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SOVIET ECONOMIC ASSISTANCE TO THE SINO-SOVIET BLOC COUNTRIES

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CIA/SC/RR 103
(ORR Project 42.533)

SOVIET ECONOMIC ASSISTANCE TO THE SINO-SOVIET BLOC COUNTRIES*

Summary

Since 1946 it is estimated that the USSR has extended approximately $1,747 million worth** of credit to other countries of the Sino-Soviet Bloc. Of this amount, a total of about $1,277 million was extended to the European Satellites, and $470 million to Communist China and North Korea. In addition, the USSR has made an outright grant of $250 million to North Korea. These credits were extended to the Satellites to finance commodity imports, 75 percent of which were to be supplied by the USSR. Of total credits extended, a total of at least $680 million was for capital equipment from the USSR, and a total of $341 million was for food and raw materials from both Soviet and other sources. The commodity composition of the remaining $726 million has not been determined.

Poland has received the largest amount of Soviet credits ($614 million), followed in order by Communist China ($430 million), East Germany ($344 million), and Czechoslovakia ($254 million). The major portion of the credits to China and Poland are for industrial development, whereas those to East Germany and Czechoslovakia, which have highly industrialized economies, are largely for the financing of imports of food and raw materials.

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* This report represents the best judgment of ORR as of 1 February 1955.

** Dollars throughout this report are current US dollars at official exchange rates.

In addition to extending credits to the Satellites and the grant to North Korea, the USSR apparently has established organizations to facilitate the exchange of students, technical advisers, and technological data between itself and Sino-Soviet Bloc countries. Moreover, the exchange of data on patents and technological developments is made, according to Soviet sources, without charge. Soviet advisers are known to have been prominent in all major economic enterprises in the Sino-Soviet Bloc, although in the European Satellites their number appears to be decreasing. It is difficult to assess the influence of these Soviet advisers on the economic development of the Sino-Soviet Bloc, but it can be assumed to have been of major importance.

I. Introduction.

Any discussion of economic aid provided by one country to another, or to another group of countries, must be preceded by a definition of what constitutes economic aid. The term is so general that it may encompass numerous activities. This report avoids relatively abstract discussions and concerns itself with the more concrete forms of Soviet economic assistance*: namely, (1) outright gifts of currencies or materials; (2) provision of currencies or materials on a deferred payment basis; and (3) technical aid, including personnel, documents, and materials.

* Excluding aid of a military nature.

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II. Media for Economic Assistance.

A. Council for Economic Mutual Assistance.

In January 1949 the Council for Economic Mutual Assistance (CEMA) was formed for the purpose of coordinating the economic planning of the Soviet Bloc countries as well as the economic interrelations among them. The original members of the Council were the USSR, Poland, Czechoslovakia, Rumania, Hungary, and Bulgaria. Albania was admitted to membership in February 1949, and in late 1950, East Germany also was admitted. 1/* Recent information reveals that North Korea and Communist China have close links with CEMA and that programs of economic and technical aid to these countries are carried out under the general supervision of CEMA, although there is no conclusive evidence that either is a member. 2/

The functions of CEMA as stated in its Protocol are as follows: "(1) To coordinate the economies of the signatory countries into a single plan prepared by the Council, (2) to encourage complementary development of the natural resources of members, (3) to improve the materials supply of the member countries, (4) to 'exchange experience,' (5) to standardize production and quality, (6) to provide stable markets, and (7) to arrange international loans." 3/ Because the USSR is the initiating and dominant member of the Council, it follows that the Council must be considered one medium used by the USSR for transmitting economic assistance to other Soviet Bloc countries.

CEMA consists of representatives from each of the member countries who meet whenever necessary, but at least quarterly. The daily operations are conducted by a permanent Secretariat in Moscow which has the authority to make decisions, but these decisions are subject to ratification by the Council. Delegations to the Council from the member countries are reported to be headed by the Chairmen of the respective State Economic Planning Commissions. The

* For serially numbered source references, see Appendix C.

Ministry of Foreign Trade is usually represented in each delegation by either the Minister or a Deputy Minister. 4/

The CEMA Secretariat (sometimes called the Executive Committee) is reportedly staffed by 2,000 specialists (presumably professional-class employees), of whom about 70 percent are Russians. To the Secretariat, each member country sends one permanent delegate who is accompanied by a staff probably composed of clerks and technical advisers. 5/

It has not been determined whether CEMA maintains its liaison with the Soviet government through the Soviet Ministry of Foreign Trade or the State Planning Commission. Although the Soviet personalities in CEMA activities are almost completely unknown, Molotov, Kosygin, Mikoyan, and Saburov have been reported as heading the Soviet delegation. 6/

From the economic point of view, CEMA exists mainly to implement Soviet policies for Soviet Bloc trade and Bloc economic planning. The Secretariat, which is located permanently in Moscow and staffed predominantly with Soviet personnel, is the dominant force in the CEMA organization. All functions of the Council are conducted pursuant to proposals initiated by the Secretariat. The duty of the signatory countries to make information available to the Council and to accept and follow the Council's recommendations is an obligation to the Secretariat and not to the Council. The Satellites also must send to the Secretariat monthly reports concerning their production and other economic and financial information. 7/

Planning in the European Satellites is becoming more centralized in the Moscow CEMA apparatus. Economic cooperation has advanced to such a degree that the Satellites are now ready to embark upon coordinated Five Year Plans in 1956 -- plans in which CEMA has apparently had considerable voice and may exercise a significant degree of control. 8/

Although Communist China and North Korea are not known to be members of CEMA, evidence indicates that if they are not,

the trend is toward membership. Should Communist China be permitted to follow lines of economic development contrary to CEMA plans, great difficulties would be created for a Sino-Soviet Bloc-wide program of economic cooperation. If China should join CEMA, it probably will have a much less subordinate status than do the European members. 9/

In addition to the planning functions of CEMA, it will be shown in other sections of this report that the Soviet intentions to "exchange experience" and to arrange international loans, as expressed in the CEMA protocol, are also being carried out.

B. Commissions for Scientific and Technical Cooperation.

Commissions for Scientific and Technical Cooperation (CSTC) have been set up in the USSR and in each of the Sino-Soviet Bloc countries. These commissions handle exchanges of plans and blueprints, information on technological developments, and technical advisers and trainees. 10/ It is assumed that these commissions fall under the general supervision of CEMA, since their activities coincide with function number four of the CEMA protocol.*

In each Sino-Soviet Bloc country the Commission for Scientific and Technical Cooperation is divided into national sections, with a section for each of the other Bloc members. Thus within the Soviet Commission there are sections such as the Soviet-Rumanian, Soviet-Polish, and Soviet-Bulgarian, and within the Rumanian Commission there are sections such as the Rumanian-Soviet, Rumanian-Polish, and Rumanian-Bulgarian. 11/ In addition to the national sections, it appears that there are also coordinating committees established on an industry basis, through which the exchange of technical data and personnel for particular industries is facilitated. 12/

The Soviet Commission signs annual protocols with each of the Satellite Commissions.** These protocols specify in rather

* See A, above.

** Similar annual protocols also are signed between the various other pairs of Soviet Bloc countries.

general terms which areas of the economies of the Satellites will exchange tecnnical aid with the USSR. The major portion of this technical aid flows from the USSR, but apparently the USSR is willing to accept technical advice from those countries which are more highly developed than the USSR in certain industries or in particular phases of industrial processes.

Soviet propaganda concerning the technical assistance protocols invariably boasts that exchanges of plans, technological data, patents, and licenses are made without charge. The salaries of technical advisers and costs of maintaining and instructing trainees apparently are paid for by the recipient country.

Table 1* shows the substance of technical and scientific cooperation protocols in effect in 1954-55 between the USSR and selected Soviet Bloc countries.

C. Tekhnoeksport.

In the All-Union corporation, Tekhnoeksport, the USSR has an organization specifically designed to manage the exportation of capital equipment and supervise its installation abroad. Specifically, Tekhnoeksport provides plans, drawings, supervisory personnel, and complete equipment for new projects abroad. It also reconstructs and modernizes existing plants in the following industries: extractive, metallurgy, chemical and pharmaceutical, machine-tool building, automobile and tractor production, agricultural machine building, textiles, foodstuffs, cotton growing, timber and paper, building materials, hydrotechnical works, communications plants and wireless stations, steam power plants, and hydroelectric stations. 13/

It appears that Tekhnoeksport procures the services of specialists from the appropriate Soviet industry for the projects which it supervises abroad. There are indications also that Tekhnoeksport takes some part in arranging for training of the workers who are to undertake operation of the installations after**

* Table 1 follows on p. 9.

** Continued on p. 12.

General Terms of Scientific and Technical Cooperation Protocols between the USSR and Selected Soviet Bloc Countries 14/

Bloc Country	Date Signed and Session of the Joint Commissions at Which Signature Given	Technical Aid to Be Supplied by the USSR 1954-55	Technical Aid to Be Supplied to the USSR 1954-55
Poland	Signed in Moscow in September 1954 at 7th Session of the Soviet-Polish Commission.	Technical aid for designing and building civil and industrial projects; data on production techniques in the metallurgical, machine tool, textile, and food industries. Introduction of new kinds of production, and technical advice on important national economic problems.	Technical advice on construction of railroad lines and installations, on manufacture of mining and railroad transport equipment, and on chemical production and coal mining.
East Germany	Signed in Moscow in October 1954 at 3d Session of the Soviet-German Commission.	Technical blueprints for metallurgical equipment and some types of agricultural machinery; data on certain metallurgical processes for production in the machine-building, chemical, and other industries. Indoctrination of German specialists in certain branches of Soviet industry and agriculture. Soviet specialists to provide technical advice in designing rolling equipment, on methods of agglomeration for ore, on production of lubricants, and other tasks.	Indoctrination of a group of Soviet specialists in German achievements in the mining, machine-building, and light and foodstuffs industries.

General Terms of Scientific and Technical Cooperation Protocols between the USSR and Selected Soviet Bloc Countries 14/ (Continued)

Bloc Country	Date Signed and Session of the Joint Commissions at Which Signature Given	Technical Aid to Be Supplied by the USSR 1954-55	Technical Aid to Be Supplied to the USSR 1954-55
Bulgaria	Signed in Moscow in September 1954 at 5th Session of the Soviet-Bulgarian Commission.	Blueprints of food industry enterprises; technical data on the production of agricultural machinery and tools, rolling of ferrous metals, and products of the food industry and other light industries. Indoctrination of a large group of Bulgarian specialists in Russian achievements in agriculture and industry; Soviet specialists to assist in solution of Bulgarian agricultural and mining problems.	Soviet specialists will be briefed on Bulgarian achievements in the field of leguminous crops and the processing of fruits and vegetables.
Hungary	Signed in Moscow in May 1954 at 5th Session of the Soviet-Hungarian Commission.	Exchange of documents on investment in industrial centers, technological advances in industrial production, and health facilities. Indoctrination of Hungarian experts in Soviet scientific and technical achievements in various sectors of the Soviet economy; Soviet specialists to provide technical advice.	Exchange of documents on investment in industrial centers, technological advances in industrial production, and health facilities.

Table 1

General Terms of Scientific and Technical Cooperation Protocols between the USSR and Selected Soviet Bloc Countries 14/
(Continued)

Bloc Country	Date Signed and Session of the Joint Commissions at Which Signature Given	Technical Aid to Be Supplied by the USSR 1954-55	Technical Aid to Be Supplied to the USSR 1954-55
Communist China	Signed in Moscow in December 1954 at First Session of the Sino-Soviet Commission.	Technical information on industrial construction; blueprints for making cranes used in mines, mineral ore-loading machines, drilling units, machine tools, electric shovels, and other machinery and electric equipment; specifications for producing cinematographic apparatus, vacuum instruments and meters, enamel, and other manufactured goods.	Samples of farm produce, including subtropical plants, oranges, vegetables, and cereals; blueprints for medical apparatus; and production specifications and samples of consumer goods and drugs.

their completion. 15/ It is not known whether the Tekhnoeksport activities in exchanges of technical personnel are coordinated with those of the Commissions for Scientific and Technical Cooperation (CSTC), but it seems likely that some coordination is effected.*

D. Joint Stock Companies.

The joint stock companies which the USSR has formed in Rumania, Hungary, Bulgaria, Communist China, and North Korea have in most cases been organizations through which the USSR has been able to guide and stimulate the development of certain areas of these countries' economies to the benefit primarily of the USSR. In certain respects, however, the USSR has provided limited economic assistance to its partners through the joint companies.

Confiscated former enemy properties have, for the most part, formed the basis for the Soviet contributions to the joint stock companies. The Soviet interpretation of what constituted former enemy assets was often a very free one, with the result that the legality of the Soviet actions in many instances is extremely questionable. 18/

Standard clauses of agreements establishing joint stock companies exempt these companies from taxes, allow independent use of foreign exchange, guarantee the USSR an annual rate of profit, and establish their priority over other companies for raw materials, equipment, and labor. Consequently, the companies

jointly owned with the USSR usually have developed more rapidly and operated more efficiently than others. 19/

The USSR has recently been implementing a policy of returning its shares in joint companies to their parent countries. Between September and November 1954 the USSR returned to Rumania, Bulgaria, and Hungary the Soviet shares in nearly all the joint companies in those countries. The exceptions are the companies controlling the oil industry in Rumania, and uranium mining in both Rumania and Bulgaria. All of these have great strategic value. The joint companies in Communist China, which, since the 1950 Sino-Soviet Mutual Assistance Treaty, had been operated on more of an equalitarian basis than those in Eastern Europe, were to revert wholly to Chinese ownership on 1 January 1955. The status of the three joint companies in North Korea is not known. The USSR is to be reimbursed for its shares in all of these companies over a period of years at terms which Soviet sources describe as "preferential." 20/

The extent to which these joint companies can be considered media for Soviet economic assistance to the Bloc countries depends upon three factors which at this time cannot be accurately assessed: (1) the degree to which the beneficial effects of priority treatment for the joint companies overshadowed the detrimental effects of this priority on nonjoint companies, (2) the extent to which Soviet investment in these joint companies was real investment, and (3) the difference between the sale price and actual value of the Soviet shares.

E. Industrial Projects Commission.

There is reported to be a Sino-Soviet Industrial Projects Commission operating in Manchuria for the purpose of directing the industrial and civic development of central and northern Manchuria. According to the reports of White Russian refugees from Manchuria, this organization was established in 1952 with headquarters at Harbin. It is alleged to be responsible for the planning and supervision of new construction and for the arrangements to obtain the necessary advisers, technicians, plants, and equipment from the Soviet Bloc. The

technicians employed by the Commission include Soviet Russians, Chinese, and White Russians.

Information on this organization is confined to Russian emigre reports 21/ and to a report 22/ concerning a joint Sino-Soviet commission (presumably the same referred to here as the Industrial Projects Commission) which was to control 80 percent of Manchurian industry. the USSR was to fill the director's position for the first 5 years, and the position would be rotated thereafter. Although the lack of information on this organization from a wider range of sources raises some doubt as to its actual existence, such a commission would be a logical body to carry out the coordination and planning necessary to effect the Soviet aid program for the industrial development of Communist China. This would apply particularly to the program for Soviet assistance in the renovation and construction of the 156 large projects which are to receive Soviet aid. *

* Continued on p. 31.

pp. 17.-30
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III. Soviet Economic Assistance to Bloc Countries.

A. Poland.

Since 1946, Poland has been the recipient of $614 million worth of credit from the USSR, an amount equal to more than half the total credit extended to the European Satellites. The major credit agreement between the USSR and Poland as shown in Table 3* provides for $450 million worth of credit in 1948-56. Another major agreement was for $100 million in credit in 1951-58. No new credit agreements are known to have been signed since June 1950.

In addition to equipment supplied on credit, the USSR has assisted Poland by providing plans, patents, and information on technological advances free of charge (see Table 1**). Between 1951 and 1953, about 300 Polish specialists received training in the USSR. 24/ This number was in addition to those who were given special training in the operation of complete industrial units being provided by the USSR.

During the past few years the USSR has provided equipment for more than 40 Polish factories, plants, mines, and electric power stations. 25/ Perhaps the outstanding Soviet-aid project in Poland is the Lenin Metallurgical Plant near Krakow, the major investment of the Polish Six Year Plan. Between 45 and 85 percent of the machines and installations for this plant, which is estimated to cost over $200 million, 26/ are reportedly being supplied by the USSR under the terms of the January 1948 agreement. 27/

Table 4*** indicates and describes Polish industries and plants known to be receiving aid from the USSR.****

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* Table 3 follows on p. 32.

** P. 9, above.

*** Table 4 follows on p. 36.

**** Continued on p. 39.

Soviet Credit Extensions to Satellite Countries 28/
1947-54

atellite Country	Date of Agreement	Effective Dates	Amount	Provisions	Terms of Repayment
oland	March 1947	N. A.	$28 million	A gold loan to cover import of raw materials and capital goods.	N. A.
	Emergency loan in late 1947-early 1948.	N. A.	$36 million worth of grain.	500,000 metric tons a/ of grain on credit.	Repayment in commodities within 1 year.
	26 January 1948	1948-56	$450 million	Capital goods from the USSR, including equipment for a $200-million steel mill.	Three-percent interest. At end of each year, Poland must execute notes of indebtedness for amount of credit used in that year. Repayment in goods at world prices during 5-year period beginning 5 years after execution of notes.
	29 January 1950	1951-58	$100 million	For purchases of industrial equipment from the USSR.	N. A.
ngary	N. A.	1952-55	N. A.	Equipment and complete plants to be delivered by the USSR.	N. A.
	November or December 1954	N. A.	$27 million	Credit reportedly in the form of vanadium, chrome, cobalt, and consumer goods.	N. A.

Tonnages throughout this report are given in metric tons.

Table 3

Soviet Credit Extensions to Satellite Countries 28/
1947-54
(Continued)

ellite Country	Date of Agreement	Effective Dates	Amount	Provisions	Terms of Repayment
echoslovakia	12 December 1947	1948	$23 million	For financing imports from the USSR. Interest rate of 3 percent per year.	Payment by equal installments every 6 months beginning not later than 31 December 1948. Payment to be in goods or in gold or convertible currencies if agreed by both parties.
	December 1948	N. A.	N. A.	USSR loaned Czechoslovakia gold and free currencies.	Czechoslovakia to repay with oil and iron mining equipment and other manufactured goods. Three-percent interest.
	4 February 1949	1949, short-term	$6 million	Textile production re-allocated from Czechoslovakia to USSR from first quarter 1949 to fourth quarter 1949.	
	February 1949	Probably long-term	$200 million	Sixty percent in gold, 40 percent in dollars. For financing raw material imports from the West.	N. A.
	1950	Short-term, emergency	$25 million	For financing raw material imports from the West.	N. A.

Table 3

Soviet Credit Extensions to Satellite Countries 28/
1947-54
(Continued)

ellite Country	Date of Agreement	Effective Dates	Amount	Provisions	Terms of Repayment
t Germany	3 May 1950	N. A.	$0.75 million	Interest rate, 2 percent.	Interest paid in materials in 1950 and 1951.
	18 April 1951	N. A.	$1.63 million		To be covered in second half of 1953.
	5 July 1952	N. A.	$1.5 million	Interest rate, 2 percent.	N. A.
	21 July 1953	Second half of 1953	$57.75 million	For food and raw materials from the USSR.	
	23 September 1953	1953-57	$121.5 million	$3.8 million in foreign currencies, remainder in goods from the USSR.	Two-percent interest. Repayment in commodities beginning 1 January 1955 and completed within 2 years thereafter.
	November or December 1954	N. A.	$161 million (approximately)	Credit may be drawn upon in any desired currency and will probably be used for the purchase of industrial goods, machinery, and consumer goods.	N. A.
ania	1946	To end of 1947	$22.5 million	USSR shipped 300,000 tons of grain valued at about $22.5 million.	Repayment in kind plus 5-percent interest.
	20 February 1947	N. A.	$10 million	N. A.	Repayable in commodities in four equal, annual installments.

Table 3

Soviet Credit Extensions to Satellite Countries 28/
1947-54
(Continued)

tellite Country	Date of Agreement	Effective Dates	Amount	Provisions	Terms of Repayment
lgaria	12 July 1947	1947-52	$5 million	Equaled the export deficit of Bulgaria with the USSR.	Repayable in tobacco and other goods over 5-year period.
ɔania	18 February 1951	1951-55	N. A.	For industrial equipment from the USSR.	N. A.
ina	14 February 1950	1950-54	$300 million	To be used for purchasing equipment and other materials for restored or newly built industrial enterprises. Interest at 1 percent per annum.	To be repaid from Chinese exports at the rate of $30 million per year beginning in 1954.
	11 October 1954	N. A.	520 million rubles ($130 million)	Not stated. Probably to be used in conjunction with the 156-project aid program.	N. A.
th Korea	17 March 1949	N. A.	$40 million	For the purchase of industrial equipment and raw materials. Interest at 2 percent per annum.	To be repaid in the 3 years after 1 July 1956.

Table 4

Polish Industries and Plants Receiving Aid from the USSR

Industry	Plant	Remarks
Heavy	Lenin Metallurgical Combine 29/ (Nowa Huta)	Called the Nowa Huta Plant until 20 January 1954. Located 9 km east of Krakow. Eighty-five percent a/ of machinery and equipment, as well as the complete engineering plans, were to be supplied by the USSR. Some elements of the combine began production in 1954. Lenin is scheduled for completion in 1957 and is to be a completely integrated combine with a capacity of from 1.1 million tons to 1.5 million tons of pig iron, 1.5 million tons of steel, and 1.1 million tons of rolled products.
	Huta Bieruta 31/ (Czestochowa)	Formerly known as the Czestochowa Iron and Steel Plant and as the Rakow Steel Plant. Located at Czestochowa. An existing small plant is being remodeled into the second largest steel combine in Poland as part of the 1950-55 Six Year Plan. Facilities are to include a modern coke plant with byproducts-recovery installations, four blast furnaces, an iron foundry, a number of open-hearth furnaces, and a modern steel foundry and rolling mill. The USSR is supplying plans and machinery for some of the installations. Completion is scheduled for 1955 but probably will not be ready until 1956-57. To have a steel capacity of 1.1 million tons.
	Nowa Huta No. 2 32/	Planned to be a duplicate of the Lenin Metallurgical Combine and to be constructed as part of the Five Year Plan beginning in 1956. To be located next to the Lenin Combine. The USSR probably will provide some advisory and material assistance.

a. Another source has stated that the USSR had planned to supply 65 percent of the machinery and equipment but later reduced its share to 45 percent. 30/

Polish Industries and Plants Receiving Aid from the USSR
(Continued)

Industry	Plant	Remarks
Heavy (Continued)	Kosciuszko 33/	Steel mill.
	Bobrek 34/	Steel mill.
	Warsaw 35/	High-quality steel-plate plant.
	Skawina 36/	Aluminum plant.
Power	Dychow 37/	Hydroelectric power station at Bobrowice. USSR furnishing equipment, most of which is original equipment removed by the USSR at an earlier date. Installed capacity estimated at 100 megawatts.
	Jaworzno 38/	Power plant. USSR presumably supplying all technical assistance and equipment. Installed capacity is to reach 100 megawatts by the end of 1954 and 150 megawatts in 1955.
	Zeran 39/	Power plant. Plans provided by East Germany, but technical assistance and turbines being provided by USSR. Installed capacity in 1954 is 50 megawatts but is to be increased to over 150 megawatts by end of 1955.
Chemical 40/	Soda plant	
	Nitrogen fertilizer plant	
	Carbide factory	
	Synthetic acetic acid plant	
	Synthetic rubber plant	
Textile	Piotrkow 41/	Cotton spinning mill at Piotrkow, Lodz Voivodship. USSR providing unknown amount of assistance.
	Zambrow 42/	Cotton spinning mill at Zambrow, Bialystok Voivodship. Majority of spinning machines supplied by USSR. Began operations 21 July 1954.

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Table 4

Polish Industries and Plants Receiving Aid from the USSR
(Continued)

Industry	Plant	Remarks
Machinery 43/	Warsaw auto factory	
	Lublin truck factory	
	Breslau electric motor plant	
	Plock agricultural machine plant	
	A tractor factory	Plant being reconstructed and expanded.
Oil 44/		USSR providing technical aid in drilling operations.
Coal 45/		USSR providing technical aid in mining operations.
Building materials	Wierzbica 46/	Cement plant.
	Dwory 47/	Cement plant.
	Unknown 48/	Gypsum combine.

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B. Czechoslovakia.

If the report of a Soviet loan amounting to $200 million is correct, then Czechoslovakia has received approximately $254 million in credit from the USSR between 1947 and 1951 (see Table 3*). Less than $30 million of credit, however, was extended for the financing of imports from the USSR. Because of the advanced state of development of its industry, Czechoslovakia has not needed -- and in truth has received but relatively little -- capital equipment and technical aid from the USSR.

A metallurgical plant and a foundry combine at Kunice are known to have been supplied with modern Soviet equipment under the guidance of Soviet experts, 49/ and the Czechoslovak coal mining industry has received Soviet equipment and technical guidance. 50/ In May 1954 a technical assistance agreement for chemical factories was signed with the USSR, but details are not known. 51/

C. East Germany.

Between May 1950 and December 1954, East Germany reportedly received slightly more than $344 million of credit from the USSR (see Table 3). Over $179 million of this credit was granted in July and September 1953, largely to finance the importation of food and raw materials from the USSR. A loan of approximately $161 million in any desired currency was reported in December 1954. It is believed that this loan will be used for the purchase of industrial goods, machinery, and consumer goods. As in the case of Czechoslovakia, the level of the industrial development of East Germany is high relative to that of the USSR. Therefore, raw materials rather than capital equipment have comprised the major portion of commodities received from the USSR on credit.

Two-way exchanges of technical data have been carried out in the past and are to be continued. In 1954-55 the USSR is to supply

* P. 32, above.

East Germany with technical blueprints for some metallurgical equipment and for some types of agricultural machines, as well as technical data on metallurgical processes for production in the machinery, building, chemical, and other branches of industry (see Table 1*).

Soviet investment in East Germany has, by and large, amounted to a negative sum. In December 1945 the USSR ordered that 216 of the largest and most important enterprises, with an estimated current value of over $1 billion be transferred to Soviet ownership. Subsequently, these plants, which are known by the abbreviation SAG (Sowjetische or Staatliche Aktiengesellschaften), paid the USSR a yearly rental on property and installations, as well as their profits, if any. 52/ Seventy-four plants were returned to East Germany in 1947, 23 were returned in 1950, and 66 in April 1952. 53/

In 1946, Soviet properties accounted for about one-third of total East German industrial employment and output. This proportion was retained, with the growth in the value of retained properties exceeding the value of returned properties until April 1952, when the proportion dropped to 20 percent. Under economic concessions granted in August 1953 the USSR cancelled East German reparations payments at the end of 1953 and returned all but one of the Soviet enterprises to East German ownership in January 1954. The one exception is the Wismut AG uranium-mining company which reportedly became a joint Soviet-East German corporation. 54/ "The USSR has apparently received compensation payments from East Germany for what may be estimated as two-thirds of the value of Soviet enterprises turned over to East Germany before August 1953. The remaining payments for these enterprises were officially canceled at this time, and no compensation was required for the latest transfers." 55/

D. Rumania.

Credits to Rumania from the USSR appear to have been small and infrequent. Apparently, only the $10 million loan of

* P. 9, above.

1947 made any allowance for capital goods, the previous credit having consisted entirely of wheat valued at about $22.5 million (see Table 3*).

The major Soviet economic influence in Rumania has been the joint stock companies known as the Sovroms. These Sovroms, which dominated every vital sector of the Rumanian economy, were nominally jointly owned on an equal basis by the USSR and Rumania. Actually, however, the Soviet contributions did not measure up to those of Rumania, the Soviet shares having been composed of assets acquired on the basis of very loosely defined German control. The USSR was guaranteed a certain level of profits from these joint companies. The "investment" of the USSR in the companies was largely accomplished by reinvestment of the "profits" accruing in its favor. 56/

In 1954, nearly all of the Sovroms were returned to Rumania, which must pay for the Soviet shares in these companies over a period of several years. The USSR retained its shares in Sovrompetrol, which controls Rumanian oil production, and in the Soviet-Rumanian Quartzite Company, which mines uranium ores. 57/ Sovrompetrol is the country's most valuable industrial asset.

Soviet assistance in the reconstruction and development of the Rumanian economy has been concentrated on the basic oil, metallurgical, and power industries, but the lighter industries have also been receiving considerable aid.

Table 5** indicates and describes Rumanian industries and plants receiving aid from the USSR. It has not been possible to indicate in all cases which plants have been jointly owned, but it is probable that most were under joint control.***

* P. 32, above.

** Table 5 follows on p. 42.

*** Continued on p. 46.

Table 5

Rumanian Industries and Plants Receiving Aid from the USSR

Industry	Plant	Remarks
Heavy		s that Tekhnoeksport is assisting in the construction of 7 heavy industrial ob"yekts (. in the Fi... ...ve Year Plan (1951-55) the USSR is to provide the entire equipment for a metallurgical coking plant of 600,000-ton annual capacity, together with agglomerating equipment for iron ore and large-capacity rolling equipment for sections and tinplate. 58/ The plants described below are believed to be receiving various amounts of assistance from the USSR.
	Recita 59/	Steel plant. Two of four old blast furnaces have been reconstructed to increase capacity. A 23-oven coking plant, added in 1949, doubled the plant's coking capacity to 180,000 tons per year. Open-hearth capacity in 1948 of 240,000 tons was later increased by the addition of 2 furnaces. 1950 production was reported as 139,500 tons of pig iron and 266,000 tons of steel.
	Hunedoara 60/	Since the end of World War II the following construction has been done at this plant: 3 of 5 blast furnaces have been rebuilt and enlarged, a new blast furnace was added in 1950, at least 2 of 4 original 25-ton open hearths have been enlarged, coking facilities of 600,000-ton capacity are being installed, and 2 new rolling mills have probably been completed. The plant's production of tubes for oil wells and the natural

Rumanian Industries and Plants Receiving Aid from the USSR
(Continued)

Industry	Plant	Remarks
Heavy (Continued)	Hunedoara 60/ (Continued)	gas network is of great value to the fuel industry. 1948 production is reported to have been 150,000 tons of pig iron and 108,000 tons of steel. Controlled by Sovrom Metal.
	Calan 61/	Produces pig iron. One pre-1940 blast furnace has been rebuilt and enlarged. A new blast furnace was recently put into operation. Combined capacity of both furnaces is 70,000 tons.
	Steagul Rosu 62/	Metallurgical plant at Brasov.
	Republica 63/	Tube-rolling mill at Bucharest.
Power		(at least 15 power ob"yekts are being assisted by Tekhnoeksport. Installations at Moreni, Ovidiu, and on the Black Sea Canal project have been identified (s). 1950 Rumanian power capacity was only 740 megawatts, but increased to 1,050 megawatts by the end of 1953. 64/
	Bicaz 65/	Hydroelectric plant. Construction began in 1951 and has progressed slowly, the USSR providing the machinery. Planned capacity reported to be 100 megawatts in 1955 and 210 megawatts in 1957.
	Moreni 66/	Hydroelectric plant. Scheduled for completion in 1952. Reported to be in partial operation in March 1953 and in full operation at end of 1953. Planned capacity, 15 megawatts.

Rumanian Industries and Plants Receiving Aid from the USSR
(Continued)

Industry	Plant	Remarks
Power (Continued)	Ovidiu II 67/	Power plant began in 1951. Reported in full operation by the end of 1953. Twenty-four-megawatt capacity.
Chemical		ıat at least seven ob"yekts are receiving aid from Tekhnoeksport (see Table 2 a/). An unknown project at Ploesti and at least one nitrogen and soda plant have been identified.
	Tarnaveni 68/	Chemical combine.
	Isai 69/	A penicillin plant. Complete installation reportedly scheduled to be supplied by the USSR. Plant to employ 2,000 workers upon completion in 1959-60.
Communications		Sixteen ob"yekts are receiving Tekhnoeksport aid (see Table 2 a/). Radio stations and a cable plant have been tentatively identified.
Textile		Seven ob"yekts are receiving Tekhnoeksport aid (see Table 2 a/). A synthetic sole factory at Buzau and a cloth factory have been tentatively identified.
	Botosani 70/	A spinning mill.
Light and industrial machinery		Twenty ob"yekts r . A sugar plant, powdered milk plant, and two machine tool plants identified.

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Table 5

Rumanian Industries and Plants Receiving Aid from the USSR
(Continued)

Industry	Plant	Remarks
Fuels 71/	Sovrom Coal Sovrom Gas Sovrom Oil	
Tractor Production 72/	Sovrom Tractor	

E. Bulgaria.

The Soviet loan to Bulgaria of $5 million in 1947 appears to have been the only one granted by the USSR. This loan was to have been paid off over a period of 5 years by shipments of tobacco and other goods from Bulgaria (see Table 3*).

* P. 32, above

Table 6

It is not known what form of technical aid is paid for by the Ministry of Finance, but, since the Ministry of National Defense presumably handles military aid, it does not seem illogical to assume that the remittances from the Ministry of Finance are for technical aid of an economic nature.

An agreement signed in October 1954 provided for the transfer to Bulgaria of Soviet shares in 3 of the 4 joint stock companies in Bulgaria. The returned companies are KORBSO (shipbuilding), TABSO (civil aviation), and SOVBOLSTROY (building materials). No mention was made of the Soviet Bulgarian Quartzite Company (uranium mining). Bulgaria is to pay for the Soviet shares over a period of years. 82/

By assisting in the construction of a few select enterprises, the USSR has made a valuable contribution to the basic industrial

complex of Bulgaria. The V. I. Lenin Works, built largely with Soviet equipment and under Soviet direction at Dimitrovgrad, is that country's first and only steel mill. In addition to enabling Bulgaria to establish a steel industry, the USSR has also played a significant role in the construction and improvement of power installations, which are essential to further industrial development. Bulgarian agriculture has received a considerable amount of Soviet assistance in the form of Soviet advisers, equipment (1,363 combines were provided by the USSR in 1950-51 83/), and the establishment of a large nitrogen fertilizer plant at Krichim.* Table 7** indicates and describes Bulgarian industries and plants receiving aid from the USSR.

F. Albania.

The USSR extended an unknown amount of credit to Albania in February 1951 (see Table 3***). Since that time a number of Albanian plants have been receiving capital equipment under this agreement, which extends credit into 1955.

The USSR has made no effort to establish a metallurgical industry in Albania and has helped to develop only one small electric power station. The major portion of Soviet aid has been directed to such developments as the Cerrik Oil Refinery, the Stalin Textile Combine, and other smaller light industrial plants. Table 8**** indicates and describes Albanian industries and plants receiving aid from the USSR.*****

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* See Table 1, p. 9, above, for a description of technical aid being exchanged between the two countries.

** Table 7 follows on p. 50.

*** P. 32, above.

**** Table 8 follows on p. 53.

***** Continued on p. 56.

Table 7

Bulgarian Industries and Plants Receiving Aid from the USSR

Industry	Plant	Remarks
Heavy		ob"yekts for heavy industrial aid from Tekhnoeksport. The Lenin metallurgical plant at Dimitrovgrad, a flotation plant, a refractory plant, and a central enriching plant have been identified.
	V. I. Lenin 84/	Located at Dimitrovgrad. USSR providing majority of equipment. Construction started in 1950. Began producing in 1953. Facilities include 2 open-hearth furnaces of 40-ton capacity, an electric furnace, and a rolling mill. One source has reported 1953 output as 16,000 metric tons of steel, and another source put 1954 output at 95,000 metric tons. 1957 planned production is 250,000 metric tons of steel, 226,000 metric tons of pig iron, and 170,000 metric tons of rolled products.
	Stalin Machine Building Works	Has 1 electric furnace with estimated annual capacity of 1,000 tons.
Power		Six ob"yekts in the power industry have been determined to be receiving Tekhnoeksport assistance. The Chervenkov, Batak, and Stalin power stations have been identified
	Vulko Chervenkov 85/	Formerly called Maritsa III. Thermal electric station. Fifty-megawatt capacity.

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Table 7

Bulgarian Industries and Plants Receiving Aid from the USSR
(Continued)

Industry	Plant	Remarks
Power (Continued)	Batak 86/	Hydroelectric station. Started in April 1953. One of 3 stations in the Batak area. Thirty-megawatt capacity.
	Stalin 87/	Thermal electric station. Original capacity of 12.5 megawatts raised to 25 megawatts in 1951. Ultimate capacity to be 75 megawatts. Construction of the second turbogenerator Kokalyane hydroelectric station (the second plant of the Stalin system) begun on 3 August 1954.
	Karl Marx 88/	Thermal electric station. Put into operation in August 1954 under Soviet specialists.
Chemical		Seven Tekhnoeksport ob"yekts noted. A nitrogen-fertilizer plant at Dimitrovgrad and a penicillin plant at Razgrad firmly identified
	Stalin 89/	A nitrogen-fertilizer plant at Dimitrovgrad. Entire plant provided by USSR on credit. Contracts for construction of this plant signed by the USSR and Bulgaria in May 1949. First shipments of equipment from the USSR in October 1950. Inaugural ceremonies marked completion of the plant in November 1951. Plant reported to be capable of producing 70,000 tons of nitrate fertilizer per year, as well as nitric acid.

TOP SECRET

Table 7

Bulgarian Industries and Plants Receiving Aid from the USSR
(Continued)

Industry	Plant	Remarks
Communications		Two Tekhnoeksport ob"yekts have been noted [illegible]. A radio station at Balchik has been tentatively identified
Textile		One ob"yekt for a cloth plant has been seen
Light		Seven ob"yekts are being used by Tekhnoeksport. The sulfate pulp mill at Krichim and a sugar mill have been firmly identified. At least 1 plant (3 ob"yekts) for communications equipment has been tentatively identified
	Krichim 90/	Cellulose factory. Equipment provided by the USSR and constructed under the guidance of Soviet officials. Scheduled to begin production in July 1952. Assembly of a large turbine at the power station of this plant was reported to have been started in the summer of 1954.
Transportation		Two Tekhnoeksport ob"yekts have been tentatively identified with this industry (see Table 2 a/).
	Unknown 91/	One auto repair plant. Provided by the USSR on credit extended in 1947-48 and [illegible]

Albanian Industries and Plants Receiving Aid from the USSR

Industry	Plant	Remarks
Heavy		No metallurgical plants are known to be receiving Soviet assistance.
Power		Five Tekhnoeksport ob"yekts have been noted (see
	Lenin 92/	A hydroelectric station at Selite, 10 miles southeast of Tirana. All equipment reportedly provided by the USSR on credit. Soviet engineers have supervised construction. Capacity believed to be about 5 megawatts.
Chemical		seven ob"yekts receiving Tekhnoeksport aid. All have been tentatively associated with refining installations (see Table 2 a/).
	Vlore 93/	A tanning extract plant. Machinery provided by the USSR.
	Cerrik 94/	Oil refinery located 10 km southeast of Elbasan. All equipment provided by the USSR on credit. Annual capacity, 137,000 to 150,000 tons.
Communications		Two Tekhnoeksport ob"yekts have been noted and possibly indicate a radio station and a cinema
	Unknown 95/	Radio station. Sixty kw provided with Soviet equipment.

Table 8

Albanian Industries and Plants Receiving Aid from the USSR
(Continued)

Industry	Plant	Remarks
Textile		Aid is being provided to six Tekhnoeksport ob"yekts (see Table 2 a/).
	Stalin 96/	Textile combine near Tirana. All equipment provided by the USSR on credit, under supervision of Soviet engineers. Apparently includes both cotton and woolen mills. Annual capacity, 20 million square meters of cotton cloth. Equipped with 12,000 looms.
Light		six ob"yekts being supplied by Tekhnoeksport. A sugar factory and a fish canning plant have been identified (see Table 2 a/).
	Maliq (?) 97 /	Sugar mill. All equipment provided by the USSR on credit. Annual capacity, 10,000 tons.
	Elbasan and one of unknown location 98/	Woodworking plants. Equipment provided by the USSR on credit.
	Vlore 99/	The largest cement works in the Balkans, equipped with the latest Soviet machinery. Scheduled to be put into operation shortly.
	Tirana 100/	An engineering works equipped with the latest Soviet machinery. It produces spare parts for autos, harvester combines, and tractors. It has also recently begun production of plows, cultivators, harrows, and various hardware items.

a. P. 17, above.

Table 8

Albanian Industries and Plants Receiving Aid from the USSR
(Continued)

Industry	Plant	Remarks
Mining	Unknown 101/	Copper and chrome mines receiving equipment on credit from the USSR.
	Rubik 102/	Copper smelting works. Recommissioned and Soviet-equipped.

G. Hungary.

The USSR has given considerable assistance to the basic development of the Hungarian economy. The long-term Soviet-Hungarian trade agreement for 1952-55 specified that the USSR was to deliver equipment and complete enterprises to Hungary. No details are known as to the value and extent of this agreement, but presumably the equipment was provided on long-term credit. There are recent reports of a new $27 million Soviet loan to Hungary in the form of precious metals and consumer goods. A loan in the form of precious metals could indicate an intent to finance purchases from Western nations (see Table 3*).

The outstanding projects which the USSR has helped to establish in Hungary are the aluminum plant at Inota and the steel combine at Stalinvaros. The addition of the Inota plant has virtually doubled the Hungarian output of aluminum, and the operation of some new facilities at Stalinvaros is reported to have increased the country's output of pig iron by 30 percent. 103/

The USSR also has assisted in equipping new Hungarian textile mills and has been active in providing technical documents, advisers, and technical training for Hungarian workers (see Table 1**).

A recent agreement of November 1954 made provision for the transfer to Hungary of Soviet shares in the five joint stock companies organized in 1945-46. These joint companies dominated Hungarian river and air transport and the oil and aluminum industries. Hungary is to pay for the Soviet shares over a period of years on "preferential terms." One source has reported that the sale price of the Soviet shares in the joint companies for shipping, oil, and air transport amounted to the equivalent of $92 million. 104/

Table 9*** indicates and describes some Hungarian industries and plants known to have been constructed with aid from the USSR.

* P. 32, above.

** P. 9, above.

*** Table 9 follows on p. 57.

Table 9

Hungarian Industries and Plants Receiving Aid from the USSR

Industry	Plant	Remarks
Heavy	Stalinvaros 105/	A metallurgical combine known as the Dunapentele Metallurgical Combine before November 1951. Located at Stalinvaros, 4 km south of Dunapentele on the east bank of the Danube. The planning, supervision of installation, and the heavy equipment for the plant provided by the USSR. Plant facilities included two 700-cubic-meter furnaces, a rolling mill, a coke plant, a fire-brick plant, a repair shop, and an electric power station. The first furnace began operation in February 1954
	Inota 106/	Aluminum plant. Begun in 1951, finished in 1953. Annual capacity, 17,500 tons of aluminum.
Power	Mo Eroemu 107/	A power installation at Dunapentele for the metallurgical combine.
	Inota 108/	Thermal electric station. Supplies both Inota and Stalinvaros metallurgical plants. Capacity, 120 megawatts.
Chemical	Stalinvaros 109/	A chemical plant to utilize the byproducts of the coke plant at the metallurgical combine.
Textile	Szeznek 110/	Equipped with Soviet machinery. Put into operation in 1951.
	Kaposvar 111/	Equipped with modern Soviet machinery. Upon completion will increase Hungarian production of cotton goods by 15 percent.
	Unknown 112/	Cotton-processing plant, the sixth to be built in Hungary. To be equipped with Soviet machinery. Daily capacity, 100,000 kilograms of raw cotton.

H. Austria.

Soviet economic relations with Austria have been exploitative rather than constructive. The USSR has made no attempt to develop the Austrian economy as it has the economies of the other East European countries under its control, presumably because the terms of the Austrian peace treaty are still being debated by Allied and Soviet diplomats.

Since the end of the war a small but significant share of the Austrian economy in the Soviet Zone of Occupation has been under the control of the USSR. The Soviet-controlled properties are the result of a free, unilateral interpretation by the USSR of the provisions of the Potsdam Agreement concerning the disposition of German assets in foreign countries. 113/ The USSR has made contributions to the economic sectors under its control, but, because it is the sole beneficiary, these investments can hardly be classed as economic aid to Austria unless these properties eventually revert to Austrian control. There has been no indication in recent months of a change in the status of the Soviet holdings in Austria.

The Administration of Soviet Property in Austria (Upravleniye Sovetskogo Imushchestva Austrii -- USIA) owns more than 240 industrial and commercial enterprises in Austria as well as a chain of nearly 250 retail stores developed since 1948. The net annual profit accruing to the USSR from the operation of the USIA enterprises is estimated to run in the neighborhood of $30 million. 114/

Another Soviet organization, the Soviet Mineral Oil Administration (SMV), controls the oil properties within the Soviet Zone. Assuming that about half the shipments of SMV oil and oil products going to Soviet Bloc countries are fully paid for, the net profit from the operation of these properties is now about $30 million per year. 115/

I. Communist China.

Soviet economic and technical assistance has been of considerable importance to the reconstruction and development of the Chinese Communist economy since 1950. A large volume of Soviet equipment and raw materials has been supplied to China. The use of Soviet technicians, techniques, processes, patents, and other technical data has been a vital factor in the Chinese Communist industrial development under the First Five Year Plan. Soviet credits, * although comparatively small, have contributed to Chinese economic growth. On the other hand, Soviet economic and technical aid to Communist China, as to the European Satellites, affords the USSR an opportunity to exert influence upon the Chinese economy and institutions. The presence of Soviet advisers and widespread adoption of Soviet techniques and methods of economic planning, management and control procedures, and industrial processes are creating in China an economic system which is a close copy of the Soviet system. 116/

1. Sino-Soviet Joint Companies.

Soviet contributions to the formation of joint companies with Communist China have been made as a form of economic and technical assistance. At the same time, these companies have given the USSR an economic control device which has been relatively important in certain areas. The four joint companies which are currently operating as such in Communist China were established by agreement in 1950 and 1951. The Sino-Soviet Joint Stock Petroleum Company was established for the development of the oil resources of Sinkiang Province. The Sino-Soviet Joint Stock Nonferrous and Rare Metals Company established for the exploration, prospecting, and extraction of nonferrous and rare metals in Sinkiang Province and the Sino-Soviet Joint Stock Company for Aviation (SKOGA), which is in charge of air transportation between Communist China and

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the USSR, were set up by the Sino-Soviet agreement of 27 March 1950. 125/ The shipbuilding facilities at Dairen, under the control of the USSR from the end of World War II, were placed under the Sino-Soviet Shipbuilding Company in 1951. 126/

On 11 October 1954 the Chinese Communists and the Russians issued a joint statement from Peking concerning a major Sino-Soviet agreement which provided, among other things, for the transfer of the Soviet share in the operations of the four joint Sino-Soviet companies to China, starting 1 January 1955. Payment for the Soviet share will be made "over the course of several years by supplies of goods which are the usual export commodities from ... China."

This transfer is attributed to the fact that China has advanced economically and technically to the point where its own economic organizations "can themselves direct the operations of the enterprises included in these joint companies." An admission of the continuing technical inadequacies of Communist China is, however, implicit in the Agreement on Scientific and Technical Cooperation announced at the same time. Although phrased carefully to indicate an equal exchange of technical data and personnel, there is little doubt that most of the flow is from the USSR to China. 127/ There is no doubt that the USSR will continue to furnish technical and probably administrative advice for the operation of these companies for a considerable period.

2. Soviet Personnel.

In spite of numerous references to Soviet technical personnel in the Chinese press, no reliable totals are available on the number of Soviet specialists assigned to Communist China. There are indications that the total may have fluctuated considerably, since the average term of Soviet personnel in China is estimated to be only 2 years. 128/ It had previously been estimated that approximately 70,000 Soviet military and technical personnel arrived in China in 1950. 129/ A later report, based on a Japanese source, estimated that there were 40,000 Soviet military and technical advisers in China in 1952, including 21,000 civilian technical specialists. 130/ A still later estimate, for early 1954, put the number at 20,000 to 30,000 technical and military advisers. 131/ It appears that during 1950 and 1951, advisers and technicians on military training, military construction, and railroad maintenance and operations predominated. During 1952 and 1953, more emphasis was placed on economic planning and on other technical projects. Table 11* contains a summary of available information for 1953 on the technical and advisory capacity of some 600 Soviet technical and nonmilitary personnel.

* Table 11 follows on p. 63.

Table 11

Distribution of Soviet Advisers and Technicians
Sent to Communist China a/ 132/
1953

	Percent of Sample b/
Technical trade and procurement representatives	21.3
Education, printing, and publishing specialists	12.5
Agriculture, forestry, and fishery specialists	10.3
Health and social services specialists	8.2
Information services	8.0
Machine building	4.8
Light industries	4.7
Railroad transportation	4.2
Nonferrous metallurgy	4.0
Paper and pulp industries	3.5
Electric power industry	3.2
Ferrous metallurgy	3.2
Telecommunications and equipment industries	1.8
Road communications	1.8
Motor transport	1.7
Defense, finance, economics, and geology advisers	1.5
Water transportation	1.3
Trade union advisers	1.0
Coal industry	0.8
Chemical industries	0.8
Geodesy, meteorology, and cartography	0.5
Construction materials industry	0.2
Architecture	0.2

a. This is based on about 600 known cases, which is considered to be a representative sample of an unknown total.
b. Because of rounding, percentages do not total 100.

The Sino-Soviet Agreement announced on 11 October 1954 provided that the two sides should "send specialists to give technical assistance and acquaint each other with their achievements in the fields of science and technology" (see Table 1*). In the past, this has consisted of Soviet advisers and technicians being sent to Communist China and Chinese students and workers being sent to the USSR for technical training. The question of payments for these services was not clarified by the announcement, although it was stated that the exchange of technical data should be free of charge. There is little doubt that the Chinese are paying for the technical aid extended by the USSR, even though the actual pattern of payments is not clear yet.

3. The 156-Project Soviet Aid Program.

Several agreements have been signed by the USSR and Communist China in which the USSR has extended economic and technical assistance for the industrial development of the Chinese economy. In total, these agreements comprise a program of aid, consisting of Soviet aid to China for the reconstruction, expansion, and construction of 156 industrial enterprises. This program was started in 1950 and is scheduled for completion by the end of 1959.

* P. 9, above.

Under the agreement of 14 February 1950 the USSR agreed to supply Communist China with equipment and other materials for the reconstruction of restored and newly built industrial enterprises. 135/ On 26 March 1953 the USSR agreed to assist in the expansion and construction of electric power stations. 136/ In the summer of 1953 an agreement was signed providing for economic and technical assistance to China in the construction and renovation of 91 additional enterprises and economic and technical aid in the 50 enterprises then being built or renovated. 137/ On 11 October 1954, protocols were signed on the granting of assistance by the USSR for building an additional 15 industrial enterprises and on increasing by an amount valued at more than 400 million rubles the supply of equipment for the 41 enterprises covered in the previously signed agreement. 138/

Soviet assistance to these projects is "from beginning to end" -- from the selection of factory sites, the collection of data for planning purposes, and the actual planning, to the supply of equipment, the direction of construction, the installation of machinery, and the turning out of new products. 139/ Soviet contributions to the 156 projects have been stated to be roughly 50 to 70 percent of the equipment, semimanufactures and materials. The Chinese are to supply 30 to 50 percent of the goods needed. 140/

Some 600 projects have been scheduled for the period of the First Five Year Plan. The 156 projects in which the USSR is assisting constitute the largest group. 141/ Chou En-lai in his speech before the National People's Congress, 23 September 1954, stated that 17 projects have been wholly or partly finished and have begun production, including the heavy rolling mill, seamless steel tubing mill, and steel sheet mill of the An-shan Iron and Steel Company, as well as the Hai-chou Opencut Coal Mine at Fou-hsin. 142/

in 1954 are in their early or planning stage and, therefore, are not considered by the Chinese as being started.

the primary emphasis of the Chinese Communist First Five Year Plan and the Soviet aid program -- that is, emphasis upon the reconstruction, expansion, and construction of plants of the heavy and electric power industries. In heavy industrial development, probably the major accomplishment thus far has been

the work in restoring and expanding the An-shan Metallurgical Combine in the northeast. Soviet participation has been a vital factor here. Table 13* lists the major projects at the An-shan Metallurgical Combine which have received Soviet aid. Electric power projects receiving Soviet equipment and technical assistance are also listed in Table 13. Many of the projects at the An-shan Combine are noted to be replacements of old facilities. Soviet equipment to these projects in some cases would be primarily a replacement for equipment taken out by the USSR after World War II.

Soviet assistance to these projects has been a vital factor in the industrial development of Communist China since 1950. Without Soviet equipment and technical aid, the progress which has been made under the First Five Year Plan would have been impossible. The dependence of China on Soviet equipment and technical aid, on the other hand, provides the USSR with the opportunity to influence the nature and rate of Chinese industrial development. The presence of Soviet technicians and the widespread adoption of Soviet techniques and methods of economic planning, management and control procedures, and industrial processes, even without any other exertion of Soviet influence on Chinese Communist economic policy, are strong factors contributing to the development in China of an economic system which is a close copy of the Soviet system and is closely oriented toward the USSR.

4. Soviet Long-Term Credits to Communist China.

Two long-term credits are known to have been extended by the USSR to Communist China for its industrial development (see Table 5**). The agreement of 14 February 1950 extended a credit of $300 million to be utilized in equal amounts over a period of 5 years beginning 1 January 1950. On 11 October 1954 a credit of 520 million rubles ($130 million) was extended. Information concerning the terms of this credit was not released by the Chinese Communists. The context indicated that the credit was to be used in conjunction with the 156-project aid program. The following are possible alternative reasons for the new Soviet credit:***

* Table 13 follows on p. 68.

** P. 42, above.

*** Continued on p. 70.

Chinese Communist Projects of the Ferrous Metals and Electric Power Industries Receiving Soviet Equipment and Technical Aid a/

Project	Location	Remarks
Ferrous Metals Industry at the An-shan Metallurgical Combine		
Automatic blast furnace No. 8	An-shan	Placed in operation 9 March 1953.
Automatic blast furnace No. 7	An-shan	Placed in operation December 1953 (renovation).
Modern seamless tube mill	An-shan	Placed in operation 27 October 1953 (replacement of old facility).
Structural-rail mill	An-shan	Placed in operation 15 December 1953.
Automatic blast furnace No. 6	An-shan	Placed in operation 1 October 1954.
Sheet mill	An-shan	Placed in operation 20 July 1954 (replacement of old facility).
Coke furnaces Nos. 13 and 14	An-shan	Placed in operation 30 September 1954.
Open-hearth shop No. 2	An-shan	Estimated to be completed some time in 1956.
New blooming mill	An-shan	Should be completed in time to take care of ingots from new open-hearth shop.
Refractories plant	An-shan	Completion date unknown.
Ore concentrating plant	An-shan	Completion date unknown.
Sintering plant	An-shan	Completion date unknown.
Electric Power Industry		
Transmission line project	Northeast	Connecting An-shan, Mukden, Fu-shun, Fou-hsin, and Pen-ch'i.
Power plant expansion	Fou-hsin	Two separate stages of power plant expansion, probably indicating two separate projects.

a. Documentation available on request.

Table 13

Chinese Communist Projects of the Ferrous Metals and Electric Power Industries Receiving Soviet Equipment and Technical Aid a/
(Continued)

Project	Location	Remarks
Electric Power Industry (Continued)		
Power plant expansion	Dairen	
Power plant expansion	Fu-shun	Two separate stages of power plant expansion, probably indicating two separate projects.
Hydroelectric power station	Ta-feng-man Dam (Kirin)	May have been broken into 2 or 3 separate projects.
Power plant	Fu-la-erh-chi (near Ch'i-ch'i-ha-erh)	Planned major power plant (under construction).
Thermal electric power station	T'ai-yuan	
Power plant	Pao-t'ou	Plant barely started now.
Power plant No. 2	Sian	In partial operation, August 1953.
Power station	Cheng hsien	Scheduled to begin "partial" operation in October 1953.
New thermal power plant	Urumchi	Scheduled to begin operation in October 1953; output to equal 140 percent of present generation in province.
Power plant No. 507	Chungking	Scheduled to begin operation in 1953.
Two or three small power plants	Yunnan	Part of development of tin mines.
Hydroelectric power plant	Shih-lung-pa (near K'un-ming)	Barely started now.

a. Documentation available on request.

a. The credit may be a continuation of credits along the line of the Sino-Soviet Aid Agreement of 1950.

b. The credit may be for the express purpose of financing a portion of the Soviet deliveries of capital goods through 1955, enabling Communist China to reduce planned food exports without cutting back on scheduled investment. This could be necessary in view of serious flooding of surplus food-producing areas.

c. The loan, in part, may be for refunding the former credit which the Chinese Communists, beginning in 1954, must pay off at the rate of $30 million annually for 10 years. 143/

It is possible that when the 1954 credit is exhausted, additional credits will be sought by the Chinese Communists. The size of the 1954 credit indicates that future credits may be made only when Chinese exports do not yield sufficient foreign exchange to pay for the imports desired.

Some relatively minor gifts of equipment and technical aid have been given by the USSR to Communist China. For example, the Soviet delegation which concluded the Sino-Soviet economic agreements of 11 October 1954 announced on 12 October 1954 a gift of equipment (including 98 tractors, 100 combines, 38 trucks, farm tools, power station, and communications equipment) and services of Soviet experts for the first year, to enable the Chinese to organize a state grain farm of 49,423 acres which would be a beginning in reclaiming waste and virgin lands. 151/

These minor gifts and the Soviet credits, however, do not pay for much of the material assistance -- that is, equipment which the USSR is supplying for the 156 projects. This Soviet equipment is paid for by Chinese exports. This view is supported by the following statement from an editorial in Jen-min Jih-pao of 10 March 1954: "Although it is permissible for us to mainly depend upon imports of equipment in the industrialization of the country, yet it is neither good, nor possible to mainly depend upon loans to carry out the construction ... ." 152/

J. North Korea.

There were some indications of Soviet aid to North Korea as early as 1948. This included Soviet technological assistance in the restoration of iron and steel works destroyed in World War II, including restoration of the Kangso Steel Plant and the Haeju Machine-Manufacturing Plant. Assistance was also extended in the manufacture of copper pipes, wire, and silicon steel plates at the Songjin Steel Plant. A metallurgical institute was established at P'yongyang by a Soviet specialist. 153/

On 17 March 1949 a 10-year Economic and Cultural Pact was signed by the two countries. In addition to providing for trade and cultural interchange, supplemental agreements signed at the same time provided Soviet aid for North Korea. This aid consisted of a $40-million 2-percent loan for the purchase of industrial equipment and raw materials, to be repaid in the 3 years following 1 July 1956. It also provided technical assistance for

North Korean industry and agriculture (see Table 3*). Although this aid was not particularly generous, it was, as far as the American Embassy in Seoul knew, the only credit extended until 1953. 154/

In September 1953 the largest manifestation of Soviet aid occurred. The USSR granted 1 billion rubles ($250 million) as outright aid without compensation, 50 percent to be used for the buildup of military armament, 25 percent for light industry, and 25 percent for heavy industry. 155/ In late December 1953, Kim Il-sung announced that the USSR had decided to remit the entire "war debt" of North Korea and had granted easier terms on the repayment of the prewar credit. It was later revealed that half of the 1949 debt was written off and the remaining payments were to be made over a number of years. This generosity was largely offset by the announcement that the 1 billion rubles ($250 million) would not be expended on North Korea in 1 year but would have to last until the end of 1956. There were no promises that additional grants would be forthcoming in the future. 156/

A North Korean press announcement of 7 October 1954 indicated that the USSR had already sent equipment and materials for rehabilitation, construction, and daily necessities, amounting in value to about 300 million rubles ($75 million). Complete equipment had been sent for factories and plants including cement works, a sulfuric acid factory, textile mills, a meat combine, and power stations. The factories and plants were noted to have been equipped with new advanced techniques with the aid of the USSR, the People's Republic of China, and the other people's democracies. Technicians also have been sent to North Korea by these countries. 157/

The aid program to North Korea is interesting as an experiment within the Sino-Soviet Bloc in a seemingly genuine and coordinated aid program. 158/ Apparently the USSR and Communist China are intent on reconstructing the North Korean economy more rapidly and efficiently (as an integral part of the Sino-Soviet Bloc) than the South Korean economy is to be reconstructed by US and UN aid. 159/

* P. 32, above.

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APPENDIX A

COMPARISON OF SOVIET CREDITS TO BLOC COUNTRIES WITH US GRANTS TO WESTERN EUROPE UNDER THE EUROPEAN RECOVERY PROGRAM

On the assumption that the long-term credits extended by the USSR to the Soviet Bloc countries were utilized in equal installments over the length of the agreements, it appears that the annual amount of credits utilized in 1950-55 varied from a low of 500 million rubles in 1951 and 1952 to a high of 1.2 billion rubles in 1955 ($125 million and $300 million, respectively, at official exchange rates). These credits ranged from one-twentieth to one-tenth of 1 percent, respectively, of the estimated Soviet gross national product (GNP) in those years. 160/

By comparison, the grants to Western European countries by the US under the European Recovery Program ranged from $4.3 billion in 1949 to $1.4 billion in 1953, or between 1.7 percent and 0.4 percent of the US GNP for those years. 161/

The ratios of loans or grants to GNP may be used as a rough measure of the relative burdens imposed on the US and Soviet economies by these assistance programs. Comparison of the ratios for the two countries indicates that the largest US grants in 1949 represent a burden nearly 17 times greater than that of the estimated peak Soviet credits in 1955. Even the smallest US ratio (1953) is four times greater than the highest Soviet ratio (1955).

In dollar terms* the peak US grants of 1949 were over 14 times larger than the $300 million which it is estimated the USSR will lend to its Soviet Bloc partners in 1955, whereas the smallest US grants under ERP were nearly 5 times larger than the estimated Soviet 1955 peak.

* Current US dollars at official exchange rates.

It should be noted that the comparison of the dollar equivalents calculated at the official exchange rate is favorable to the USSR because the ruble is considerably overvalued. Furthermore, the Soviet credits are to be repaid at some future date and therefore are in the long run considerably less of a sacrifice than the outright grants. Consideration should be given, however, to the fact that the impact of an investment of given size is greater on a small economy than on a large one. For this reason the relative short-run effects of US and Soviet aid upon the respective recipient economies may not be quite as disproportionate as the comparison of the relative burdens and dollar values would indicate.

APPENDIX B

GAPS IN INTELLIGENCE

From the point of view of this report there are the following three major gaps in intelligence on Soviet economic assistance to the Sino-Soviet Bloc countries:

1. Information on credit agreements between the USSR and Soviet Bloc countries is incomplete. In the cases of Albania and Hungary, for example, long-term agreements are in effect for delivery of capital equipment on credit from the USSR, but nothing is known of the magnitude of these agreements. In other cases, reports on the value of loans are available, but information about provisions is either lacking or indefinite.

2. In many cases it is not known how much and what kind of equipment for a particular installation is actually being supplied by the USSR. Without this information it is difficult to make an accurate assessment of Soviet aid.