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SPECIAL SURVEY OF SELECT SOVIET BLOC ECONOMIC ACTIVITIES  
IN CERTAIN FREE WORLD COUNTRIES (SEPTEMBER 1955)

CIA/RR IP-412

(ORR Project

22 September 1955

WARNING

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Office of Research and Reports

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APR 23 1955

MEMORANDUM FOR: Assistant Director for Research  
and Reports

SUBJECT: Soviet Economic Penetration

*See also, on  
same subject,*

*(unclassified -  
"for Congress").  
Sent by AD IRB 8*

1. It is requested that your office undertake a project concerning the nature and intent of Soviet economic penetration of the Free World. It is requested that your office initially undertake a survey of those areas outside the Soviet Bloc in which the Soviet Bloc countries give indications of making economic inroads, and, subsequently to make detailed analyses of Soviet economic penetrations into the specific areas of Soviet concentration.

2. In recent months there have been several reports of Soviet Bloc efforts to provide technical assistance and equipment to non-Communist countries, such as the proposed Soviet steel mill to be erected in India and technical assistance provided Afghanistan. Active participation by the USSR and Satellites in trade fairs throughout the world has considerably increased, and the Soviet countries undertook an extensive trade agreement program during the latter part of 1953 and early 1954 calling for a considerable expansion of trade. There have been excellent individual reports on the Soviet trade offensive, and on other aspects of economic penetration, but there has been no analysis of where the Soviet Bloc appears to be making a concerted effort and the nature of this effort, with the exception of

This report emphasizes the importance of Soviet activity in this field.

3. What is essentially required is the answers to what the Soviets are doing specifically in the Free World, not discussions of the various tactics used, as these have already been adequately covered. As an example, it is well known that the Soviets are making severe inroads into Afghanistan, and it is also known in which projects they are specifically involved. These matters are not so clear for other countries of the Free World. Specific instances are known but there has never been a concerted and continuous effort to collate and analyze material relative to Soviet economic penetration of the Free World.

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*To be submitted as a  
separate request.*

*"Soviet  
Trading  
Delinquency"*

4. A secondary request which devolves from the over-all request calls for a continuation and extension of the work undertaken under ORR Project. Although it is expected that some of this material will be unclassified, the sources for the above report are, to a large extent, classified, but whether classified or not, such material will be of value to this office. It would be appreciated if, in addition to the attention currently given to Soviet trading delinquencies, material would be prepared on evidences of lack of good faith on the part of the Soviets, variations from established business practices and ethics, difficulties in settling credit balances, difficulties encountered by private firms in dealing with the nationalized industries of the Bloc, and Communist use of trade channels as a propaganda medium. Instances of non-fulfillment of trade agreements or of renegeing on contracts will be appreciated. In this context, analyses or collation of material on the strong debtor position which the Soviet Bloc and particularly the USSR has established would be most useful, as well as short falls in actual deliveries.

Chief

*There is an addendum to this  
concerning Sov Bloc organizations -  
week of 6 June -  
Dated June 7; copy above.*

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## INTRODUCTION

1. At the outset it should be admitted that in any particular instance, and frequently in a whole series of instances, it is difficult to distinguish between economic penetration of a Free World economy and normal commercial relations.
2. It is only when the totality of a Free World country's economic relations with the Sino-Soviet Bloc is considered in the context of its domestic economic needs that anything resembling an identifiable picture of economic penetration may emerge.
3. This survey represents an initial step in assembling a picture based on selected aspects of Soviet Bloc economic relations with Free World countries. The aspects selected are some of those which are likely to be found where the Bloc intends to penetrate the economy of a country. Logical next steps would be research-in-depth on those countries which appear to be primary targets for Bloc economic penetration.
4. Certain cautions should be observed in evaluating the results of this survey. First, in such a scanning effort as this, information appears more plentiful on the more recent Sino-Soviet Bloc overtures to the Free World, thus directing attention to the Middle East and Asia and away from Western Europe and Japan. Second, Bloc overtures to countries in the neutral camp or those relatively uncommitted politically are naturally more noticeable. The resulting geographical bias in favor of underdeveloped

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countries is inherent in the "survey-without-research" approach necessitated by the operational requirements.

Nonetheless, the survey has been useful in gaining a first approximation of Sino-Soviet Bloc efforts at economic penetration. This approximation is adjudged adequate for operational programing purposes.

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### SUMMARY AND CONCLUSIONS

1. Soviet Bloc countries, especially the USSR, East Germany, Czechoslovakia, and Hungary, have greatly expanded their offerings of capital equipment and technical aid to certain Free World countries. The most extensive bloc programs are with Afghanistan, India and Indonesia; stronger economic relations are fast developing with Yugoslavia and Egypt; in addition to Egypt, other Arab states, notably Syria and Lebanon, have been the object of recent concerted trade activities.
2. Viewed by quantitative standards, the Bloc offers are not significant. But some of the proposed means of repayment are of considerable interest. In addition to the more conventional means, the Bloc accepts repayment in kind and in the profits of the enterprises for which Bloc equipment and technical aid are provided. The Bloc countries display an acute opportunism in seeking to purchase surplus goods, especially agricultural commodities. Also, the Bloc seems eager to bid on projects when negotiations with Western companies have broken down. Terms offered by Bloc countries are generally as favorable as, and sometimes more favorable than, those available from free world sources.
3. Under the pressure for rapid industrialization and improvement in consumer welfare, capital-hungry countries of Asia and the Middle East are eager to secure the maximum possible in loans and assistance. Some of these countries have made a special effort to develop loan agreements

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with a variety of countries, both Bloc and Free World, so as not to be beholden to any one in particular and also to maximize their credit potential. Other countries, faced with some of the same agricultural surpluses found elsewhere in the Free World, have actively sought an expansion of trade with the Bloc in order to relieve the resultant pressures on their domestic economies. In still other instances, assistance has been sought from the Bloc to design, build, and train technical personnel to operate industrial installations ranging from a steel mill to atomic energy plants. Because of the large number of such inquiries and the relatively small number of completed project negotiations it is as yet not quite clear whether the inquiries represent bona fide attempts to consummate deals with the Bloc. There is at least some evidence to suggest that certain Western countries view their success in getting Bloc offers as a leverage on the U.S. for larger aid commitments.

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FINLAND

Finnish Foreign Trade  
(Millions of Dollars)

Year	IMPORTS			EXPORTS		
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent
1947	345	49	14.3	409	127	31.1
1948	488	93	19.0	502	160	31.8
1949	410	80	19.5	474	155	32.8
1950	388	70	18.0	392	81	20.7
1951	676	108	16.0	866	148	17.1
1952	792	154	19.4	718	184	25.6
1953	530	182	34.4	572	179	31.4
1954	661	190	28.7	681	190	27.9

Summary

Large reparation payments by Finland to the USSR had the effect of gearing the Finnish economy to Soviet requirements. With the end of reparations, trade with the USSR and the Bloc continued to increase because the Soviet Bloc provided the only market for the products of these high-cost industries. The percentage of Finnish trade with the Soviet Bloc decreased from about 33% in 1953 to 28% in 1954. This has resulted from an increase in trade with the Free World rather than from a decrease in trade with the Bloc. About three-fourth's of Finland's exports to the Bloc have gone to the USSR, but imports have been widely distributed.

I. Trade Agreements with the Bloc Countries

The Soviet-Finnish long-term trade agreements, concluded in June 1950 and July 1954, have tightened Finland's economic dependence on the USSR.

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The USSR is currently supplying a significant percentage of Finland's petroleum requirements, even though meeting with competition from western oil companies. The USSR supplies a considerable percentage of Finland's requirements of grain, sugar and cotton. These agreements have not always successfully provided a market for Finnish products. Under the 1954 agreement Finnish exports of metal industry products—an export item relying almost entirely on the Soviet market—were cut 10% on the ground that prices were too high. Using the same pretext in 1955, the Soviets sharply curtailed the import of prefabricated houses, another commodity which relies almost exclusively on the USSR for its export outlet. The quota for prefabricated houses was reduced to 250,000 sq. meters in spite of the fact that the long-term agreement called for USSR imports of 600,000 sq. meters of housing annually.

Finland has concluded trade agreements with all the Sino-Soviet countries except Albania. Since 1950 trilateral agreements have been concluded with Satellite countries to compensate for a surplus in Finnish exports to the USSR.

## II. Loans and Technical Assistance

In February 1954 the USSR granted a Finland gold loan amounting to \$10 million, with 2½% interest repayable in ten years. As of early May 1955 \$5.0 million was drawn from the USSR to support currency reserves of the

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Bank of Finland. It is believed that the balance will be used for productive purposes chosen by the Bank. In January 1955 the USSR granted a second gold loan under the same terms as the first loan. The second loan has been allocated to a state-owned woodworking company, the Finnish Board of Forestry, two state-owned power companies, the State Railway public works agencies and for other productive purposes. The funds will primarily be used for the purchase of western machinery and equipment.

The USSR submitted an offer to construct an oil refinery in Finland. The contract, however, was placed with an American firm which has had experience in construction projects for the leading oil companies. Two Russian proposals had been previously rejected by Finland on technical grounds.

### III. Miscellaneous

In July 1954, for the first time in Finnish-Soviet trade relations, a political appendix was signed by the USSR and Finland and attached to the long-term economic agreement. This appendix appears to reaffirm some of the principles of the 1948 Soviet-Finnish Treaty of Friendship. In August 1955 a Soviet-Finnish Scientific and Technical Cooperation Agreement was signed. This agreement provides for the mutual exchange of personnel and information and establishes a joint commission to administer the program.

The resale of Finnish property acquired by the USSR to Finnish

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interests has been in progress since 1953. It has resulted in the return of about 20 firms out of an original 90 held. Most of those firms remaining in Russian hands are small with the exception of the company which distributes Soviet petroleum. Negotiations are in progress for the possible transfer of a wood processing firm.

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ICELAND

Icelandic Foreign Trade  
(Thousands of Dollars)

Year	Total	IMPORTS		Total	EXPORTS	
		From	Percent		To	Percent
		Soviet Bloc			Soviet Bloc	
1951	56,731	3,885	6.8	44,615	3,508	7.9
1952	55,863	3,722	6.7	39,377	2,786	7.1
1953	67,789	5,808	8.6	43,281	8,565	19.8
1954	69,406	12,685	18.3	51,939	12,947	24.9

Icelandic exports are restricted almost completely to fish and fish products. The 1952 British boycott of Icelandic fish forced Iceland to seek alternative markets with the result that, within the past several years, the USSR has become the second largest market for Icelandic fish products. In addition, the USSR has become important to Iceland as a source of supply of raw materials, particularly liquid fuels and cement. In 1954 the USSR was supplying almost all of Icelandic oil imports. Iceland has concluded trade agreements with all the European satellites except Bulgaria. Iceland exports fish and imports principally textiles, machinery, coal and vehicles.

In March 1954 the International Bank for Reconstruction and Development refused a loan to Iceland for the construction of a publicly owned, integrated cement plant. At least three offers to assist in the construction of the plant were received from the Soviet Bloc. These offers

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included the following: (1) construction of the plant by the USSR; (2) a loan and the supply of equipment by Czechoslovakia and (3) the sale of machinery by East Germany. A proposal to sell fish products for East German machinery was introduced in the Icelandic Parliament in the fall of 1954. It is interesting to note that the Bloc has appeared willing to construct a plant which would cut off the market for Soviet Bloc cement. Up to the present time, however, none of these offers have been accepted by Iceland.

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ITALY

Italian Trade with the Soviet Bloc  
(Millions of Dollars)

Year	IMPORTS			EXPORTS		
	From World	From Soviet Bloc	Percent	From World	From Soviet Bloc	Percent
1950	1,446	60	4.2	1,199	63	5.2
1951	2,119	80	3.8	1,629	66	4.0
1952	2,313	86	3.7	1,383	59	4.2
1953	2,395	54	2.2	1,488	63	4.2
1954	2,400	65	2.7	1,637	63	3.8

Italian trade with the Sino-Soviet Bloc has been fairly constant in both value and as a proportion of total trade.

There is relatively little pressure from Italian industry and agriculture to export to the U.S.S.R. because many Italian exporters have had to wait long periods to be paid until the Soviets balanced their bilateral accounts. In 1955 the Russians have not offered imports in which the Italians are interested. Italian imports of Russian hard wheat and cotton wiped out 1953 deficits, but these commodities are not available in substantial quantities in 1955.

of '54-'55.

There was a flurry in Sicily early in the winter, <sup>of '54-'55.</sup> The U.S.S.R. bought about 12,000 tons of low quality lemons at prices somewhat in excess of current export prices. At the same time Czechoslovakia bought 600 tons of oranges and tangerines and 300 tons of lemons. The Soviet purchasing agents were also showing interest in essential oils, shelled sweet almonds and capers.

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On the other hand, Rumanian cement is being imported into Sicily and sold in small lots at shipside to persons designated by Communist agents. The price is below the going price for cement in Sicily. This current Soviet commercial interest in Sicily is in direct contrast with a previous lack of activity.

Italian dependence on Polish coal has lessened significantly since 1952. Plants formerly utilizing coal have been converted for the use of other types of fuel. Also, Italy has been able to obtain coal from other sources, such as the United States. Poland had formerly employed coal as a bargaining weapon for strategic goods.

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NORWAY

Norwegian Trade with the Soviet Bloc  
(Millions of Dollars)

Year	Total	IMPORTS		Total	EXPORTS	
		From Soviet Bloc	Percent		To Soviet Bloc	Percent
1947	770	39	5.1	367	40	10.9
1948	750	68	9.0	415	47	11.3
1949	778	64	8.2	396	55	13.8
1950	678	39	5.8	390	26	6.6
1951	877	29	3.3	620	29	4.7
1952	873	36	4.1	565	30	5.3
1953	912	44	4.8	509	33	6.5
1954	1,019	44	4.3	583	45	7.7

Norway is considerably dependent upon Bloc markets for her fish. In the first ten months of 1954 the USSR bought 57 percent of Norwegian fish exports, trading grain for fish. Czechoslovakia trades sugar for fish.

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SWEDEN

Swedish Foreign Trade  
(Millions of Dollars)

Year	IMPORTS			EXPORTS			
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent	Percent
1947	1,452	117	8.0	901	76	8.5	
1948	1,376	153	11.1	1,107	102	9.2	
1949	1,169	105	9.0	1,141	100	8.8	
1950	1,179	83	7.1	1,103	84	7.6	
1951	1,775	137	7.7	1,779	127	7.1	
1952	1,729	108	6.3	1,571	118	7.5	
1953	1,577	61	3.9	1,477	70	4.7	
1954	1,776	70	3.9	1,588	67	4.3	

Swedish trade with the Soviet Bloc has been dropping consistently since 1948, both in terms of value and per cent of trade.

Sweden depends upon Poland for about 40 per cent of her anthracite and bituminous coal imports,<sup>on</sup> Czechoslovakia for 25 per cent of her sugar imports,<sup>on</sup> the U.S.S.R. for 10 per cent of the cereal imports and 9 per cent of animal feed imports. Of her exports, 56 per cent of the fish, 50 per cent of the cheese, 44 per cent of the synthetic fiber, 44 per cent of the dyestuffs, and 33 per cent of the construction and mining machinery are destined for the Soviet Bloc.

During November 1954, at a time when the Swedish textile and clothing industries were in a depressed state, the U.S.S.R. offered to buy some 50,000 men's suits and other garments. This seemed at the time to be a propaganda move and has never actually materialized.

The U.S.S.R. and Sweden are encouraging technical discussions between specialists for the exchange of information.

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SWEDEN

a. Soviet and Swedish electric power experts met together in March 1955. One group of Soviet technicians came to Stockholm and later a Swedish group went to Moscow. The exchange appears to have been limited to technical study and consultation in the electric power field. Discussion was primarily on the transmission of high tension, direct current.

b. A similar exchange of visits on peat production is planned for the summer of 1955. A Swedish delegation is to visit a Soviet mechanized peat digging and the Russians will inspect a Swedish briquette factory and laboratory.

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YUGOSLAVIA

Yugoslav Foreign Trade  
(Millions of Dollars)

Year	IMPORTS			EXPORTS		
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent
1947	169	95	56.3	170	90	52.8
1948	314	143	45.6	303	154	50.7
1949	303	42	14.0	204	28	13.7
1950	236	—	—	159	—	—
1951	391	—	—	184	—	—
1952	373	—	—	247	—	—
1953	395	—	—	186	—	—
1954	334	4	1.2	236	6	2.6
1955 est.		44 a/			44	

a/ Plus 3,000 (000) in payment Bulgarian R.R. debt.

Yugoslav trade with the Soviet Bloc accounted for about half of the country's foreign trade prior to the break in diplomatic relations in 1948. Then no trade was reported for the four years 1950-53. After the resumption of diplomatic contact in 1954, trade agreements were concluded by mid-year which were about 50 per cent fulfilled by December 31. Trade agreements negotiated for 1955 with the U.S.S.R., Hungary, Poland, Czechoslovakia, Rumania, and Bulgaria amount to \$43.5 million each way. In addition, a trade agreement with East Germany was signed in 1954 for trade valued at \$2 million each way through June 30, 1955. It will be noted from the table above that this is approximately one half of the value of trade in 1947. On the basis of 1954 total trade, the new trade agreements

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with the Soviet Bloc are about 13 per cent of imports and 18 per cent of exports.

Recent economic overtures by Sino-Soviet Bloc countries to Yugoslavia have included offers of financial assistance as well as aid in industrial improvement. A mid-1955 foreign press report states that Hungarian, Czech and Soviet economic representatives in Belgrade have shown interest in Macedonian industry and wish to investigate the possibilities for foreign investment there. The article mentioned a cement factory and a textile factory in south Yugoslavia as being incompletely developed and in need of large investments.

During the past month (Aug 1955) the Yugoslav Ambassador to Moscow stated that it was probable that the USSR would supply equipment on credit for Yugoslav industrial enterprises. He stated that this would not in any way involve reconstitution of joint companies nor give the Soviets any flavor of ownership of these enterprises. He subsequently confirmed that the USSR had offered a loan of \$30 million in gold or convertible currencies, \$54 million for imports of raw materials and an unspecified amount for financing construction; all at 2% interest. This rate is very attractive to Yugoslavia in view of the fact that foreign debt service costs that country about \$50 million per year.

Yugoslav officials revealed in early September that the Soviets had offered a nuclear reactor and related equipment on a two-year credit basis.

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It has been rumored that the Russians have also offered to equip a plant for the manufacture of jet aircraft.

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EGYPT

Egyptian Foreign Trade  
(Millions of Dollars)

<u>TOTAL WITH WORLD</u>			<u>TOTAL WITH BLOC</u>			
<u>Imports</u>		<u>Exports</u>	<u>Imports</u>		<u>Exports</u>	
				Per cent of total		Per cent of total
1947	429	371	17	4.0	23	6.2
1948	715	591	64	8.9	72	12.1
1949	673	527	18	2.6	59	11.2
1950	611	504	33	5.3	47	9.3
1951	803	283	43	5.4	55	19.4
1952	628	417	46	7.4	73	17.5
1953	502	394	39	7.7	48	12.2
1954	459	399	27	5.9	56	14.1

Summary

Egypt is in the un-enviable position of being almost completely dependent upon a single commodity, cotton, for its foreign exchange. Faced with a decline in her Free-World markets, Egypt has recently been forced to turn to new markets within the Sino-Soviet Bloc. Bloc countries have been quick to increase their imports of Egyptian cotton and to make propagandistic "hay" in the process. In return Bloc countries have gained access to Egyptian petroleum markets and have established new outlets for their capital goods. A serious economic reorientation appears to be in its incipient stage.

I. Trade

1. Although in recent years Egypt has been unable to export as much as it imports, it has maintained an export balance with the Soviet Bloc.
2. Cotton is the major export of Egypt accounting for 85 to 90 per cent

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of the value of all exports. Opportunities for the sale of cotton have a strong bearing on the geographic distribution of Egypt's foreign trade. Her government is seriously concerned that United States exports of cotton under aid programs may be displacing demand for Egyptian cotton. Egypt estimates that the disposal of surplus U.S. cotton next year will result in losses to Egypt of about LE 30,000,000 or 5% of national income which far exceeds U.S. aid to Egypt. As recently as March 1955 Egypt's Minister of Finance stressed the fact that our action is forcing Egypt to seek larger outlets in Soviet Bloc countries, including China.

3. Cotton exports to the Soviet Bloc have accounted for about 15 per cent of Egyptian cotton exports in post-war years. The Bloc continued to be an active buyer and has proposed several barter arrangements. The Bloc's cotton purchases this year have increased 66% above those of last season and have accounted for some 22% of the current season's total cotton export sales, compared with 10% last year.

a. Both the U.S.S.R. and Rumania are trading petroleum products for cotton. The Egyptian import of Soviet petroleum products is at the expense of Free World suppliers, who are not only deprived of the market but are requested to distribute and market the oil through their facilities. The situation is considered so serious that ESSO may withdraw completely from Egypt.

b. Egypt has agreed to buy 93 diesel-hydraulic shungting engines

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from Hungary with payment to be in cotton. In this instance, a West German firm had submitted a bid 8 per cent lower with three-year credit.

c. Hungary has also offered meat in exchange for cotton and has asked for an opportunity to buy more cotton on credit.

d. Czechoslovakia is attempting to sell heavy machinery to pay for its cotton, and for this purpose held an industrial exhibit during March.

e. The first trade agreement between Communist China and Egypt was signed in August 1955 and covers a three-year period. It provides for an exchange of 60,000 tons of rolled steel from China for Egyptian cotton. It should be noted that China is a net importer of primary and secondary steel forms and secures large quantities from other Soviet Bloc countries.

4. This year Egypt has also been faced with the problem of disposing of a bumper crop of rice. Egypt complained to the U.S. in May 1955 that U.S. disposal of surplus rice in Japan has deprived Egypt of its market. A substantial quantity of Egyptian rice has been purchased by Hungary and the USSR.

## II. Technical Assistance

### A. Construction Assistance

1. Czechoslovakia has agreed to supply Egypt with equipment for a factory to produce rubber and leather footwear.

2. East Germany has offered a factory for the production of pipe

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and reinforced concrete poles. The offer was made in response to an Egyptian firm's request.

3. East Germany has cancelled an agreement, originally accepted by Egypt at 20% below the next lowest bid, to provide Egypt with a high tension network.

4. East Germany made every effort to obtain large orders for the installation of power plants at the Nile Delta irrigation project but only succeeded in receiving an order for 8 high-voltage and low-voltage power plants. Subsequently, East Germany found it impossible to meet the contractual date for completion of 1 May 1955. East German sub-contractors were unable to make deliveries because of shortages of material. A 3-month extension of the contract was requested but, should Egypt insist on the fulfilment of the contract, a high penalty will have to be paid.

5. One of Egypt's foremost physicists, returning in early September 1955 from a conference of atomic scientists in Moscow, reported that the Soviet Institute of Nuclear Problems had offered to give Egypt (and other countries) "all the help they needed to construct atomic energy stations".

6. The Wilhem Pieck factory in Hungary is designing plans for the construction of a bridge over the Nile. Jazsef Lengyel, head of the bridge unit, will go to Egypt to show the plans.

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B. Other

1. It was reported that the USSR offered technical and economic assistance through the auspices of the United Nations but that Egypt declined because it did not wish to open the country to Russian technicians. Soviet Ambassador Solad on 8 June 1955 delivered in writing to the Egyptian Foreign Ministry a detailed formulation of the proposal for Soviet assistance for the High Dam project. It has been reported that Prime Minister Jamal Abd-al-Naar is taking a negative attitude toward Soviet assistance on this project.

2. In connection with the most recent trade agreement Czechoslovakia has offered technical assistance to Egypt. Egypt has agreed to accept Czech experts within the "framework of existing regulations".

III. Miscellaneous

1. The Egyptian Minister of the Interior expressed the view that there have been indications that more and more persons of Russian nationality are handling Soviet Bloc affairs in Egypt. Previously the Russians have left the handling of Middle East affairs to the Satellite representatives. Contacts with local Communists for the most part are still made by Satellite representatives.

2. On a recent Egyptian government invitation for bids for railroad freight cars, Poland bid LE 775 each, CIF Alexandria, compared with the

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lowest Western bid of LE 1,042.

3. The Soviets have reportedly offered Egypt agricultural equipment at 20% below comparative prices.

4. Following a series of high level discussions with the Egyptian government the USSR and the GOE signed an "Open Agreement" of five years duration.

the agreement calls for the USSR to ship initially 200 Jet aircraft--100 of which are to be delivered by December 1955. Of these 37 are to be "medium" jet bombers (presumably IL 28) and the rest MIG-15. Six jet training planes, 100 heavy tanks, 6 torpedo patrol boats and 2 submarines are also included in the initial order. By the conclusion of this agreement the USSR has broken with a long standing policy of supplying arms only to Sino-Soviet Bloc countries.

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GREECE

Greek Trade with the World  
and with the Soviet Bloc  
(Millions of Dollars)

Year	IMPORTS			EXPORTS		
	From World	From Soviet Bloc	Percent	To World	To Soviet Bloc	Percent
1947	186	6	3.5	77	4	5.8
1948	364	8	2.1	94	8	9.0
1949	410	3	0.6	115	1	0.8
1950	428	1	0.3	90	.5	0.5
1951	398	1	0.1	102	.4	0.4
1952	346	1	0.2	120	.4	0.3
1953	294	4	1.3	132	8	6.3
1954	330	9	2.8	152	11	7.1

Greek trade with the Soviet Bloc ~~was~~ increased substantially in 1953 and 1954, restoring it to the levels of 1948.

Greece and the Soviet Bloc have signed several trade agreements. The Bloc countries import immediately from Greece up to the full limit of the credit ceiling of the agreement; then trade usually comes to a standstill while efforts are made to increase the ceiling. In 1953 Greek exports to the Bloc were much greater than imports, and Greece has not been able to obtain payment.

Soviet Bloc countries claim that Greek economic difficulties could be overcome by more trade with the Bloc and that Greek trade controls are a depressant. In some respects the Soviet trade offensive has been successful. The U.S.S.R. sold Greece kerosene and heavy fuel oil at very low prices,

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which seemed to confirm Greek suspicions that Western companies were charging unduly high prices. Also, the Greek State Match Monopoly was able to conclude an agreement with Czechoslovakia to supply matches at extremely low prices. On the other hand, the Greeks were able to sell a tobacco carry-over at favorable prices. In 1954, the Bloc bought about 9 percent of Greek exports of tobacco, fruit, vegetables, olives and olive oil. As yet, Greece is not dependent upon the Soviet markets, but a 9 per cent differential in exports could mean the difference between a profitable or unprofitable year.

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IRAN

Iranian Foreign Trade  
(Millions of Dollars)

Year	Total	IMPORTS		Total	EXPORTS	
		From	Percent		To	Percent
		Soviet Bloc			Soviet Bloc	
1947	178	27	13.0	368	19	5.0
1948	167	6	3.5	491	6	1.2
1949	233	7	3.1	585	3	0.5
1950	264	17	6.3	680	3	0.4
1951	249	24	9.5	591	23	3.8
1952	165	27	16.6	151	24	16.1
1953	168	16	9.7	90	11	12.5
1954	223	21	9.5	111	20	18.3

Iran has been conducting a sizeable share of its foreign trade with the Soviet Bloc, especially during the last few years when oil exports were negligible.

The major imports from the Bloc are cotton fabrics, cement, and sugar, which are supplied chiefly by the U.S.S.R., Hungary, Czechoslovakia, and China. The chief exports are wool, raw cotton, rice, and ores which are destined primarily to the U.S.S.R. Letters were officially exchanged in May 1955 for trade between Iran and the U.S.S.R. during the year beginning April 1, 1955.

Trade between the U.S.S.R. and Iran is convenient for several reasons. Most of the Iranian people live in the north and most of the agricultural products available for export are grown there. Transportation costs to the U.S.S.R. are lower than those to the Persian Gulf where other imports could be obtained. The U.S.S.R. is able to furnish sugar, cement, and cheap

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textiles needed in Iran. Also, the famous caviar fisheries on the Caspian Sea were jointly operated and the catch marketed through the Soviets

An Iranian-U.S.S.R. financial and frontier agreement was signed by the Shah of Iran in mid-April 1955 and by the Soviet praesidium April 25, 1955. It is now ready for implementation. Under the terms of this agreement the U.S.S.R. is to repay Iran in commodities for \$8 million Iranian cash reserves seized by Soviet wartime occupation forces. The first shipment of Russian wheat against this began to arrive in March before ratification. The U.S.S.R. may also ship industrial and agricultural machinery.

Iran and the U.S.S.R. had agreed in 1935 to cooperate in pest control and plant disease up to 50 kilometers inside each country. In October 1954 five Iranian entomologists attended a Locust Control Conference in Moscow. At that time the Russians offered Iran all the equipment and insecticides that they might need and a supply of radioactive isotopes and laboratory equipment. The Iranian delegates refused to accept this help without the approval of the home government. The delegates agreed to seek government approval for a joint desert locust research station in South Iran and Russian technical assistance.

The Iranian government is studying a Russian aid offer, according to a July newspaper article. The offer is reported to include the free use of four dredging boats for dredging the Caspian Sea coasts.

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instructions issued to the Tudeh Youth Organization in June 1955 requested the members to espouse the following lines when discussing international relations: "The Shah is striving to bring Iran into war for the sake of the imperialist war-mongers. On the other hand, the Soviet Union is trying to overcome differences in a friendly manner....The Soviet government is giving aid to all neutral and needy countries in the form of proposed financial and technical help. The people should want to accept Soviet friendship and therefore profit by the proposed technical aid. They should ask for industrial development... and agricultural equipment etc., which the Soviets propose to give Iran on a barter basis".

The Hungarian-Iranian trade agreement concluded in late May or early June 1955 calls for Hungarian exports of "various kinds of factory installations, machine tools, agricultural machines, and vehicles" among other things.

Czech newspapers reported in June that Czechs had established a sugar refinery in Iran.

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ISRAEL

Israel Foreign Trade  
(Millions of Dollars)

Year	IMPORTS			EXPORTS		
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent
1949	321	31	9.8	38	2	5.6
1950	287	16	5.7	35	3	8.1
1951	343	10	3.1	45	2	4.6
1952	n.a.	5	n.a.	43	3	6.1
1953	287	2	0.8	58	2	3.4
1954	290	7	2.4	85	4	5.2

The U.S.S.R. is becoming one of the major suppliers of oil to Israel. Inasmuch as Israel does not trade with its Arab neighbors, the Soviet Bloc is one of its nearest sources of supply. Soviet oil deliveries in 1954 totalled 280,000 tons and represented most of Israel's imports from the U.S.S.R.

It was reported in May 1955 that the USSR had offered technical aid to Israel. Recent foreign press reports state that the USSR is especially interested in developing Israel's oil production and refining facilities and in industrializing the Negev. Israel reportedly has indicated that each project will be considered separately.

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LEBANON

Lebanese Foreign Trade  
(Millions of Dollars)

Year	IMPORTS			EXPORTS		
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent
1951	189	4	2.0	91	2	1.7
1952	180	4	2.5	52	2	3.0
1953	184	4	1.9	55	1	2.0
1954	221	4	1.9	48	1	2.2

Lebanese trade with the Soviet Bloc continues consistently at a rate of 2 per cent of both imports and exports.

Czechoslovakia is one of the main Bloc traders with Lebanon. It has been rumored that Czechoslovakia has plans under way to supply equipment for seven factories (to produce porcelain, crystal, glass, sugar, and electric materials) with payment in goods over a seven-year period. Czechoslovakia has also made the best offer to buy the output of an iron mine, in which the ore has an iron content of 60 per cent iron, being developed in southern Lebanon.

A Lebanese delegation of the Minister of the National Economy, the President of the Association of Lebanese Industrialists and several businessmen visited Czechoslovakia for 12 days during June 1955. The visit was made at the invitation of the Czech government which also paid all expenses.

During the visit the Czechs offered to send, and the Lebanese agreed to receive, Czech consultants (at no charge to Lebanon) who would make

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studies and recommendations which would assist the Lebanese in establishing new manufacturing plants for ceramics, glassware, paper, lumber, etc., using Czech equipment. Czech technicians would be furnished for the supervision of machinery installation and for training in the operation of the plant and in processing techniques.

The U.S.S.R. Legation in Beirut offered five deep hole rotary drilling rigs to a Lebanese firm in May 1955 at one third the American price for comparable rigs. These were to be used to drill 150 water wells for the Syrian Government in south Syria. The Soviets told the firm that they would supply all equipment needed for the well drilling operations.

At a June meeting with Soviet officials in the Legation pressure was put upon company officials to form a company for oil exploration in Saudi Arabia. The Soviets offered to supply all equipment on credit with payment to be made subsequently out of profits. Officials of the Lebanese firm maintained that oil operations in Saudi Arabia would be impossible in view of American rights there. The Soviets became angered by their refusal to consider the offer and apparently both deals involving Soviet drilling rigs have fallen through.

During April 1955 East German interests submitted an entry to a contest for designs of a tobacco factory to be built in Lebanon. The German entry did not reveal the country of origin.

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SAUDI ARABIA

While the Soviet Bloc apparently is not making any substantial effort to increase trade with Saudi Arabia it has engaged in a few activities which indicate that there is not a complete lack of interest on the part of the Soviets.

East Germany, for example, has been negotiating since early 1955 over construction of a cement plant in Saudi Arabia. Plants of 600 and 200 ton capacity were under discussion earlier in the year, while recent negotiations involve a plant of 350 tons daily capacity.

Officials of a Lebanese drilling firm were approached by Soviet officials at the Soviet Legation in Beirut concerning the possibility of their undertaking oil drilling operations in Saudi Arabia using Soviet equipment, all of which would be furnished on long-term credit to be paid for out of subsequent profits. The Lebanese officials protested that such an undertaking would be impossible in view of the American monopoly there. The Soviets, angered by their resistance on this point, protested that the important thing was not the success of the venture but the formation of company for such operations in order to show the world that the Russians were after "the right thing", that they "want to help everyone", and that "everyone can do his own work". Grasping for excuses with which to stall off the Russians the Lebanese firms officers mentioned a need for technical experts for such a venture. The Russians replied that these could be

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SAUDI ARABIA

supplied "indirectly". The Soviets were considerably agitated over their coolness toward this proposition and promptly offered stiffer terms on another deal pending between the parties.

An August 1955 report states that the Soviets have offered arms and ammunition to King Saud on "highly advantageous terms".

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SUDAN

Sudanese Foreign Trade  
(Thousands of Dollars)

Year	IMPORTS			EXPORTS		
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent
1947	66,984	631	0.9	63,630	269	0.4
1948	91,559	1,427	1.6	98,690	1,557	1.6
1949	90,532	6,782	7.5	108,326	884	0.8
1950	77,705	1,839	2.4	95,100	93	0.1
1951	120,527	3,608	3.0	183,518	792	0.4
1952	177,190	5,490	3.1	122,839	792	0.6
1953	145,518	3,553	2.4	127,547	144	0.1
1954	139,268	11,178	8.0	116,195	897	0.7

In recent years, exports have been below imports due to the drop in demand for cotton. Trade with the Soviet Bloc is interesting in that imports from the Bloc are usually much greater than exports to the Bloc. Czechoslovakia and Poland have been the major sources of imports.

About mid-year 1955 a Czechoslovak Trade Mission was in the Sudan to discuss cotton procurement.

The Soviet Embassy in Cairo appears to have been the first to capitalize on the recent Egyptian-Sudanese political developments. In June 1955 a mission from the Soviet Embassy in Cairo approached the Sudanese Government to discuss possibilities of trade relations between the two countries. The Soviet delegation suggested that Russia should supply the Sudan with experts required for development to replace expatriates retiring because of Sudanization. Interest was expressed in major development schemes like the proposed Roseires dam project soon to be carried out by the Sudanese. Presumably as an outgrowth of this interest the Soviets indicated a desire to establish a trade advisor's office in Khartoum.

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SYRIA

Syrian Foreign Trade  
(Thousands of Dollars)

Year	IMPORTS			EXPORTS		
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent
1951	164,217	3,999	2.4	135,117	616	0.5
1952	161,593	4,977	3.1	155,891	1,241	0.8
1953	140,107	4,622	3.3	172,833	n.r.	—
1954	185,503	4,759	2.6	130,276	682	0.5

Syrian trade with the Soviet Bloc represents only a small fraction of total Syrian trade. Imports consistently exceed exports. The chief export in 1954 was raw cotton which was shipped to China (including Formosa).

During May and June, officials of a Lebanese firm were offered five Russian rotary drilling rigs at low prices for their use on a project in the Hauran district of South Syria. reports indicate that the Russians have hardened their terms after officials of the Lebanese firm balked at Soviet efforts to persuade them to engage in drilling operations in Saudi Arabia, again using Russian-made equipment supplied on very favorable terms.

The French-controlled North Syrian Railway Lines have contracted recently to purchase 100 freight cars: 50 from the nationalized trade agency of East Germany (DIA) and 50 from the Austrian firm of Simmering. Apparently the railway approached about 20 firms, mostly in Europe. DIA made the lowest bid and Simmering upon request reduced its bid to the level

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of DIA. Therefore the order was split. The Austrian firm reports severe price competition from the Bloc throughout the Middle East.

Negotiations were reported under way in July 1955 for the construction of a highway across Syria by Hungarian engineers. The report stated further that it was Hungary's intention to obtain Syria's promise not to grant any possible requests for asylum.

Two members of the Syro-Lebanese Communist Party Central Committee were granted the agency for the sale of Russian-made autos in Syria and Lebanon. In announcing the opening of this agency in March 1955 they stated that this was the first agency to be opened in the Middle East for the purpose of selling Soviet goods privately; that it had been agreed in Moscow to open such an agency because of the strong anti-West attitude on the part of the Syrian government and people; and that the Soviets are finding so much support in Syria and Lebanon that they have decided to supplement their political propaganda by economic and commercial propaganda.

Offers have been made to Syrian businessmen by the East German trading organization, DIA Invest Export, for a sugar refinery, a boiler plant, a power station, a dry battery manufacturing plant and a hydroelectric station. Revised estimates of costs for a cement mill previously ordered by a Syrian firm were sent by DIA Invest-Export in May 1955. The new estimated costs, including machinery, electrical equipment, test equipment, freight etc. are \$1,322,291.

Czech newspapers reported in June 1955 that Czechs had already established a large agricultural combine in Syria.

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TURKEY

Turkish Foreign Trade  
(Millions of Dollars)

Year	Total	IMPORTS		Total	EXPORTS	
		From Soviet Bloc	Percent		To Soviet Bloc	Percent
1947	245	16	6.4	223	16	7.2
1948	275	24	8.7	197	19	9.5
1949	290	35	11.9	248	29	11.8
1950	286	22	7.9	263	18	6.9
1951	402	20	5.0	314	25	7.9
1952	556	21	3.7	363	20	5.6
1953	533	29	5.5	396	29	7.4
1954	478	45	9.5	335	54	16.1

Summary

The USSR has been conducting a trade offensive in Turkey since mid-1954. This offensive has been characterized by advertisement of Soviet goods (emphasizing capital equipment) in the Turkish press and trade journals and at the annual Izmir International Fair, and has reportedly been supported by offers through official channels to supply capital equipment on credit to be repaid from subsequent production. It should be noted that Turkey is still paying off a Soviet loan of 8 million gold dollars made in 1934, the payment of which will be completed in 1959. Czechoslovakia and East Germany have also made significant efforts to increase economic relations with Turkey.

I. General Trade

Trade with the Soviet Bloc accounted for approximately 16 per cent of Turkish exports and 9 per cent of Turkish imports in 1954, which is almost

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double 1953 and the highest ever recorded. The Satellites are understood to be pressing Turkey to supply more goods. Turkey has trade agreements with Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania, and the U.S.S.R. By and large this trade consists of the exchange of Turkish agricultural products for Bloc manufactured goods.

From the Soviet point of view, the trade offensive and offer of economic aid is well timed. A critical shortage of foreign exchange is endangering the Turkish government's investment program. A number of operating industries are suffering from a shortage of imported raw materials and spare parts. Some loans obtained from OEEC countries have been tied in with commitments to liquidate outstanding commercial debts.

## II. Factory Installations from Bloc Countries

1. Following November 1955 reports that the USSR had expressed (through official channels) a willingness to provide Turkey with capital equipment on credit, the Turkish press reported in January 1955 that the USSR had offered to provide equipment on credit for 3 cotton thread mills in southwestern Turkey, to be repaid by the shipment of thread over a period of 30 years.

2. In mid-1955, East Germany was reported to have made a preliminary offer on a ceramics factory.

3. A March 1955 report stated that a contract had been signed with Czechoslovakia for delivery of complete equipment for a cotton mill to be delivered in 1955 and 1956 with assembly to be supervised by Czech technicians.

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### III. Miscellaneous

It was reported in April 1955 that the Czechs had contracted to supply 150 railroad cars for \$5 million. This was reportedly \$2 million below the next lowest bid.

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## AFGHANISTAN

### Summary

There has been substantial Soviet economic penetration of Afghanistan in the past two years. Soviet projects in Afghanistan usually score on one or more of three points which are valuable in furthering Soviet influence there. These are: (1) projects facilitating economic ties with the USSR, such as linkups to Russian rail lines, and improved roads to the USSR; (2) projects which increase Russian influence over important sectors of the Afghan economy, e.g. Soviet control over Afghan gasoline supply to be facilitated by new Soviet-Afghan pipe line; (3) prestige projects which give prominent display to Soviet accomplishments, such as the paving of Kabul streets and the supplying of Russian buses and taxis. Known projects of combined Soviet and Czech aid in 1954 totaled about \$13 million, chiefly on credit. Several projects appear to have been chosen with a dual purpose of providing facilities for a possible invading army and of filling real economic needs of the country.

### I. Soviet Bloc Aid Projects in Afghanistan

#### A. Transportation and Communication

There has been a major emphasis on the solution of transportation problems. Afghanistan, almost completely dependent on motor transportation, imports its gasoline. In 1954 the U.S.S.R. furnished 60 per cent of the gasoline requirements and at prices approximately one half of that charged

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by Cal-Tex and Burma Shell. The Soviets have constructed gasoline storage facilities at Mazar-i-Sherif, Herat, Dagla Arosa, Islam Kala, and are now doing so at Kabul. A gasoline pipe line is to be built from the Russian border to Mazar-i-Sherif. During April 1955, when it was not possible to obtain supplies through Pakistan, the Afghan Government turned to the U.S.S.R. and Iran for aviation gasoline.

In addition to its invasion of the Afghan gasoline markets the USSR has given attention to other aspects of the transport sector of the Afghan economy. In October 1954 an agreement was made whereby the Russians would provide credit of over \$2 million for the purchase of Soviet road-building machinery, trucks and technical assistance for the paving of Kabul streets. Soviet engineers are to survey two routes for the construction of a railway line connecting with the Soviet railway system, and are planning construction of a port which will improve river transport between the two countries.

A five-year Soviet-Afghan agreement on transit questions was signed on 28 June 1955, which provides for the transit of goods over the territory of the other.

The USSR also has supplied metal poles and communications wire sufficient to install 1,500 kilometers of telegraph and telephone lines.

#### B. Industrial Constructions

The USSR has built an asphalt and cement plant in Kabul which went into operation in May 1955. The USSR has financed two grain warehouses, a

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flour mill, and a bakery to be built in Kabul. It has built a large cotton gin in Kunduge.

Under the terms of an October 1954 agreement Russian engineers have completed surface geology surveys and are proceeding with core drillings in connection with their explorations of sulfur deposits in Southeast Afghanistan. The Soviets are to erect a beneficiation plant which reportedly will be designed to produce 20,000-40,000 tons annually of concentrate containing 50 per cent sulfur, chiefly for sale to the USSR. It has also been reported that the Soviets are planning to move into the Dara Suf coal area to develop mines to support the nearby sulfur extraction operations. Coal is reported to be a critical commodity in the Afghan economy.

Czech loans reportedly are providing for a cement plant, a glass factory, a briquette plant, a fruit cannery and a nitrogen plant. For the cement plant, which is already under construction, a \$1.5 million credit was extended and Czechoslovakia is supplying both machinery and technicians to supervise construction and the training of Afghan personnel in its operation.

Other reports indicate that Poland has recently offered to provide materials, equipment and technicians for the installation of water systems in Kabul and Quandahar, and that Hungary has offered long-term credit for

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the construction of brick, glass and other plants.

C. Miscellaneous Projects

August 1955 reports state that the USSR has offered \$60,000 worth of equipment for the Kabul Medical School as well as a medical mission to organize and staff a health program.

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~~CEYLON~~

Ceylonese Foreign Trade  
(Thousands of Dollars)

Year	IMPORTS			EXPORTS		
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent
1949	288,635	1,206	0.4	293,354	525	0.2
1950	245,029	1,459	0.6	328,213	91	neg.
1951	327,321	2,356	0.7	399,922	8,452	2.1
1952	357,513	8,042	2.2	315,476	28,896	9.2
1953	337,646	45,487	13.5	329,287	51,530	15.6
1954	293,424	33,084	11.3	379,952	46,878	12.3

Communist China is Ceylon's second best customer, taking about 12 per cent of total exports in 1952. This is primarily because of rubber shipments.

Under the terms of a five-year contract signed in December 1952, effective beginning in 1953, Ceylon has been shipping annually 50,000 metric tons of rubber to China in exchange for 270,000 metric tons of rice. This contract is renewed each year. China has been having difficulty in providing the necessary rice, and, in fact, lagged into 1955 on filling its 1954 contract.

Overall trade between Ceylon and the Bloc has been heavily out of balance with Ceylonese exports consistently exceeding imports. The rubber shipments to China are a major factor.

It is reported that the U.S.S.R. has offered to barter Ceylonese tea and coconut for machinery and textiles. Inasmuch as Ceylon is seeking opportunities to expand its sales of tea and coconut, this trade would be attractive.

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Ceylon is to receive Soviet equipment, valued at 30,000 rubles, under the United Nations technical assistance program, for use on a salt project. The equipment will be carpentry tools. There is a possibility that Russian equipment will also be received for a health project.

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INDIA

Indian Foreign Trade  
(Millions of Dollars)

Year	<u>IMPORTS</u>			<u>EXPORTS</u>		
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent
1951	1,770	38	2.2	1,646	31	1.9
1952	1,688	40	2.4	1,303 a/	16 a/	1.3
1953	1,186	8	0.7	1,114 a/	15 a/	1.3
1954	1,231	11	0.9	1,180	19	1.6

a/ Includes partially incomplete exports to Tibet.

Summary

Sino-Soviet Bloc countries have accounted for an average of only about 2 percent of India's foreign trade since 1950. Trade agreements are in effect with nearly all of the countries of the Sino-Soviet Bloc, but the agreements do not include commitments or quotas for specific volumes or values of any commodities.

During the past twelve months, however, negotiations have been in progress between India (both on the governmental and private firm levels) and several Bloc countries regarding the delivery and setting up of a dozen or more plant installations in India. If agreements were to be concluded on even half of these plants a significant penetration of the Indian economy would have been effected by the Soviet Bloc.

The USSR has had the greatest success to date, having concluded an agreement for the planning and construction of a \$210 million steel and

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the provision of \$91 million worth of equipment for it. The USSR also has been given a contract for the construction of a modern diamond-ore processing plant.

India also is receiving U.N.-administered technical aid from the USSR.\* This involves the provision of technical experts and equipment to certain Indian institutes.

### I. Technical Assistance

#### A. Plant Installations

1. On 2 February 1955 India and the USSR signed an agreement for the construction by 1960 of a steel plant in Bhilai, Madhya Pradesh with a capacity of one million ingot tons of steel. The total cost of the project will be about \$210 million. Machinery and equipment to be supplied by the USSR is estimated to cost \$91 million f.o.b. Black Sea and Baltic ports. In addition, services for preparing the project report and design are valued at \$5 million. Payment is to be made in 12 annual installments with interest at  $2\frac{1}{2}$  per cent of the unpaid balance.

Final agreement is contingent upon Indian acceptance of the survey and plan report and prices. Soviet and Indian engineers have been working at the site and a team of Indian engineers went to the USSR in July to inspect equipment.

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\* Since the USSR made its contribution to the UN technical assistance funds in rubles, they can be utilized only by purchases of equipment or services from the USSR.

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2. It has been reported that negotiations were under way in late 1954 between the Metal Corporation of India Ltd. and the USSR for the purchase, planning and installation of an electrolytic zinc smelter.

3. reported in late 1954 that the Russians had supplied technical assistance and capital to help a Birla subsidiary establish a steel file plant in Calcutta.

4. On 19 June 1955 India accepted a Soviet offer to modernize the diamond mining industry at Panna, Vindhya Pradesh. The Soviets agreed to install a modern plant capable of processing 10,000 tons of diamond bearing rock a day. (Russian experts were engaged in a survey of the Panna mines from August to October 1954). In connection with this, industrial diamonds have been listed as a possible export from India to East Germany in recent exchanges of trade letters. Industrial diamonds presently are embargoed by CoCom and Russia is seeking new sources of supply.

5. The USSR reportedly offered (sometime in 1955) to supply electric generators with a total capacity of 490,000 KW. for India's Bhakra, Nangal hydroelectric system, an important part of the current Indian electrification and development program. The value of the generators is estimated to be at least \$16 million. If turbines are included the value may go as high as \$42 million.

6. The London Daily Worker reported in July 1955 that the USSR had offered an atomic reactor and all necessary technical assistance to India.

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7. In February 1955, Czechoslovakia offered to supply India with a complete steel plant, as well as caustic soda and sugar manufacturing plants on "favorable terms."

8. In late 1954 the West Bengali government reportedly invited bids from Czechoslovakia, Poland and East Germany for the delivery of a complete large-scale coking plant with a daily capacity of 1,300 tons of dry coal to be valued at about \$13 million U.S. The East Germans attempted to bribe Indian officials through an Indian firm for acceptance of their bid.

9. The Czechs reportedly expressed interest (in mid-55) in building a steel plant in Southern India. The Indian government reportedly is considering the construction of a fourth steel plant in this area.

10. In early 1955 East German reportedly bid on construction of a high explosive plant but was expected to lose to an Italian bid.

11. In April 1955, Indian firms in Bombay and Madras contacted East Germany for bids on specified power plants (one 600 KW. and two 300 KW.).

12. In July 1955 the Czech Trade Commissioner and two assistants (one a Skoda official) arrived in Shillong to arrange for a visit by a team of Czech experts in connection with Assam's development projects, particularly the cement factory at Cherrapunji, the Gauhati-Cherrapunji aerial ropeway, the Brahamaputra bridge, the Cherrapunji thermal station and a cooperative sugar mill.

13. Hungary has begun construction of a wire mill at Patiala and

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will furnish specialists.

14. Two East German officials visiting India offered to supply the necessary capital equipment required for the expansion project of the state-owned Mysore iron and steel works.

B. Miscellaneous

1. Under the terms of the 1954 trade agreement East Germany offered to provide technical services for the installation and operation of equipment purchased from East Germany.

2. Unconfirmed Indian press reports state in May 1955 that an institute of advanced technology is to be established in Bombay. The USSR is said to have offered experts and equipment for this institute. (A Russian offer of technicians for the Indian Institute of Technology of Kharagpur University reportedly was rejected on the formal ground of inability to speak English.)

3. The first official Soviet technical aid mission consisting of 8 Soviet technicians and scientists arrived in Calcutta in November 1954 to work at the Indian Statistical Institute. A smaller group arrived in December 1954. All such personnel are probably a part of the Russian technical aid being administered under the auspices of the U.N.

II. Other Penetration Activities

1. India has purchased 4 Russian made wheel-type tractors for test and trial by the Central Tractor Organization. Two Soviet technicians

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were to train Indians in the use of the tractors. Satisfactory tests could result in large orders.

2. By underbidding "several capitalist nations" Czechoslovakia reportedly won a contract for delivery of 2,050 railroad freight cars, valued at \$5 million, to India, beginning in 1956.

3. There have been several Bloc exhibits of industrial machinery in India. Showrooms for the display of more than 150 types of Russian machinery and equipment were announced in a full-page advertisement in the Bombay Times of India of 22 March 1955. Czechoslovakia has exhibited machinery in Bombay. Poland plans a display for the industrial fair to be held in New Delhi this autumn.

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PAKISTAN

Pakistan Foreign Trade  
(Millions of Dollars)

Year	IMPORTS			EXPORTS		
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent
1950	405	26	6.5	495	32	6.4
1951	520	25	4.7	750	73	9.7
1952	610	9	1.4	533	120	22.5
1953	350	4	1.2	439	20	4.5
1954	325	3	0.9	359	34	9.4

Communist China is Pakistan's principal Bloc trading partner, providing an important market for Pakistani exports of cotton and jute. Pakistan carries on a relatively small amount of trade with the USSR and Eastern European Satellites. Raw jute and cotton are exchanged for coal, grain, cotton textiles, machinery and other manufactures.

Pakistan has had trade agreements with several Bloc countries--the USSR, Czechoslovakia, Poland and Hungary--but these agreements were allowed to lapse in 1953 and have not been renewed up to the present.

In 1954 the USSR and several satellite countries began advertising in Pakistani newspapers and periodicals. The USSR advertised varieties of capital goods and cotton textiles of high quality and competitively priced. Advertisements of the satellite countries gave the name of the manufacturers and representatives in Pakistan.

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PAKISTAN

Pakistan has expressed little interest in technical assistance offers rendered by the Sino-Soviet Bloc. The 1952 Czech-Pakistani trade agreement included an offer of technical aid by Czech<sup>slovakia,</sup> but implementation of the offer is unknown. Hungary too expressed an interest in helping with Pakistan's development program. In recent months the Pakistani government has been considering the acceptance of the UN's offer of Soviet earth-moving equipment valued at \$135,000 in connection with a UN-assisted irrigation and reclamation project in Baluchistan. However, conditions were made by Pakistan to the effect that no Soviet technicians were to be included and Soviet equipment should be standard with adequate spare parts.

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BURMA

Burmese Foreign Trade  
(Thousands of Dollars)

Year	IMPORTS			EXPORTS		
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent
1948 a/	180,055	5,547	3.1	228,854	13,427	5.9
1949 b/	133,422	10,103	7.6	240,204	11,273	4.7
1950	111,244	2,125	1.9	157,509	1,404	0.9
1951	137,654	1,941	1.4	206,341	1,798	0.9
1952	192,510	2,725	1.4	266,061	54	neg.
1953	178,411	2,235	1.3	224,294	2,867	1.3
1954	204,100	2,162	1.0	222,430	616	0.3

a/ Fiscal year ending September 30, 1948.

b/ October 1948 - December 1949, inclusive.

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Summary

Sino-Soviet Bloc countries have been strengthening their economic ties with Burma in two ways: (1) by providing foreign markets for her principal export commodity,\* rice, which has been faced with declining markets in Free-World countries, and (2) by offering technical assistance and credit.

Both methods involve the importation by Burma of Bloc machinery, which means a continuing dependence upon Bloc supplies of parts, and which permits the influence of Bloc technical personnel who either come to Burma to advise and put plants into operation or train Burmese personnel abroad.

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\* In recent years, rice has accounted for about three-fourths the total value of exports.

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Although the countries of the Sino-Soviet Bloc have accounted for only about one percent of Burma's foreign trade in recent years they are setting the stage for valuable propaganda exploitation by alleviating a depressed market condition and by offering technical assistance.

#### I. Trade Agreements with Bloc Countries

Burma signed trade agreements in February 1955 with Czechoslovakia, East Germany and Hungary, in March with China, and in July with the USSR.

The Chinese agreement calls for the exportation by China of semi-fabricated steel products and complete sets of machinery and weaving mills. The Soviet agreement, which has a duration of 3 years, calls for the annual importation of 150,000-200,000 tons of rice by the USSR against Soviet deliveries of machinery.

#### II. Technical and Financial Aid from the Bloc

##### A. Construction Assistance

In May 1955 an agreement was signed whereby Burma will buy a small spinning and weaving mill from Communist China. Chinese technicians are to set up the plant and put it into operation.

##### B. Loans and Credits

In early summer of 1955 a counsellor of the Chinese Embassy visited Lashio to issue loans (provided by Bank of China) to Chinese traders there provided: (1) they display the flag on national holidays (presumably the Chicom flag), (2) send children to Chicom schools, (3) show allegiance

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through participation in civic meetings, and by making contributions and (4) obtain 2 cosignees approved by the Chicom party.

The USSR reportedly has extended ten year credits of \$1.0 million each to 2 Burmese businessmen with extensive mining interests. Credits allegedly will be used to buy mining machinery in the USSR. (A loan of this magnitude to a foreign individual is out of line with previous Soviet practices. The report is unconfirmed by other sources.)

C. Other

Burma expressed willingness in June 1955 to accept USSR technical assistance under the U.N. program. This aid reportedly is to amount to 4 million rubles and will probably consist of materials from the USSR.

The new trade agreement with the USSR calls for the sending of Soviet technicians to Burma for "appropriate consultation," and for the training of Burmese technicians in the USSR on machinery going to Burma in exchange for rice.

III. Organizations Promoting Economic Ties with the Sino-Soviet Bloc

The Rangoon branches of the Bank of China and the Bank of Communications are strongly influenced by Red China. The Research Department of the Rangoon Branch of the Bank of China has made studies at the request of the Chicom Embassy of Burmese market potential for Chicom consumer goods and of pay rates and privileges of foreign technicians in Burma (to assist the Chicoms in bargaining over rates for their technicians).

East Germany was reported in early August 1955 to be opening a trade office in Burma.

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#### IV. Miscellaneous

##### A. Bloc Markets for Burmese Rice

Burmese exports of rice in 1955 are expected to reach 1,500,000 metric tons (40,000 tons more than in 1954). Sino-Soviet Bloc countries may import between 15 and 20 per cent of this total. During 1955, China has agreed to take 132,000 tons; Poland 20,000 tons; Czechoslovakia 51,000 tons; and the USSR between 150,000-200,000 tons. \*

##### B. Uneconomic Trading

An August 1955 report states that the Chinese Communists have been offering to pay sterling for rubber from Burma at prices 5 to 10 percent above world market prices. This report further states that Burma had granted licenses for the exportation of 3,000 tons of rubber to China and was considering application for export licenses for an additional 9,000 tons.

Comment: This report is not corroborated. Burma is aware that the exportation of rubber to China would violate the U.N. embargo and make her ineligible for U.S. aid.

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\* It is unlikely that all would be shipped in 1955 since the Soviet-Burmese agreement calls for this amount between July 1955 and July 1956.

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JAPAN

Japanese Foreign Trade  
(Millions of Dollars)

Year	IMPORTS			EXPORTS		
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent
1951	2,048	24	1.2	1,358	6	0.4
1952	2,029	18	0.9	1,273	1	0.1
1953	2,410	38	1.6	1,275	5	0.4
1954	2,399	48	2.0	1,629	24	1.5

The share of Sino-Soviet Bloc countries in Japan's foreign trade has been small, amounting to less than two percent over the past four years. Trade with the Bloc has not helped Japan's deficit problem since the deficit in her balance of trade with these countries has been proportionately greater than that of her total trade.

A number of Russian trade representatives have been in Japan for the last twelve months or more negotiating contracts with Japanese firms. The fact that diplomatic relations have not been established between Japan and the USSR has hampered efforts for a trade agreement between the two countries.

The principal deterrent to increased Japanese foreign trade continues to be the lack of markets. Sino-Soviet Bloc countries have not offered any solution to this difficulty. The USSR has actually aggravated the situation by offering autos and coal at attractive prices while demanding U.S. dollars or hard-to-get commodities in exchange. This has resulted in a situation whereby a number of Jap firms are strongly attracted

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by potentially profitable trade with the USSR but the Japanese Ministry of Trade and Industry vetoes the trade permit application on the ground that the national economy would not benefit.

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INDONESIA

Indonesian Foreign Trade  
(Millions of Dollars)

Year	Total	IMPORTS		Total	EXPORTS	
		From Soviet Bloc	Percent		To Soviet Bloc	Percent
1947	305	15	4.8	128	1	1.0
1948	464	16	3.4	394	3	0.8
1949	580	17	2.9	524	1	0.2
1950	440	5	1.1	800	.4	0.1
1951	873	7	0.8	1,292	2	0.2
1952	924	5	0.6	908	10	1.1
1953	753	7	0.9	820	5	0.5
1954	629	15	2.4	856	9	1.1

Summary

Indonesian trade with the Sino-Soviet Bloc comprises only a small percentage of Indonesia's total trade. However, increased Satellite activity in Indonesia has been evidenced 1) by the interest in the expansion of trade relations and 2) by increased Bloc offers of technical assistance including capital equipment and technicians.

The successful conclusion of a number of contracts for plant installations by Bloc countries is paving the way for further political and economic penetration of Indonesia and is providing valuable material for Communist propaganda.

I. Trade Agreements with Bloc Countries

Indonesia has concluded a number of trade agreements with the Sino-Soviet Bloc. In 1954 new agreements were signed with Bulgaria, East Germany

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and Rumania, while agreements were renewed with Czechoslovakia, Hungary, Poland and Communist China. Indonesian exports to these countries consist primarily of agricultural products, while imports principally consist of machinery, industrial products and textiles.

## II. Technical and Financial Aid from the Bloc

### A. General

An interesting development in recent Indonesian-Bloc trade agreements has been Satellite offers of technical assistance to Indonesia. Rumania expressed a willingness to export complete plants and installations and to provide technicians for the operation and maintenance of these installations. Poland and Czechoslovakia have also offered to provide technical assistance to Indonesia.

### B. Construction Assistance

1. A contract was signed 3 February 1955 between Indonesia and East Germany for the construction of a sugar factory by East Germany. The cost of construction is approximately \$7.0 million which is to be repaid in kind over a six-year period. East Germany will send fifty to sixty technicians to assist in plant construction and operation.

2. An Indonesian-Rumanian agreement was signed 6 August 1954 which provided for technical assistance by Rumania for the construction of a cement mill, the drilling of oil wells and the exploitation of mineral deposits.

3. Complete installations comprising an electric power plant, a

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factory for radio receivers, a pharmaceutical plant and a factory for small and medium-sized agricultural machines will be built for Indonesia by Czechoslovakia. Czechoslovakia will also establish a food research laboratory in Djakarta in the fall of 1955.

4. Three Hungarian engineers arrived in Djakarta in November 1954 to discuss Hungary's offer to construct hydroelectric and diesel plants.

5. Indonesia ordered equipment for a canvas-producing factory from Czech at the Djakarta Fair. Czechoslovakian technicians will assist in the operation of the mill. Five new looms of Czech manufacture were installed in the mill with the assistance of the Czech technicians who had demonstrated the machinery at the Fair.

#### C. Loans and Credits

Information in mid-April 1955 reported that the USSR and Indonesia had reached an agreement in December 1954 under which the USSR would lend a large sum to Indonesia in the form of weapons, arms and machinery. This loan would be repaid by Indonesian petroleum, coconut and rubber.

In recent months several Satellites have offered long-term credits to Indonesia. In June 1955 China offered Indonesia long-term credits in the form of capital goods for the construction of textile mills, hydroelectric installations and cement factories. In August 1955 both Czech and Poland offered long-term credits to finance deliveries of capital goods to Indonesia.

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### III. Miscellaneous

Recent information has reported that the Soviet and Chinese embassies were bringing gold into Indonesia in June 1955 for sale on the open market. The Puyisiah gained from these transactions were being used to finance some of their activities.

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ARGENTINA

Argentine Foreign Trade  
(Millions of Dollars)

Year	<u>IMPORTS</u>			<u>EXPORTS</u>		
	Total	From Soviet Bloc	Percent	Total	To Soviet Bloc	Percent
1947	1,308	16	1.2	1,639	24	1.4
1948	1,513	19	1.2	1,650	49	3.0
1949	1,135	22	1.9	1,107	35	3.2
1950	1,083	33	3.0	1,439	50	3.5
1951	1,361	39	2.8	1,152	34	3.0
1952	1,177	17	1.5	710	13	1.8
1953	862	15	1.8	1,148	24	2.1
1954	1,081	55	5.1	1,073	102	9.5

Summary

Argentine trade with the Soviet Bloc has been increasing rapidly. The major Bloc traders are the USSR, Poland, Hungary and Czechoslovakia. Recent trade agreements have contained large provisions for the export of capital goods from the Bloc. Bloc equipment and technicians are being provided for a few industrial projects.

I. General Trade

The U.S.S.R. and Argentina signed a one year trade agreement on 5 August 1953 for the exchange of goods valued at \$150 million both ways, including a long-term Soviet credit for machinery valued at \$30 million. Russia fulfilled its part of the first trade agreement fairly well in everything except machinery. An Argentine mission went to the U.S.S.R. in late 1953 to investigate what goods were available. Nevertheless most importers were unable to import much machinery

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ARGENTINA

under terms of the agreement due to lack of communication with Soviet suppliers and lack of information concerning available Soviet machinery. Brochures describing available machinery were provided but they were written in Russian. In order to overcome this complication the U.S.S.R. opened a trade fair in Buenos Aires in May to display Soviet heavy machinery. This drew large crowds. Technicians say that the equipment is out of date and badly made, but it appears to be favorably received by the general public. In January 1955 it was reported that the Soviets were negotiating for a large quantity of Argentina's surplus linseed oil. In June 1955 trade was still continued under the 1953 agreement with an exchange valued at \$100 million provided for 1955.

A three-year trade agreement between Argentina and Czechoslovakia, signed 27 January 1955, contemplates aggregate trade both ways equivalent to \$64 million. The agreement specified a reciprocal credit available to either country of \$6.4 million. Provision is made for Argentina to purchase \$15 million of capital goods during the first year. At the beginning of 1954, Czechoslovakia owed Argentina \$11.1 million under the provisions of a previous agreement signed 2 September 1952.

Argentina and East Germany entered into a compensation arrangement in September 1954 which contemplates trade in both directions of \$40 million.

A new Argentine-Polish Trade Agreement, signed 24 January 1955, covers total trade valued both ways at \$54 million. At the beginning of 1954 Poland owed Argentina the equivalent of \$5.5 million under the 1952 agreement.

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ARGENTINA

II. Miscellaneous Items

In July 1955 the Argentine Ministry of Industry announced that Czechs will install a modern coal-washing plant with a daily capacity of 4,000 tons at the government owned coal mines in southern Patagonia. The cost of installing the plant and putting it into operation is estimated at about \$2.1 million to be financed under the Argentine-Czech trade and payments agreements. The USSR has sold mining machinery for use in these mines.

East German interests reportedly are working up a design for a refrigerating plant for Argentina.

It was reported in June that the Czechs had contracted for the delivery of \$6 million worth of truck chassis to Argentina.

A delegation of Soviet scientists and technicians was scheduled to go to Argentina in March 1955 to deliver a series of lectures on the technological developments in the U.S.S.R. and Poland. It may establish a permanent scientific liaison committee in Argentina. Also, the KFTU-affiliated Association of Scientific Workers plans to set up Latin American headquarters in Buenos Aires and to camouflage the activity as an Argentine trading company.

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BRAZIL

Brazilian Foreign Trade  
(Millions of Dollars)

Year	IMPORTS			EXPORTS		
	From World	From Soviet Bloc	Percent	To World	To Soviet Bloc	Percent
1947	1,232	7	0.6	1,145	49	4.3
1948	1,134	12	1.1	1,173	23	2.0
1949	1,116	16	1.4	1,089	17	1.5
1950	1,098	9	0.8	1,347	12	0.9
1951	2,011	10	0.5	1,757	8	0.5
1952	2,010	6	0.3	1,409	7	0.5
1953	1,320	10	0.8	1,539	11	0.7
1954	1,634	19	1.1	1,562	24	1.5

Trade with the Soviet Bloc is a negligible portion of total Brazilian trade, but it is rising rapidly. Czechoslovakia accounts for over half of the Brazilian trade with the Bloc while Poland is the second largest Bloc trading partner.

The Czech commercial attache in Brazil works closely with the Brazilian organization EBFCI (Brazilian Office for the Development of International Trade) in planning and carrying out activities to facilitate and promote Brazilian trade with the Soviet Bloc.

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CHILE

Chilean trade with the Bloc is very small, but it is rising rapidly. Imports jumped from \$12 thousand in 1953 to \$125 thousand in 1954. Exports, which were only \$100 thousand in 1953, reached \$2,039 in 1954.

Destinations were Poland, Czechoslovakia, and Hungary. Certain left-wing Chilean nationals have been suggesting that the Soviet Bloc set up a trade agency in South America and that it buy Chilean copper at premium prices.

Chile is to receive United Nations technical assistance, valued at \$200 thousand, financed by the Russian contribution to the fund. This will consist of Russian and Czechoslovak technical equipment to be used in schools. A competent Chilean will be sent to Europe to choose the equipment.

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CUBA

Cuba's trade with the Soviet Bloc has, until this year, been very small amounting to somewhat less than \$1 million either way. Poor sugar crops in the Ukraine and Central Europe during 1954 prompted Bloc countries (particularly the USSR) to become principal outlets for Cuban sugar during 1955. This caused the Cuban sugar industry to have a boom rather than the expected depressed market.

The Czechs have made overtures for the establishment of a permanent trade mission in Cuba and also sent a three-man delegation in May 1955 to study the prospects for sales of Czech sugar-refining equipment and other machinery.

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TABLE X

Plant Installations and Miscellaneous Development Projects by  
Sino-Soviet Bloc Countries in the Free World

<u>Recipient Country</u>	<u>Under Consideration</u>	<u>Contracted for</u>
<u>Lebanon</u>	sugar plant electric materials plant glass plant paper plant lumber mill	
<u>Indonesia</u>	hydro-electric power plant	sugar plant cement plant drilling of oil wells (Sumatra) mining electric power plants radio factory pharmaceutical plant agricultural machinery textile plant auto assembly plant food research lab
<u>Afghanistan</u>	coal mines water supply system	gasoline pipe-line road construction railway construction asphalt and cement plant cotton mill flour mill 2 grain storage warehouses bakery sulphur plant cement plant glass factory briquette plant fruit cannery nitrogen plant
<u>Syria</u>	highway construction sugar refinery boiler plant hydro-electric station dry-battery factory	cement plant

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TABLE I  
(continued)

<u>Recipient Country</u>	<u>Under Consideration</u>	<u>Contracted for</u>
<u>India</u>	electrolytic zinc smelter film plant power plants (several) nuclear reactor 2 steel plants caustic soda plant sugar mill coking plant explosives plant	steel mill diamond mining and processing wire mill
<u>Turkey</u>	3 cotton thread mills ceramics factory cotton mill	
<u>Iran</u>		sugar refinery factory of unknown type
<u>Argentina</u>	refrigerating plant	coal washing plant
<u>Egypt</u>	reinforced pipe and concrete pole factory nuclear reactor bridge	shoe factory
<u>Iceland</u>	cement plant	
<u>Yugoslavia</u>	nuclear reactor unknown (several)	
<u>Israel</u>	oil refinery	
<u>Burma</u>		textile plant

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Table II

FREE WORLD COUNTRIES' TRADE WITH THE SINO-SOVIET BLOC  
AS A PERCENT OF TOTAL TRADE IN 1954

<u>Less than 1</u>	<u>1 - 4.9</u>	<u>5 - 10</u>	<u>Over 10</u>
Burma	Algeria	Argentina	Afghanistan
Canada	Australia	Austria	Ceylon
Chile	Belgium-Luxembourg	Denmark	Finland
Colombia	Brazil	Egypt	Hong Kong
Cuba	France	Norway	Iceland
French West Africa	French Morocco	Pakistan	Iran
Kenya	German Federal Republic	Uruguay *	Turkey
Mexico	Gold Coast		
Nigeria	Greece		
Peru	India		
Rhodesia and Nyassaland	Indo-China **		
Spain	Indonesia		
Tanganyika	Iraq		
Tunisia	Israel		
Union of South Africa	Italy (plus Trieste)		
U.S.A.	Japan		
	Lebanon		
	Malaya		
	Netherlands		
	New Zealand		
	Portugal		
	Sudan		
	Sweden		
	Switzerland		
	Syria		
	United Kingdom		
	Yugoslavia		

\* Estimated on basis of incomplete data.

\*\* Based on imports only.

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