportunities for exerting influence in these countries. In the last half of 1962, there were 9,500 Bloc nonmilitary technicians in 29 underdeveloped countries. Of this total, 6,900 were Soviet, 2,200 were from the European Satellites, and 400 were from Communist China. In addition, much effort has been expended on training nationals from these countries in Bloc institutions. Special universities have been established for this purpose in the USSR and Czechoslovakia, and by the end of 1962 some 17,000 students from the underdeveloped countries had received academic and technical training in Bloc institutions.

15. The Soviets attach great importance to the establishment of technical training institutes in the recipient countries. Such institutions have been established in India and Burma and are either planned or

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being organized in several countries in Africa. Bloc-built institutions in some cases are the only centers of technical training now planned for these countries. Another important aspect of the technical aid effort is on-the-job training in Bloc countries. Indian workers were trained in the USSR during the construction of the Bhilai steel mill, and Egyptian technical personnel were trained in the USSR during the construction of the nuclear research reactor provided by the Soviets.

16. *Military Aid.*<sup>3</sup> Military assistance has been a major part of the Bloc aid program from its beginnings, and in recent years has become the most dynamic aspect of the assistance effort. Bloc shipments are intended to serve the same broad political objectives as assistance for economic development. They offer an opportunity for quicker response, however, and for exploiting or creating tensions between recipient countries and their neighbors, between recipient countries and the West, and even among Western powers. Moreover, military aid is frequently well suited to the task of associating the USSR with strong nationalist concerns or ambitions, such as the Indonesians' desires to acquire West New Guinea.

17. The Soviets perceive in military aid certain particular advantages which economic assistance does not provide. They can serve as sole supplier to an underdeveloped country which, because of hostile relations with a pro-Western neighbor, cannot procure elsewhere the type and quantity of arms it desires. Even more than developmental credits, arms assistance offers an opportunity to establish a continuing dependence on the Bloc because of the recipient's need for training, spare parts, and technical support. Moreover, these programs enable the Bloc to establish a relationship, through their own technicians and also through personnel brought to the Bloc for training, with an elite which is likely to play a substantial role in the future politics of the receiving country.

18. We estimate commitments under Bloc military assistance agreements with non-Bloc countries to date at about \$2.5 billion,<sup>4</sup> of which about 90 percent has already been delivered, primarily to Indonesia, Iraq, the UAR, and Syria. Deliveries were highest in 1962, largely because of the massive shipments to Indonesia. At the end of 1962 there were 3,300 military technicians in 11 underdeveloped countries, almost all of them Soviet nationals. In the early years of the program, the Bloc provided military assistance at very little cost to itself by delivering primarily obsolescent weapons made available by its own

<sup>3</sup> See Annexes B and C.

<sup>4</sup> Equipment has been valued at average prices contained in contracts between the Bloc and the recipient countries. In most cases the recipients are granted discounts, frequently as much as 30 percent, so that obligations incurred by the recipients are, to that extent, less than contract values.

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modernization programs. Beginning in 1961, however, the USSR began to provide advanced arms and weapon systems, such as MIG-21 jet fighters, TU-16 medium jet bombers, and surface-to-air missiles, many of which are still being phased in to Bloc forces and some of which have been withheld from China. The USSR has not only provided training in the use of advanced weapons but has apparently been willing in some cases to man the weapon systems in crisis situations when trained indigenous personnel were unavailable.

19. *Bloc Capabilities.* New extensions of economic aid to underdeveloped countries have dropped sharply from the high point of 1960. New commitments in that year totaled nearly \$1 billion, fell slightly in 1961, and were less than half as large in 1962. This decline in part reflects dwindling opportunities for new agreements of the kind which the Bloc wishes to enter into. At the same time, however, drawings under existing commitments have risen from year to year, reaching about \$400 million in 1962. At the present time, the USSR is having difficulty in meeting its goals for domestic growth and the growing needs of its Bloc partners for economic support. The Soviet leaders have given occasional signs of impatience in the last two years about the political results of the program and this has probably enhanced concern over the demands of the aid program for items already in short supply in the USSR.

20. Nevertheless, the aid programs pursued thus far are well within the economic capabilities of the USSR and the other Bloc countries. Their cost is much less than that of major Soviet domestic undertakings and represents annually only a fraction of one percent of total Bloc GNP. The bulk of military aid has come from existing surplus stocks. The economic program impinges primarily upon the machinery industries of the Bloc, which are already hard pressed to meet investment and military goals, but deliveries of capital equipment to date have been small.

### III. EFFECTIVENESS IN IMPLEMENTATION

21. In pursuing their assistance programs, the Bloc countries possess a number of advantages over the West. Their governments are able to take major decisions quickly, without having to subject them to legislative debate, and they are able to negotiate aid credits with a minimum of red tape. Throughout the underdeveloped world, US concern for stability and orderly change, for the sensibilities of European allies, and for the security of Western investment often inhibits US ability to adjust policies to rapid changes. The Bloc is much less subject to such restraints and can give prompt support to radical or revolutionary movements. It is able to move particularly quickly with military assistance, not only in negotiation but also in implementation. In Iraq, the Soviets

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exploited the aftermath of the revolt in 1958 by offering substantial credits. In 1959 the Bloc took advantage of the break between France and Guinea to develop close relations with the latter and to offer it aid.

22. Despite these advantages, the Soviets run into many of the same problems experienced by Western countries. They have discovered no magic shortcut or way to avoid the long process of technical surveys, project approval, and general bureaucratic delay which is endemic to economic aid programs. Their technicians turn out to have the normal range of human frailties and experience many of the same problems of adjustment as do Western technicians in foreign lands. They sometimes make a negative impact on the local populace. Contrary to a widely held impression, proficiency in foreign language appears to be the exception among Bloc technicians rather than the rule. Technicians from the USSR and Eastern Europe, moreover, are just as susceptible as those from the West to the rigors of tropical climates, and often demand special living conditions for themselves.

23. Bloc aid programs are not immune to the negotiating delays and lags in implementation which characterize Western assistance efforts. While Bloc projects usually involve supervision of construction and installation by Bloc technicians, much of the actual work is done under the direction of the recipient country. To the extent that responsibility for administering a project is assigned to the recipient country, the Bloc's control is weakened and there often result delays and errors for which the Bloc must share the blame. Many of the recipient governments, moreover, have been unwilling or unable to allocate sufficient domestic resources to development projects. In a number of countries, such as Afghanistan, Guinea, and Indonesia, the USSR has found it necessary to provide commodities for sale in the domestic market in order to help raise the local currency portions of these projects.

24. Major Soviet engineering projects, such as the Bhilai steel mill in India, are usually of excellent quality. This does not always hold true, however, of all Bloc projects or of many products of Bloc industry. Thus the Egyptians appear to be dissatisfied with some of the heavy machinery delivered by the Soviets in connection with the Aswan Dam project. An automatic telephone installation in Baghdad is of a type which Western countries have not installed in several decades; it breaks down frequently and rarely gives the subscriber the right number on the first try. Soviet jeeps sent under the military assistance program proved inadequate to the Indonesian roads and climate. In general, recipient countries long familiar with Western products have often been disappointed with the quality of Bloc equipment which has not measured up to Western standards.

#### IV. IMPACT ON THE UNDERDEVELOPED COUNTRIES

25. The economic and military assistance programs have unquestionably brought important returns to the Bloc countries in terms of enhanced prestige. In particular, their willingness to undertake such major projects as the Aswan High Dam has made a deep impression, not only in the recipient countries, but more generally in the underdeveloped areas. The general effect has been to raise Soviet and Bloc prestige greatly since the inception of the programs, and to convince the leaders and people of these countries that the USSR is willing and able to contribute substantially to their development. This result far outweighs minor complaints over specific aspects of the programs.

26. Many underdeveloped countries, e.g., India, Egypt, and Indonesia, have come to count upon Bloc aid as an important part of their internal economic development. In smaller countries in primitive stages of economic development, such as the newly independent countries of Africa, even relatively small amounts of aid have made an important local impact. The programs have helped the USSR to establish positions from which it can exert influence over future developments. However, like the US, the USSR has found that such influence is limited.

27. Through the military aid program the Soviets now have established important relationships with a number of military establishments in these countries. Thus, Afghanistan's armed forces are completely dependent on the USSR for military equipment and training. In some cases, training of military specialists from the underdeveloped countries may eventually bring some political influence with it. In addition, the Soviets, by strengthening the armed forces of such countries as Egypt and Indonesia, have disrupted the balance of forces in these areas and have greatly stimulated tensions with neighboring countries. For example, Bloc-equipped Egyptian forces are currently backing the revolutionary government in Yemen, in opposition to indigenous forces supported by other Arab countries.

28. Despite these achievements, Bloc aid programs have in general not succeeded in displacing or seriously weakening Western influence in the recipient countries. It is true that the programs have in many instances encouraged nationalist leaders to be bolder and more assertive against the West. For example, Bloc aid unquestionably stiffened Sukarno's posture against the Dutch. However, in a number of important instances, relations with the West were far worse when the Soviets began their assistance programs than they are today. Bloc military and economic aid has been unable to offset larger political factors leading to improvements in Western relations with those underdeveloped countries which at various times seemed to be potential Soviet allies—e.g., Egypt in the aftermath of Suez, Iraq in the period after

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Qassim's assumption of power, and Guinea in the period immediately following the French withdrawal.

29. Thus the programs have not succeeded in aligning the policies of these countries with those of the Bloc, and indeed the leaders have remained firm in their determination to be independent of either "Bloc" and to accept aid from both sides. These leaders have remained alert to any Bloc attempts to use aid programs to undermine their independence. Their inclinations toward neutrality have been strengthened by the example of Nasser's ability to bargain with both sides and to play one off against the other. In fact, instead of tending toward alignment with the Bloc, these countries have been concerned more with regional movements, such as pan-Arabism and pan-Africanism, and closer relationships with other "nonaligned" countries.

30. Internally, the programs have not produced conditions particularly favorable to the eventual establishment of the Communist system. As the Chinese have feared, Bloc assistance has frequently strengthened the position of the nationalist leaders of these countries, who in some cases (India, Egypt, Iraq) suppress local Communists. The programs have not greatly increased local receptivity to the establishment of Soviet-type institutions. Most of the present leaders in underdeveloped countries in any case favor socialist economies, but these are generally distinctly national brands which will enhance rather than compromise their independence.

#### V. FACTORS AFFECTING THE FUTURE COURSE OF THE PROGRAM

31. We think it certain that the Bloc will continue its aid programs over the next several years. In the first place, assistance to underdeveloped countries has become a mark of great power status which the USSR would be unwilling to sacrifice. Soviet leaders probably do not believe that economic and military aid will quickly bring recipient countries into close association with or membership in the Bloc. However, they have found their efforts effective in breaking down the Western monopoly of influence and realize that their withdrawal would leave the West unchallenged in this important field of competition. The Soviets continue to expect, moreover, that the positions they win through assistance, in conjunction with improvements in their power position and favorable trends in world politics, will eventually produce developments in the underdeveloped countries confirming the Marxist prognosis of Communist triumph on a world scale.

32. Aid policy will vary in accordance with the opportunities which arise, the resources available, and the evolving Soviet attitude toward the underdeveloped nations. With respect to opportunities, the Soviets will probably be watchful in Africa, where the uncertainties of domestic and regional politics and the prospective travails of southern Africa



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and the Portuguese colonies may turn up inviting prospects. In Latin America, they will hope to repair the setback suffered in the Cuban crisis by acquiring a greater foothold on the continent. Offers of assistance will be a part of this effort. In particular, the Soviets can be expected to press their aid on Brazil which is a key country where they probably see good opportunities. While the example of Cuba has underscored Moscow's readiness in Latin America as elsewhere to provide an alternative to dependence on the US, the Soviets have as yet made little progress in Latin America as a whole.

33. It is possible that, during the next several years, economic considerations will impel the Bloc to re-examine its programs of economic aid and to adjust their future scope. Commitments already undertaken will require a substantial increase in deliveries, particularly of heavy industrial equipment. While such deliveries are not large relative to total production, they compete with high priority internal programs which have already placed a strain on production capacity. We think it likely that problems over allocation of resources in the Bloc will increase over the next year or two as the Bloc countries strive to meet ambitious commitments in domestic investment, higher living standards, and expensive military and space programs. In these circumstances, foreign aid expenditures may come under more severe scrutiny.

34. Nevertheless, we believe that any such re-examination would lead to a major cutback in the program only if the Soviets decided, on more general grounds, to alter their overall policy toward the underdeveloped countries. There is some evidence of disappointment in Moscow with these countries, and we cannot exclude the emergence of a more demanding and selective Soviet approach, which would seek a more forthcoming attitude towards Soviet interests and perhaps greater tolerance of local Communist parties. Such an approach would treat some of the non-Communist governments of recipient nations more as obstacles to be overcome than as potential assets to be cultivated, and might involve a substantial reduction in further economic assistance to them. If such a shift in Soviet policy should occur, however, we think that the USSR would still maintain a substantial aid program and would remain ready to make heavy expenditures in individual countries whenever particularly favorable opportunities arose.

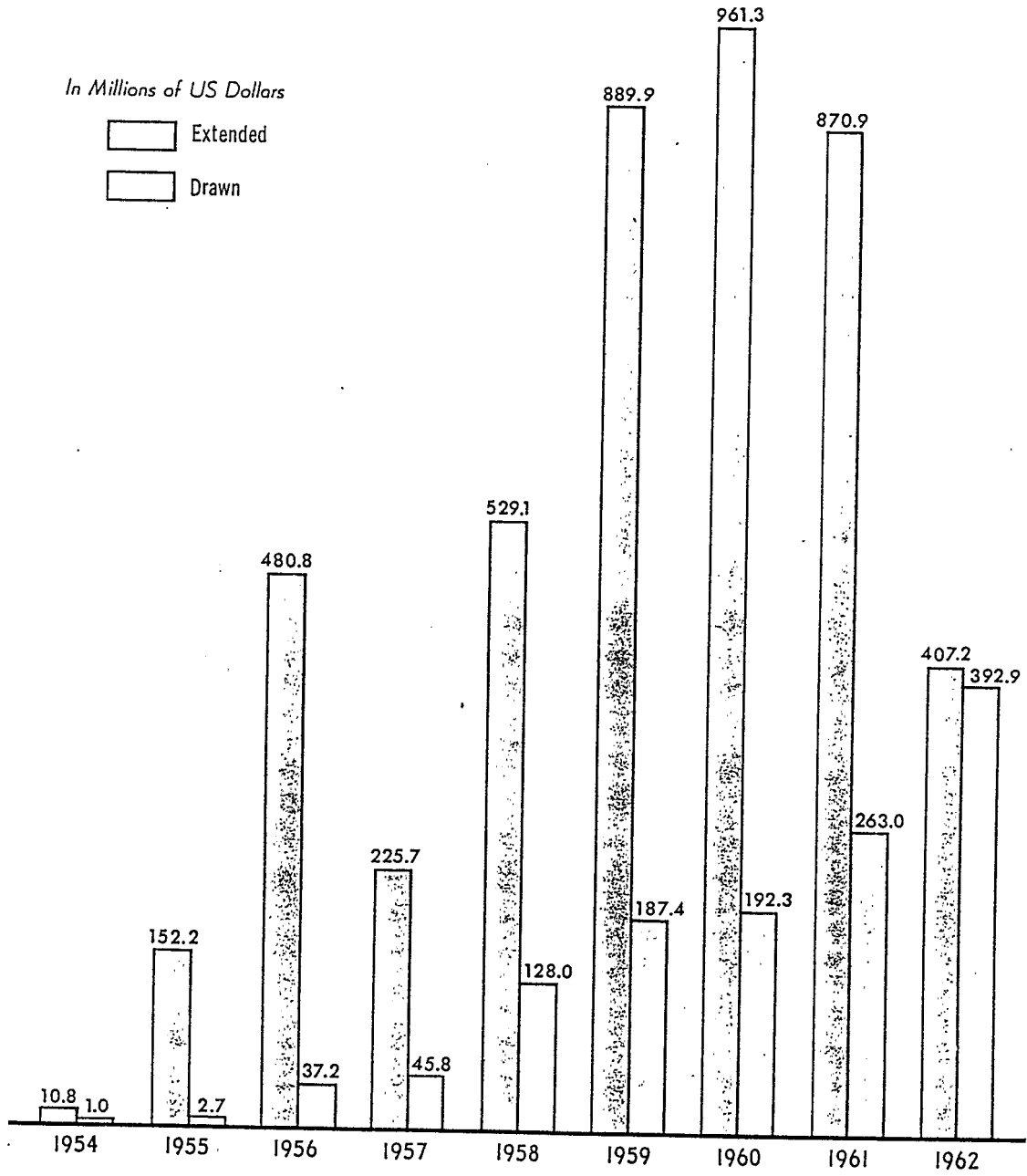
35. Cost considerations will be of less importance in determining future levels of military aid, and we believe that the Bloc will continue to press arms assistance on a variety of potential customers. Moreover, present trends suggest that the USSR will continue to expand the list of advanced weapons available to non-Bloc customers as these countries seek to modernize their forces. To make these weapons operative, it will probably be willing in some cases to provide Soviet personnel to man them even when this requires that they be exposed, albeit without

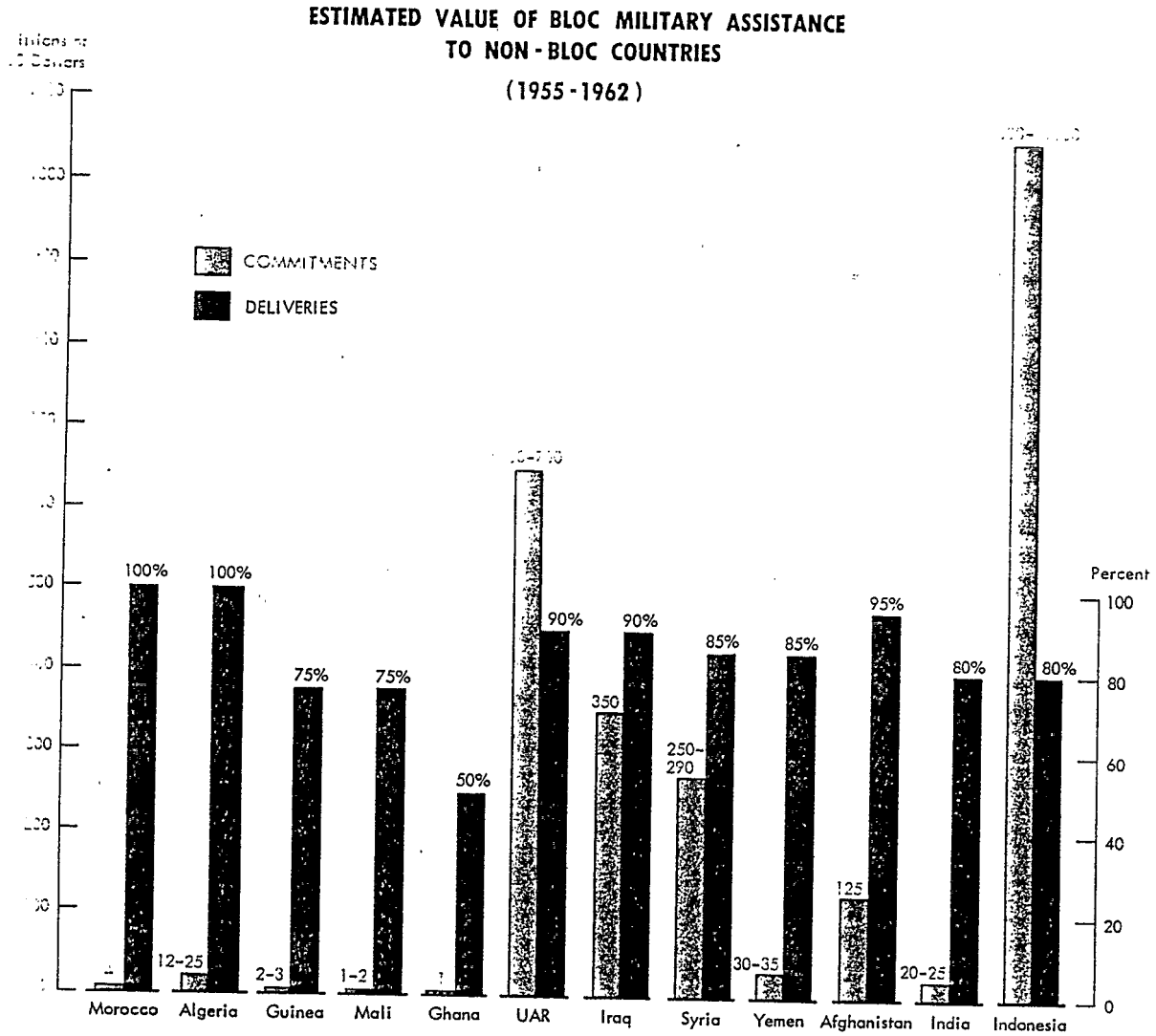
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acknowledgement, to combat situations. We believe, however, that the USSR will not transfer nuclear warheads or weapon systems designed solely for use with such warheads.

36. In our military estimates of recent years, we have pointed to the possibility that the USSR might try to develop forces particularly suited for use in limited actions at a distance from the periphery of the Bloc. In this connection, we have noted that such a policy would require foreign bases or some regular provision for logistical support and maintenance. The local military disadvantage at which the USSR found itself during the Cuban crisis may move the Soviets to serious efforts in this direction. If so, the readiest opportunities for base or logistical support rights would probably be found among those non-Bloc countries which are recipients of Soviet military aid. We have no evidence, however, that the USSR has raised these matters with any of these countries, and it is unlikely that their governments would wish to compromise their neutrality and expose themselves to future military hazard by entering into such arrangements.

# TOTAL BLOC ECONOMIC AID TO UNDERDEVELOPED COUNTRIES





Note 1. Equipment has been valued at average prices contained in contracts between the Bloc and the recipient countries. In most cases the recipients are granted discounts, frequently as much as 30 percent, so that obligations incurred by the recipients are to that extent less than the figures shown above.

Note 2. The above estimates are based on fragmentary information and are less firm than those for economic aid. Military aid agreements are kept secret by both the Bloc and the recipients, whereas economic aid agreements are made public.

## ANNEX C

### MAJOR BLOC ARMS AND MILITARY EQUIPMENT, BY RECIPIENT 1955-1962

TYPE OF EQUIPMENT	UNITS									
	AF- GHAN- ISTAN	UAR	IRAQ	SYRIA	YEMEN	INDIA	INDO- NESIA	GUINEA	MALI	MO- ROCCO
<b>Land Armaments</b>										
JS-2/3 heavy tanks..	...	60	...	...	...	...	...	...	...	...
T-34/54 medium tanks.....	200	515	330 *	385	60	...	...	...	...	40
PT-76 amphibious light tanks.....	...	some	...	...	...	...	140	...	...	...
SU-76/100 self-propelled assault guns..	12	200	120	80	60	...	...	...	...	...
BTR-40/152 armored personnel carriers.....	50	600	310	350	75	...	155	25	30	...
BTR-50p/BRDM/K-61 amphibious carriers.....	...	...	120 *	...	...	...	220	...	...	...
Artillery: field, anti-tank, antiaircraft, truck-mounted recoilless.....	350	1,200	800	550	300	...	500	48	47	some
Infantry support: antitank recoilless, antiaircraft machine guns, mortars.....	many	many	many	many	some	...	many	some	some	...
Infantry weapons: rifles, machine guns.....	many	many	many	many	some	...	many	some	some	...
Trucks and other vehicles.....	many	many	many	many	some	...	many	some	some	...
<b>Naval Vessels</b>										
Sverdlov-class light cruiser.....	...	...	...	...	...	...	1	...	...	...
Skoryy-class destroyers.....	...	4	...	...	...	...	8 *	...	...	...
Riga-class escort.....	...	...	...	...	...	...	8 *	...	...	...
Submarines.....	...	10	...	...	...	...	12	...	...	...
T-43 minesweepers..	...	4	...	2	...	...	6 *	...	...	...
Submarine chasers...	...	2	3	...	...	...	16 *	...	...	...
P-4/6 motor torpedo boats.....	...	27	12	15	...	...	16 *	...	...	...
P G M G (K o m a r Guided Missile Boats).....	...	3	...	...	...	...	12 *	...	...	...
Other: auxiliary vessels and landing craft.....	...	1	6	...	2	...	67 *	4	...	...

See footnotes at end of table.

MAJOR BLOC ARMS AND MILITARY EQUIPMENT, BY RECIPIENT 1955-1962 (Continued)

TYPE OF EQUIPMENT	UNITS									
	AF- GHAN- ISTAN	UAR	IRAQ	SYRIA	YEMEN	INDIA	INDO- NESIA	GUINEA	MALI	MO- ROCCO
Aircraft										
TU-16 jet medium bomber.....	...	20	10	...	...	...	26	...	...	...
IL-28 jet light bomber.....	50	60	16	2	...	...	25	...	...	...
MIG-21 jet fighters..	...	45	16 *	some *	...	some *	20	...	...	...
MIG-19 jet fighters..	...	40	16	...	...	...	20	...	...	...
MIG-15/17 jet fighters.....	126	128	43	48	...	...	83	...	...	14
AN-12 heavy transports.....	...	12	3	...	...	20 *	...	...	...	...
Other: nonjet combat, trainers, transports, helicopters.....	27	160	52 *	18	37	60 *	85	...	...	2
Guided Missiles										
Air-to-Surface <sup>b</sup> .....	...	...	...	...	...	...	12	...	...	...
Surface-to-air <sup>c</sup> .....	...	8 *	5 *	some *	...	...	14 *	...	...	...
Surface-to-surface (ship-launched) <sup>d</sup> ...	...	3	...	...	...	...	12 *	...	...	...
Air-to-air <sup>e</sup> .....	...	45	16 *	some *	...	some *	20	...	...	...
Surface-to-surface antitank) <sup>f</sup> .....	...	...	84 *	...	...	...	...	...	...	...

\* Indicating an order, all or some of which has not yet been delivered.

<sup>b</sup> Indicating the number of TU-16 aircraft equipped with air-to-surface missiles, but not in addition to those listed under aircraft.

<sup>c</sup> Indicating the number of surface-to-air battalions supplied.

<sup>d</sup> Indicating the number of Komar-class boats equipped with surface-to-surface missiles.

<sup>e</sup> Indicating the number of MIG-21 aircraft equipped with air-to-air missiles, but not in addition to those listed under aircraft.

<sup>f</sup> Indicating the number of launchers supplied.

NOTE: In addition to the deliveries listed, Algeria has received five helicopters, some personnel carriers, some trucks and other vehicles, and many mortars and machine guns as well as 48 pieces of field artillery. Ghana has also been the recipient of some rifles, machine guns, mortars, armored personnel carriers and other equipment.

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