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Directorate of Intelligence

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Warsaw Pact Economic Aid to Non-Communist LDCs, 1984

A Research Paper

GI 85-10308
December 1984

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Preface

The data on economic agreements reflect the latest information available and supersede information in our previous publications. They are derived from a variety of classified and unclassified sources.

For the purpose of this report, the term *Communist countries* refers to the USSR and the following countries of Eastern Europe: Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania.

The term *less developed countries* includes all countries of Africa except the Republic of South Africa; all countries of East and South Asia except Hong Kong and Japan; all countries in Latin America except Cuba; and all countries in the Middle East except Israel. Data include about $50 million in aid to Cambodia and Laos, provided before they became Communist in 1975 and reported for historical reasons.

The term *Marxist client states* refers to countries that have identified themselves as Marxist-Leninist and that rely primarily or entirely on Communist military support to maintain their power. They are Afghanistan, Angola, Ethiopia, Mozambique, Nicaragua, and the People's Democratic Republic of Yemen (South Yemen).

Within the aid context, the terms *agreements, commitments, extensions,* and *pledges* refer to promises to provide goods and services, either on deferred payment terms or free of charge (grants). Assistance is considered to have been extended when accords are initialed and constitute a formal declaration of intent. Credits with repayment terms of five years or more are included in economic aid totals. These credits are designated as "trade credits" if amortization is less than 10 years. Concessionary aid includes all grants and credits with repayment periods exceeding 10 years. The terms *drawings, disbursements,* and *deliveries* refer to the delivery of goods or the use of services.

Warsaw Pact Economic Aid to Non-Communist LDCs, 1984

Summary

Information available as of 31 October 1985 was used in this report.

Communist economic aid programs in non-Communist countries in 1984 continued to recover from the retrenchment of the early 1980s, when Warsaw Pact leaders were reexamining the question of where to place their limited aid resources for maximum political and economic effectiveness. New Warsaw Pact economic commitments in 1984 reached nearly $4 billion (double the levels in 1981 and 1982, and their highest total since 1980). At the same time, aid deliveries under both old and new agreements climbed to a record $2.2 billion

In 1984, Moscow's $2.1 billion of assistance was concentrated on five countries (Afghanistan, Ethiopia, Guinea, Iraq, and Syria) that absorbed 95 percent of the new commitments. The USSR's concessional aid, mostly to Marxist client states, accounted for about 40 percent of the new commitments, while the more profitable trade credits provided to traditional recipients on somewhat harder terms claimed a record 60 percent of new extensions. East European countries, whose pledges have never had the ideological cast of the Kremlin's offerings, provided most of their record $1.7 billion of new aid for equipment sales to non-Communist LDCs

Personnel exchanges remained key elements in Warsaw Pact economic programs in 1984. Nearly 126,000 Soviet and East European economic technicians were employed in non-Communist LDCs under a program that has grown every year since 1970. More than 100,000 of these personnel were stationed in North Africa and the Middle East (where hard currency receipts from technical services are most substantial); another 16,000 were in Marxist client states at virtually all levels of their economic establishments. Similarly, LDC student enrollments in Soviet and East European universities in 1984 rose to more than 90,000

Because the Soviet program is primarily a political effort, it continues to enjoy some advantages over Western programs, which adhere more closely to basic economic criteria in allocating aid. By dealing with Moscow, LDCs can sometimes:

- Obtain project funding when their debt problems or economic prospects make them poor credit risks.
- Obtain construction loans below market rates.
- Sidestep economic and monetary reforms that Western donors often insist on.
- Repay in good

For most countries, however, Warsaw Pact aid remains irrelevant to their development needs. Basically designed to penetrate a few key countries, Warsaw Pact programs in 1984 continued to be:

- Focused on industrial development, providing little in the way of disaster assistance. Only about $20 million of food aid was provided outside Afghanistan.
- Repayable on hard terms; only $350 million in new pledges (less than 10 percent) were grants.
- Tied purchases of Communist goods and services.
- Small in size, representing less than 10 percent of annual international aid flows.
- Loaded with costly extras, such as hard currency charges for technical services (which Western countries usually provide free), and high cost follow-on services and spares to Soviet-built projects

Nonetheless, even as the USSR tried harder to increase earnings from aid programs, there were further signs in 1984 that costs associated with the program (at least in the short term) are rising. The growing dependency of the troubled economies of Afghanistan, Ethiopia, and Nicaragua on Soviet aid is draining half a billion dollars annually from the Soviet economy that probably will never be repaid. Factors that shrank Soviet earnings included:

- Substantial credits from the USSR to finance development contracts in countries such as Iraq and Libya, which used to pay cash for Soviet equipment and services.
- Credits and subsidies for oil and other commodities to Soviet client states, such as Ethiopia, Mozambique, and Nicaragua, for the first time.
- Debt reorganization that deferred at least $1 billion in payments due in 1984 for many LDCs such as Afghanistan, Mozambique, Madagascar, Peru, and others

It is too early to say whether these patterns signal permanent changes in the character of the Soviet program in non-Communist LDCs. Nevertheless, we are fairly certain that for political reasons Moscow must continue its support to Marxist clients. We have not yet seen any indication that Gorbachev intends to cut this program over the near term. The program in non-Communist LDCs, which has generally been profitable, may even be expanded as the new leadership seeks to increase economic returns from LDCs

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Introduction

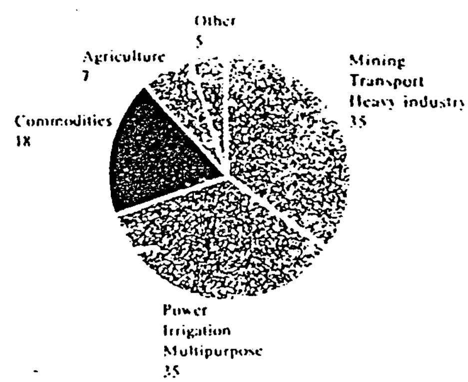
As of January 1984, the USSR had been in the economic aid business in the non-Communist Third World for 30 years. Since Moscow provided its first credits to its Asian neighbors in 1954, the USSR and its allies have promised nearly $45 billion in economic credits and grants to more than 70 less developed countries: about $20 billion of this assistance has actually been delivered. Together with military sales, the Kremlin and Eastern Europe have used their economic aid programs to replace Western influence in LDCs, to expand trade, and to gain access to strategic raw material:

Soviet economic aid has never had the dramatic impact of the military program: it has been both smaller in size and harder to implement. In the early years, when some LDCs were reluctant to accept a Soviet military presence, economic and military pledges were roughly equal. The gap widened in the mid-1960s and now, for every dollar in economic aid delivered, Moscow has transferred nearly $6 worth of arms. In contrast, East European countries have always depended on economic ties to sustain LDC relationships; economic aid pledges since 1955 have exceeded military agreements by $2 billion. East European aid programs have been d---ned almost solely to finance equipment sale

Personnel exchanges have become an increasingly important component of Warsaw Pact relations with LDCs and have provided good financial and political returns in the form of hard currency earnings and an increased Soviet presence. Technical services and academic training programs have been broadly based in 112 countries, including 45 which have not accepted other forms of Communist aic

Primarily fashioned to penetrate the economies of a few key states, Communist aid has rarely addressed the basic development needs of LDCs. The worsening international economic climate has compounded the economic problems facing most developing nations.

Figure 1
USSR: Composition of Economic Aid to Non-Communist LDCs, 1980-84
Percent
US $ 9.6 Billion



exacerbating the failings of the Soviet economic model and driving even Moscow's staunchest allies, such as Angola and Ethiopia, back to the West for aid. In 1984, as before, Warsaw Pact aid programs still were:

- Focused on industrial development, providing almost no food or other emergency relief to the estimated 20 million people worldwide who are faced with immediate starvation.
- Repayable on fairly stiff terms; only $300 million of new pledges were grants.
- Politically oriented, going mostly to major Soviet military clients, such as Iraq and Syria, and excluding more than 30 of the world's neediest low-income countries.
- Small in size; Warsaw Pact aid to non-Communist LDCs represents less than 10 percent of annual international flow

Table 1
Communist Economic Credit and Grants
Extended to LDCs, 1984

Million US $

	USSR	Eastern Europe						
		Total	Bulgaria	Czecho-slovakia	East Germany	Hungary	Poland	Romania
Total [a]	2,151	1,751	249	218	122	202	311	650
Sub-Saharan Africa	544	80	22	48	10		1	
Angola	50	2			2			
Ethiopia	268	20	12	NEGL	8		1	
Ghana	4							
Guinea	163							
Madagascar	9							
Mali	15							
Mauritius	8							
Mozambique	4	11	10	NEGL				
Nigeria		47		47				
Seychelles	22							
Togo	NEGL	[b]						[b]
Latin America	8	270	167	NEGL	12	31	10	50
Bolivia		10					10	
Colombia	NA	30				30		
Guyana		155	155					
Mexico	NA	50						50
Nicaragua	8	25	12	NEGL	12	NEGL	NA	
Middle East	1,273	881	60	170	100	151	300	100
Egypt		420		70	100	150		100
Iraq	453							
North Yemen	[b]							
South Yemen		1			NA	1		
Syria	820	160	60	100				
Turkey		300					300	
South Asia	325	520		NEGL		20		500
Afghanistan	325	NEGL		NEGL				
Pakistan	NA	520				20		500

[a] Because of rounding, components may not add to the total shown.
[b] An economic and technical agreement was signed which calls for long-term economic cooperation without identifying the value of assistance to be provided.

Table 2
Warsaw Pact: Economic Aid to Non-Communist LDCs

Million US $

	Agreements			Disbursements		
	Total [a]	USSR	Eastern Europe	Total	USSR	Eastern Europe
Total [a]	44,920	30,005	14,915	20,660	14,050	6,610
1954-78	26,065	16,570	9,495	11,185	7,675	3,510
1979	4,445	3,800	645	885	580	305
1980	3,930	2,605	1,325	1,130	815	315
1981	1,325	600	725	1,345	860	485
1982	1,575	1,015	560	1,840	1,190	650
1983	3,680	3,265	415	2,120	1,440	680
1984	3,900	2,150	1,750	2,155	1,495	660

[a] Because of rounding, components may not add to the totals shown.

USSR: A Quiet Anniversary

The 30th year of Moscow's economic aid program in LDCs passed uneventfully with $2.2 billion in new pledges to 17 countries, all of them old aid clients and most of them avowed leftists (table 2). About 95 percent of the aid was concentrated on five countries—Afghanistan, Ethiopia, Guinea, Iraq, and Syria. Trade credits (mostly to wealthier countries) used to promote Soviet equipment sales rose to their highest proportion yet—60 percent—while concessional aid was concentrated on Marxist client states that depend on Soviet support to maintain their regimes in power and to replace previous aid flows from the West.

A More Expensive Program for Moscow

Even though Moscow has been very successful recently in concluding development contracts with middle and high income LDCs on terms beneficial to the Soviet economy, there were increasing signs in 1984 that the program, which has been self-sustaining for two decades, is costing the Kremlin money over the short term:

- Moscow provided at least $450 million in credits (and possibly as much as $2 billion) to Iraq, which used to pay cash for Soviet equipment and services.

The Iran-Iraq war and declining terms of trade for LDC oil producers generally are forcing Moscow to provide more deferred financing for equipment sales to retain markets in formerly wealthy Middle Eastern countries.

- The USSR, for the first time, provided oil on credit to Madagascar, Mozambique, and Nicaragua, and continued its oil subsidy to Ethiopia. Until the 1980s, oil assistance had been absent from the Soviet program.

- Moscow rescheduled or restructured debt payments for Afghanistan, Mozambique, Madagascar, and Peru, and negotiated new debt relief with Ethiopia and Zambia.

Moscow's commitment to its Marxist client states is responsible for raising the cost of maintaining Soviet economic influence over the past five years. During this period, the USSR has been forced to provide several hundred million dollars annually of commodity support to client states free of charge. Until the late 1970s, Moscow relied on large industrial projects to attain the objectives of its program. The new

Table 3
USSR: Economic Aid Extended
to Non-Communist LDCs

Million US $

	Total	Marxist Client States	Other LDCs
Total [a]	30,005	6,360	23,645
1954-78	16,570	1,715	14,855
1979	3,800	975	2,825
1980	2,605	1,185	1,420
1981	600	220	380
1982	1,015	940	75
1983	3,265	670	2,595
1984	2,150	655	1,495

[a] Because of rounding, components may not add to the totals shown.

Marxist clients of the 1980s, however, have not been able to absorb Soviet aid to heavy industry. The growing dependence of the troubled economies of Afghanistan, Ethiopia, and Nicaragua in the past few years on Soviet commodity and development aid amounting to nearly half a billion dollars a year is the largest drain Moscow's command economy has ever experienced from the economic program

In 1984, development credits to Middle Eastern Arab countries (a traditional focus of Soviet efforts) were double the more concessional assistance provided to Marxist clients (table 3). Still, Moscow was generous to its Marxist allies, maintaining new aid commitments above the $600 million level

Major allocations in 1984 included:
- $820 million to Syria for oil and gas drilling rigs, a dam and power plant, and extensive railroad construction.
- $450 million to Iraq for power projects.
- $325 million to Afghanistan for commodities and consumer goods.
- $270 million to Ethiopia for agricultural development and commodities.
- $165 million to Guinea to finance fishing, agricultural, and bauxite projects.

Financing Development in Non-Socialist LDCs

In the 1980s, Moscow has largely pursued a tight-fisted policy of extracting maximum returns from its economic programs in nonsocialist countries, which still make up the bulk of its aid clientele in spite of recent increased support to Marxist clients. Agreements have been characterized by shorter grace and repayment periods, higher interest rates, and hard currency repayments. In 1984, Moscow's $1.3 billion in new pledges to Iraq and Syria demonstrated the USSR's continuing keen interest in increasing its access to the markets, as well as to the political structures, of key Middle Eastern Arab states. The USSR's $800 million allocation to Syria was its largest ever to Damascus and continued Moscow's long-term effort to increase its already pervasive development presence in Syria, a major political target in the Middle East. For Iraq, the USSR agreed to fund new power projects as part of a Soviet-designed plan to double Iraqi power output through the end of the century.

These funds were provided as trade-type credits (table 4), carrying 10-year repayment terms with interest ranging from 4 percent upward. In 1984 the proportion of these credits in total LDC packages reached its highest level yet, more than 60 percent of total pledges. Almost all of these credits are repayable in hard currency or strategic commodities, such as oil in the case of Iraq and possibly Syria

The agreements with non-Marxist countries fulfill several important Soviet objectives by:
- Placing large numbers of Soviet economic advisers in recipient countries, sometimes in influential positions.
- Gaining access to new equipment markets and strategic commodities.
- Increasing dependency for follow-on support to Soviet-built enterprises in LDCs.
- Earning hard currency from both the initial sale and associated technical services.

Table 4
USSR: Aid Extended to
Non-Communist LDCs, by Type

Million US $

	Total	Trade Credits	Concessional Credits/Grants
Total [a]	30,005	6,845	23,160
1954-74	10,080	980	9,095
1975	1,970	205	1,765
1976	1,080	290	790
1977	435		435
1978	3,005	255	2,750
1979	3,800	1,200	2,600
1980	2,605	640	1,965
1981	600	285	315
1982	1,015	10	1,005
1983	3,265	1,660	1,605
1984	2,150	1,315	835

[a] Because of rounding, components may not add to the totals shown.

Table 5
USSR: Relief Assistance
to Non-Communist LDCs

Million US $

	Relief Assistance		Food Aid	
	Total	Afghanistan	Total	Afghanistan
Total [a]	1,150	940	545	445
1954-74	75		50	
1975	20		7	
1976	5		4	
1977	3		2	
1978	2		2	
1979	30	25	30	25
1980	315	310	158	155
1981	30	27	30	27
1982	65	25	25	25
1983	380	350	120	112
1984	225	200	115	100

[a] Because of rounding, components may not add to the totals shown.

For years, these programs have directly supported the USSR's more concessional activities in socialist countries by providing a steady flow of hard currency and raw materials annually as repayments for goods and services

Budgetary Support to Socialist States

Moscow's $655 million in aid to Marxist client states in 1984 was slightly below allocations in the previous two years, but all of it was provided on favorable terms. The USSR also provided nearly $200 million to hardcore African socialist countries, such as Guinea and Mali, that have been longtime recipients of Soviet economic and military assistance. The $655 million of concessional aid to client states included $425 million for commodities such as petroleum, food grains, and other items that represented an outflow of goods from the Soviet economy. The new $165 million allocation to Guinea is the largest the USSR has ever provided to Conakry and may signal Moscow's intent to pursue a more aggressive economic program to prevent further deterioration in relations with this longtime ally. Pro-Soviet socialist countries, such as Congo and Mali, also are demanding more and better Soviet aid; some, such as Guinea and Mali, are turning to the West for assistance to rebuild their economies

The Soviet Record on Food Aid

In 1984, Moscow did not improve its poor record on food aid to the array of nations whose populations are facing starvation, in spite of seemingly dramatic growth (from a very low base) in its relief program over the past five years. Moscow provided only about $15 million in food aid to African recipients in 1984, while Western donations reached more than $1 billion. Afghanistan has received almost all of the USSR's emergency assistance to compensate for the withdrawal of Western support, while less than $5 million annually in Soviet food aid in the 1980s went to the other 145 non-Communist LDCs. In contrast, the United States provides about $1.4 billion annually in food aid to developing countries, about half of it free of charge (table 5

Moscow has always been lukewarm about food aid programs. The USSR has rarely been able to meet its own grain requirements in the past 20 years without large purchases in the West; and provision of free grain and other food to LDCs requires an expenditure

Other Limitations of the Program

Aside from Moscow's unresponsiveness to relief aid needs, there are other features of the Soviet program that make it incompatible with most LDC development objectives and that limit its applicability:

- *A focus on large industrial projects in the public sector. Few LDCs have the infrastructure to absorb Moscow's large steel or other mineral/metals processing plants or massive hydropower installations. These projects are difficult and expensive to maintain and operate, straining LDC financial and manpower resources.*
- *No local cost financing. Most Soviet credits require an equal amount of local currency to support implementation, and budgetary constraints in many countries put Soviet projects on the rocks long before implementation is complete. For example, the steel mill in Nigeria has ground to a halt because of local financing problems. Only Afghanistan, Ethiopia, and Madagascar have received Soviet commodities for sale on local markets to raise funds for Soviet-sponsored projects.*
- *Tying of pledges to Soviet goods and services. Soviet insistence on tying aid to Soviet goods and services can often damage LDC interests. For some types of projects (particularly in the oil sector), Soviet technology lags far behind the West, but Moscow generally refuses to purchase materials and equipment from Western firms because they require hard currency expenditures. This practice frequently results in a technologically inferior aid package, with LDCs paying arbitrary prices for Soviet goods because they cannot award contracts on the basis of competitive bidding. In contrast, Western countries are attempting to untie an increasing proportion of their aid to allow LDCs to take advantage of price and quality differentials.*
- *Hard currency charges for technical services. Moscow demands up to $60,000 in hard currency annually for many of the technicians it sends to aid projects. These costs are not included in many development credits. Cash-poor Ethiopia, for example, is paying hard currency for Soviet technicians. Most Western countries provide technical services free or on long-term credits.*
- *Hard terms. Only about $2 billion of the USSR's $30 billion program has been provided as grants, and this has gone mostly to Marxist client states. The best Soviet credit terms for other LDCs are 17 years to repay at 2.5-percent interest. Western countries allow an average of 30 years to repay loans at 3-percent interest and generally provide about one-third of their annual $40 billion in aid as grants.*
- *Narrow focus. Ten countries have absorbed 70 percent of the USSR's aid, and 65 LDCs have received no Soviet aid at all. Western countries currently provide aid to more than 150 LDCs*

of scarce hard currency, a move we have seen Moscow taking only as a last resort. The Kremlin's feeble response to the crisis in Ethiopia in 1984 dramatically demonstrated its reluctance to confront the difficulty and expense of mounting a large-scale relief effort even when pressured by world opinion to help support a close ally. Moscow's food contribution to Ethiopia's estimated $950 million requirement totaled about half a million dollars

Eastern Europe: Trade-Oriented Credits Reach New High

East European programs showed surprising vitality in 1984, reaching a record level of $1.75 billion and exceeding total pledges of the previous three years (table 6). A higher level of pledges to large Middle

Table 6

Eastern Europe: Economic Aid Extended to Non-Communist LDCs

Million US $

	Total	Marxist Client States	Other LDCs
Total [a]	14,915	1,550	13,365
1954-78	9,495	665	8,830
1979	645	95	550
1980	1,325	190	1,135
1981	725	175	550
1982	560	95	465
1983	415	270	145
1984	1,750 [b]	60	1,690

[a] Because of rounding, components may not add to the totals shown.
[b] See table 7 for details.

Table 7

Eastern Europe: Economic Aid Extended to Non-Communist LDCs, by Country, 1984

Million US $

Total [a]	1,750
Bulgaria	250
Czechoslovakia	220
East Germany	120
Hungary	200
Poland	310
Romania	650

[a] Because of rounding, components may not add to the totals shown.

Eastern recipients was responsible for the growth in the program. Romania, with a half-billion-dollar credit to Pakistan for energy development, was the largest donor; and, for the first time in four years, Poland provided new assistance to several countries (table 7). Most of the new trade credits went to traditional customers to further Eastern Europe's equipment sales. In addition to Romania's major allocation to Pakistan:

- Poland provided $300 million to Turkey for a third power plant.
- Czechoslovakia, East Germany, and Romania pledged a total of $400 million to Egypt for Cairo's new five-year plan.
- Bulgaria and Czechoslovakia allocated $160 million in new credits to support projects in Syria.
- Bulgaria promised $150 million in credits to Guyana for power and other projects

Only about $50 million (3 percent) of Eastern Europe's 1984 aid was free of charge, all of it to Marxist client states. East European countries have always sought maximum returns from their economic programs by charging higher interest rates on their project loans and keeping grant aid to a minimum. Several East European diplomats privately have told US representatives that only the West has the resources needed to attack the problem of starvation in Africa and elsewhere and that their governments have no intention of providing more

Disbursements Still Rising

For the second year, Warsaw Pact economic disbursements to non-Communist LDCs exceeded $2 billion, more than two-thirds of them from the USSR. Pushed by growing Soviet deliveries to Marxist client states, annual disbursements to less developed countries have nearly doubled since 1980. Grant aid for both the USSR and Eastern Europe also set a new record in 1984, totaling more than $400 million (table 8

About $400 million of the new Soviet disbursements under both credit and grant agreements consisted of commodities to support the economies of the client states. This support of basic needs, mostly free of charge, has had a dramatic effect on the nature of Soviet aid deliveries over the short term:

- Commodity aid has risen to about 25 percent of annual disbursements because it can be implemented quickly. Disbursements under most project agreements signed in the 1980s have not yet begun.

Table 8
USSR and Eastern Europe:
Economic Aid Deliveries
to Non-Communist LDCs

Million US $

	USSR		Eastern Europe	
	Total	Grants	Total	Grants
Total [a]	14,050	1,805	6,610	195
1954-79	8,255	430	3,815	60
1980	815	305	315	5
1981	860	200	485	25
1982	1,190	150	650	40
1983	1,440	335	680	20
1984	1,495	385	660	45

Table 9
USSR and Eastern Europe:
Economic Technicians
in Non-Communist LDCs, 1984 [a]

Number of persons

	Total	USSR	Eastern Europe
Total	125,960	39,570	86,390
North Africa	67,315	10,965	56,350
Sub-Saharan Africa	16,020	9,080	6,940
East Asia	60	15	45
Europe	75		75
Latin America	1,410	680	730
Middle East	33,110	11,365	21,745
South Asia	7,970	7,465	505

[a] Minimum estimates of number present for one month or more, rounded to the nearest 5.

- Higher grant deliveries have raised the concessionary element in the Soviet program in the 1980s. In 1984, for example, grants more than offset the effect of near-commercial terms for some 1984 disbursements, and we calculate the overall grant element of Soviet deliveries in 1984 at about 40 percent. (In comparison, the far more generous US program has a grant element of about 90 percent.) We expect the Soviet grant element to drop back to about 20 percent as new project deliveries commence.

- Commodity deliveries have raised annual disbursement totals to nearly $1.5 billion in the past two years, half a billion dollars above usual levels. In 1984 the $1.5 billion delivered to LDCs offset an estimated $1.3 billion in scheduled repayments from them on long-term economic and military debt, reversing the net flow of resources back toward the LDCs for the first time since the mid-1970s. Reschedulings have also contributed to this outflow from the Soviets; we calculate that some $1.1 billion of repayments originally due on LDC economic and military debt were delayed by reschedulings in effect in 1984. Most of these payments were due for military goods and services from Marxist and other socialist state

Technical Services: Continuing LDC Demand

From the Communist point of view, the brightest spot in the LDC economic program probably was the continuing growth of LDC demand for technical services. In 1984, despite a small decline in Soviets employed in LDCs (mostly in Iran and Libya), the Warsaw Pact economic presence in LDCs continued to climb to nearly 126,000 (table 9). Cubans, who often support Warsaw Pact economic projects in the Third World, numbered an additional 20,000. Soviet and East European technicians in LDCs now outnumber officially sponsored personnel from Western donor countries by about 50,000 persons, according to official Western statistics.

Since the mid-1970s, the provision of technical services has been a key element in both the Soviet and East European programs. For Moscow, it has been one of the most direct economic methods to meet several important Soviet objectives in the Third World:

- In client states, which employed about 11,000 Soviets in 1984, Moscow has been able to exercise direct influence over economic decision making by placing advisers at the highest levels within the economic establishment. In Afghanistan, for example, Soviet advisers have been assigned to most high-level economic officials and office directors. The USSR also maintains high-level economic advisers in Angola, Congo, Ethiopia, Mozambique, and South Yemen.

In oil-producing states, we estimate that the USSR :arns about $150 million annually in hard currency :y providing development services not necessarily :elated to aid projects, about half of its services :arnings from LDCs. In addition, Soviet experts :xert influence over oil development policies in Iraq :nd Syria by acting as general contractors for oil :rojects.

3y providing teachers and doctors free or at mini- nal charge to poorer countries (such as Burkina, :ameroon, and Togo), the USSR is able to maintain presence in 15 LDCs without the expense of a najor development effort.

:ending geologists to LDCs as part of a basic aid :ackage has enabled the USSR to inventory the esources of 40 non-Communist LDCs, with an eye :oward future exploitation projects.

e technical services program not only puts Soviet sonnel in target countries where presumably they p further Moscow's political aims; it also is the SR's most profitable aid activity. We estimate 'iet earnings in 1984 at $300 million from all non- mmunist LDCs for technical services. Over the t few years, Moscow has renegotiated technical 'ices contracts with many recipients to bring salary :s into line with international standards. Based on ariety of sources, we estimate that $60,000 a year he norm for Soviet technicians employed in most Cs. We have noted very low rates of about $3,000 :5,000 a year for technicians in some poor African ntries, but these low charges—once standard in Soviet program—are now allowed only in excep- ial cases. All recipients must pay at least half of salary in hard currency, a provision that strains budgets of many low-income recipients. Ethiopia, example, is paying hard currency even for Soviet inicians associated with transporting food to refu- camps.

:demic Training: A Basic Penetration Tool

estimate that nearly 17,000 first-year students n developing countries departed for the USSR and tern Europe during 1984, bringing LDC enrollees in Warsaw Pact universities and other academic institutions to an alltime high of 93,000 (table 10). As before, the USSR hosted nearly two-thirds of the students at 400 schools throughout the Soviet Union. The largest contingent from non-Marxist states in Soviet and East European institutions was from Jordan (9,400), where the Soviets and East Europeans clandestinely recruit upward of a thousand students annually among the Palestinians. [ ] Otherwise, the six Marxist-Leninist client states took up nearly 23,000 of the scholarships, nearly 25 percent of the Soviet total. Students from African socialist countries—always a favorite Soviet target for scholarshi... ...pied another 11,500 places (10 percent

Since the USSR began accepting foreign students nearly 30 years ago, close to 120,000 LDC nationals from 110 countries have traveled there for academic training. According to our estimates, about 60,000 have returned home with some kind of Soviet academic degree

Once home, many students have encountered discrimination in the job market, or outright police surveillance because of local suspicions about the

Table 10 — Number of persons

USSR and Eastern Europe: Academic Students From LDCs in Training, December 1984 [a]

	Total	USSR	Eastern Europe
Total	92,950	57,485	35,465
North Africa	5,375	3,290	2,085
Sub-Saharan Africa	30,490	17,895	12,595
East Asia	205	125	80
Latin America	11,130	8,140	2,990
Middle East	31,395	16,580	14,815
South Asia	14,355	11,455	2,900

[a] Numbers are rounded to the nearest 5. Most estimates are based on scholarship awards.

subversive potential of a Soviet education. Acceptance of Soviet academic credentials has varied widely by region and country, and relatively few graduates of Soviet universities have yet gained prominent positions. Western-educated personnel still receive preferential treatment in developing countries, but we are beginning to see some advances by Soviet-trained personnel in several areas:

- In Africa, with its endemic shortage of skills, most returnees have been able to find employment in the government, education, and press. [redacted] 20 African countries report that Communist-trained officials hold responsible government positions (up to cabinet level), particularly in Angola, Burkina, Congo, Ghana, Guinea, Mali, Niger, Sierra Leone, Uganda, and Zambia. President dos Santos of Angola holds a degree in petroleum geology from a Soviet university. Generally, however, most African returnees have not espoused Marxist beliefs, and many are committed anti-Marxists, according to a variety of sources.

- In Latin America, students from only a few countries have been able to overcome the stigma of an "inferior" Communist education and associated problems with recognition of their academic credentials. In Bolivia, Ecuador, Guyana, and Nicaragua, Communist trainees have attained ministerial positions; and in Panama they find jobs in the public sector. In Colombia, the [redacted] medical students return poorly trained as physicians, are not able to practice medicine, and often find administrative positions in hospitals and universities where their mediocrity drives out qualified personnel. Only Colombia and Peru [redacted] some trainees return with a Marxist outlook.

- In the strategic Middle Eastern/North African region, the record of Communist degree holders also has been mixed. Only in Syria have Communist-educated personnel become deputy ministers, university vice presidents, and high-level ruling party officials. [redacted] Communist-trained educators are beginning to dominate Syrian university departments and faculties, and in 15 to 20 years may occupy most high administrative positions. In the Maghreb countries and Egypt, no Soviet graduates have reached policy-level positions. In Algeria, only 300 to 400 bureaucrats were trained in the USSR, compared with 4,000 in the United States—a trend expected to accelerate as Algiers acquires more Western technology. Returnees from Communist countries are hired only as a last resort in the Gulf states except South Yemen.

- In South Asia, local perceptions about the low quality of education in Communist countries (especially compared with the West) have not precluded returnees from employment in ministries, universities, think tanks, and other professions. Nonetheless, we do not know of any who have reached positions from which they can influence national policies.

The LDCs have benefited from Moscow's willingness to fund the training of LDC nationals without demanding immediate tangible returns. The Warsaw Pact's educational programs have been the most broadly based and generous of all their efforts. We estimate that the USSR and its East European allies spend the equivalent of half a billion dollars annually to train students from developing countries. In return, they want access to potential leaders from LDCs and to personnel who may be willing to serve Communist political and commercial interests in the future. For example, the USSR cultivates relatives of prominent Jordanians studying in the USSR with a view toward gaining influence, according to a reliable source

Students continue to be attracted to Communist educational institutions by all-expense scholarships and declining opportunities for government-sponsored training in the West. Many countries, particularly in Africa, are not able to finance scholarships as they were in the past. This makes all-expense scholarships in the East that include tuition, room and board, and stipends hard to turn down. From the student's perspective, any advanced degree can lead to a more comfortable future at home in government or industry

An Uncertain Future

The Soviet aid program is entering a transitional period with the transfer of power to a new leader most Western observers agree is far more dynamic than his recent predecessors. Although we have seen no basic revisions in aid policy over the first six months of Gorbachev's tenure, his intent to interact more aggressively with the United States and his commitment to reform the Soviet economy could signal changes in aid policy in the next few years.

Forces for change in Soviet aid programs are very much alive among economists and other academics in the USSR. According to [redacted] [redacted] the question of assuring adequate returns from aid and trade relations with LDCs has assumed new importance in the past two or three years because of:

- Difficulties in the Soviet economy (ranging from labor shortages to the high cost of new investments in extractive industries).
- Unresolved problems over how much Moscow should rely on non-Communist trade flows and comparative advantage.
- Increasing LDC demands for assistance.

The issue is now being debated publicly: an article that appeared in May 1984 in a Soviet economic journal maintained that, although Soviet credits until the 1970s helped LDCs meet their needs, it now is time that credits meet Soviet export and import requirements. According to the article, the future growth of credits to the Third World depends on the extent to which aid to LDCs can serve as an alternative to domestic investment by socialist states. Some Soviet economists claim that the establishment of economic structures in LDCs similar to those in Communist countries (such as steel plants) has damaged the USSR by creating competition in international markets.

Under pressure from the regime to develop practical solutions to economic problems, Soviet economists have recently endorsed a number of suggestions to improve economic returns from LDCs. These include:

- Joint ventures with wealthier LDCs, hinting at possible Soviet equity participation that would assure the Soviet side timely production and delivery of certain products.
- Participation in tripartite economic ventures, in which Western firms provide advanced technology, the Soviets midlevel technology, and the LDCs manpower and raw materials.
- Soviet-LDC cooperation within third countries, such as the recent Brazilian-Soviet deal to construct a hydropower project in Angola.
- Production sharing, in which the USSR would invest in facilities in poor LDCs to produce raw materials and food too expensive to produce in the USSR, and labor-intensive goods (such as textiles) for the Soviet market.
- Reducing concessional relationships with countries such as India, where imports from the USSR (including oil) are paid for in rupees, subsidizing competition on international markets, according to some Soviet theorists.

Only aid to Marxist-Leninist client states would be jeopardized by putting the Soviet program completely on a paying basis. Economic support to these countries costs the Soviet economy about half a billion dollars annually. We believe, however, that Moscow will continue to meet this commitment to maintain its credibility with the international Communist movement and its influence within these Marxist LDCs. In 1985, Gorbachev promised to supply Nicaragua's oil requirements on credit, an unusual concession for Moscow. Ethiopia, Madagascar, and Mozambique also are receiving balance-of-payments support in the form of oil subsidies and credits. Projects currently on the drawing boards—such as hydropower schemes in Nicaragua, agricultural development in Ethiopia, and oil exploration in South Yemen—almost certainly will go forward as planned.

We anticipate few changes in the economic effort in nonsocialist states, which have benefited the Soviet economy for more than a decade with raw materials and hard currency flows and fast-growing Soviet machinery and equipment exports. Moscow continues to try to exploit potential markets in nonsocialist countries by offering new product lines and more creative financing. For example, several LDCs—notably India, Iraq, Pakistan, Syria, and Turkey—have received Soviet offers of nuclear power plants, which could carry credits of up to $2 billion each. Moscow has also adjusted to dislocations in oil markets and plunging world prices by revising contract terms for major Middle Eastern customers. For example, Iraq, accustomed to paying immediately for Soviet equipment and services, has received nearly $1.5 billion in Soviet credits in the past two years. The USSR may provide similar funds to Libya, and possibly Iran, if political relations improve. Moscow already has upward of $10 billion worth of development contracts under negotiation with nonsocialist countries and will push hard for their successful conclusion over the next two or three years

Personnel exchanges will be key elements in Soviet economic penetration through the 1980s. We have not seen substantial dissent in the USSR over the methods and objectives of Soviet personnel programs in the Third World. Soviet economic officials will continue to sell technical services in spite of labor constraints in some industries because of their quick hard currency return, and scholarship offers will most likely continue their steady growth.

An Alternative Source of Financing

In spite of the multiple disadvantages of the Soviet program for most poorer countries (except client states), the overwhelming need for development funding keeps LDCs coming to the Soviets for aid. The USSR manages to sign at least a billion dollars worth of new agreements with LDC recipients each year because its program still enjoys a few advantages over some Western efforts and because it is a political program that often overlooks internationally recognized economic criteria. By dealing with the USSR, LDCs can sometimes:

- Gain additional sources of project funding when their debt problems or poor economic prospects have disqualified them or made them poor risks by international banking standards.
- Fund entire projects with one donor under Soviet turnkey construction arrangements where the USSR provides equipment and services; makes all local arrangements, such as purchasing land, hiring local contractors; and acts as general manager for all phases of project implementation. Most Western-financed construction projects have a number of donors and must be managed by the LDC.
- Obtain construction loans at below market rates. For example, the World Bank (which funds construction projects similar to Moscow's) has commanded repayments over 10 to 15 years at 7.5-percent interest.
- Sidestep Western-imposed economic and monetary reforms. For example, many Western donors make aid contingent on the LDC recipient's implementation of IMF recommendations. The USSR makes no similar demands.
- Repay in goods, such as strategic raw materials and agricultural products, under buy-back and other special financing arrangements. Western aid institutions do not accept goods

With the international demand for aid skyrocketing, Moscow can be assured that any well-formulated aid proposal with clear economic advantages will probably be acceptable to most LDCs (

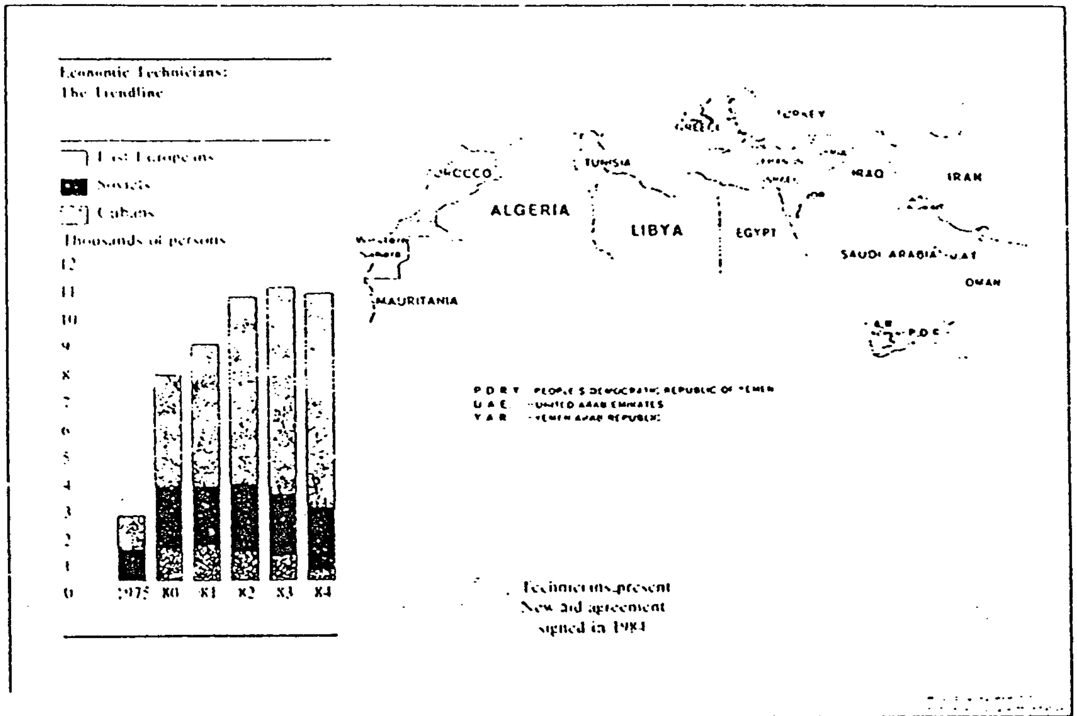
Regional Developments

Middle East and North Africa

Communist countries committed a record $2 billion in economic credits to Arab countries in 1984, underlining the pivotal role that this area has traditionally played in Moscow's Third World policies. For the USSR, the identified $1.3 billion[1] of new credits marked renewed attention to Middle Eastern clients over the past 18 months after several years of relative stagnation as Marxist clients in other areas competed

[1] In addition to the $1.3 billion in new agreements, the USSR pledged $1 billion to Iraq in 1984 under a 1983 agreement. It also was reported in the international press that Iraqi credits in 1984 could total [illegible] but we have identified only $450 million in contracts

Figure 2
Middle East and North Africa:
The Warsaw Pact and Cuban Economic Presence, 1984



for scarce aid resources (table 11). For Eastern Europe, the $880 million in new agreements far exceeded commitments in any previous year. Middle Eastern countries received all of the new assistance, while in North Africa the focus was on implementing some $4 billion in previous economic agreements

According to a number of sources, low prices and liberal terms have made Communist contract proposals more attractive than before to Middle Eastern countries whose economies are being drained by declining oil revenues and continuing high military expenditures. Communist countries offered credits with 10- to 15-year repayments in oil and other goods to oil-producing clients from whom they previously demanded cash payments The new flexibility in Communist financing is promoting an upsurge in business for Warsaw Pact countries in the Arab world, and for the USSR it is serving to reassure clients about continuing political support as well:

- Moscow's $820 million commitment to Syria—its major Middle Eastern ally—demonstrated its continuing support for the hardline regional policies espoused by Damascus.

- The $450 million in new commitments to Iraq (reported to be as high as $2 billion) and an agreement to begin site selection for a nuclear power plant were part of Moscow's show of support to Iraq in its continuing war with Iran.

Table 11
Middle East and North Africa:
Economic Credits and Grants
From Warsaw Pact Countries

Million US $

	USSR		Eastern Europe	
	Extended	Drawn	Extended	Drawn
Total [a]	15,080	5,490	6,910 [b]	3,720
1958-70	3,015	1,515	1,625	465
1971-79	8,200	2,460	3,335	1,800
1980	525	225	675	150
1981	160	245	250	250
1982	Negl.	305	90	355
1983	1,910	345	50	355
1984	1,275	400	880 [b]	345

[a] Because of rounding, components may not add to the totals shown.
[b] Includes $250 million in new commitments not shown in the statistical handbook for 1984.

- Egypt was the surprise recipient of more than $400 million of East European project aid, although its exchange of ambassadors with the USSR has not fostered a similar increase in Soviet pledges

In addition to actual aid pledged, Warsaw Pact countries were discussing an additional $8 billion of projects that we expect will require financing in the next two years. Libya and Iran may also become the beneficiaries of some funding for multibillion-dollar projects as they seek Communist development contracts on terms that will save them foreign exchange. Libya, for example, may need help in financing the proposed $4 billion Soviet-built nuclear power plant, and Iran is considering Soviet participation in aluminum and oil projects

In spite of reduced hard currency incomes and unsettled economic conditions, economic relations with Middle Eastern and North African states continued to be the most profitable for Communist countries in terms of hard currency earnings and resource flows. As a spinoff from its aid programs, the USSR has developed a highly profitable trade in Near Eastern oil. In 1984, we estimate that the USSR took 282,000 barrels per day (b/d) of crude oil (sometimes reluctantly accepted as debt repayments) and re-exported it for more than $2 billion in hard currency

Algeria. Algeria's more moderate voice in international forums, as well as its concentration on domestic development, is leading toward closer cooperation with the West on technology transfer and trade issues. [redacted] These factors, combined with a lack of Communist economic initiatives, are eroding Moscow's influence in this key nonaligned state

Communist countries did not commit any new aid to Algeria's $100 billion, five-year development plan in 1984, after a banner year in 1983 that saw a record number of Algerian contract awards to Warsaw Pact countries. Nonetheless, more than 10,500 personnel (about evenly divided between the USSR and East European contingents) were working on projects under more than $1 billion in outstanding credits from earlier years. Major projects being implemented with Soviet assistance were the Alrar-Hassi R'Mel gas pipeline and the High Plateaus railway, for which the Soviets provided $250 million in credits in 1983. Soviet technicians also were constructing four dams and began surveys for a 500,000-ton cement plant. East Europeans were constructing 30,000 housing units, training centers and schools, and agricultural projects

Egypt. Egypt was the largest Middle Eastern beneficiary of East European funding for development in 1984. The $450 million of new pledges included:

- $70 million from Czechoslovakia for the building materials industry.
- $100 million from East Germany for a number of infrastructure projects.
- $150 million from Hungary for a 300-megawatt (MW) thermal power plant.
- $100 million from Romania for electrification projects in Egypt's current five-year plan. Bucharest, Cairo's most active East European donor, also agreed to construct a phosphate complex, two chemical plants, and 60 agricultural mechanization stations.

Poland also was actively seeking construction contracts during 1984 but was hampered by its inability to offer credit facilities acceptable to Cairo. The new agreements brought East European credits to nearly $1.8 billion—well above Moscow's total commitment.

There was no corresponding upturn in Soviet economic relations resulting from the exchange of ambassadors in 1984. Among the positive developments during the year, however, was a mutual agreement to reopen discussions (suspended since 1977) on Egyptian repayment of its military debt to the USSR. Moscow also agreed to allocate about $12 million of old credits to rural electrification projects

Iran. Iran attempted to improve economic and political relations with Communist countries in 1984, but increasing Iraqi military activity and disputes about Moscow's withdrawing Soviet technicians from Ahvaz marred Soviet-Iranian economic relations in 1984. According to a recent Agency study, the Soviets hesitate to draw closer to Iran until the government makes concrete policy concessions to demonstrate its good faith

As a consequence, the trend line in Soviet-Iranian economic relations continued downward in 1984. The number of Soviet technicians in Iran dropped by half, and trade fell by nearly 50 percent to its lowest level since 1980 ($595 million) because the USSR was unable to implement projects at previous levels because of the war. Nonetheless, the USSR was still able to:

- Finish work on the first stage of the 800-MW, $450 million Esfahan power plant in September.
- Maintain power output at the Ramin thermal power plant, which supplies all of Khuzestan Province.
- Put the finishing touches on the second stage of the Esfahan steel mill

The USSR also signed an agreement to proceed with the Gazgalasy dam and power plant on the Rud-e-Atrak (that will serve both countries) and offered assistance to petroleum development in the Caspian Sea and several new power plants. Tehran also expressed an interest in restoring the supply of gas to the USSR, suspended by the Khomeini government in 1980, in settlement of economic and military payment obligations

East European countries maintained their supply of consumer goods to help alleviate critical shortages in the Iranian economy during the year. Most countries also offered support for Iranian development projects, but few agreements were signed because of the dislocation in Iran's economy. Hungary offered to participate in Iran's $5.5 billion educational development program, and Romania signed a $100 million contract (terms unknown) to supply agricultural equipment and offered to construct a new oil refinery. Tehran pays for Communist support with oil, estimated to total about 75,000 b/d in 1984

Iraq. New Soviet credits of $450 million and Moscow's agreement to begin site selection for a nuclear power plant were highlighted. Soviet-Iraqi economic relations in 1984 underlined the Kremlin's intent to maintain its economic foothold in Iraq. The USSR expects eventually to sell and install a 440-MW nuclear power reactor, although no final deal has been struck

Following lengthy negotiations, in the summer of 1984 the USSR agreed to a preliminary allocation of $450 million in credits (possibly as part of a reported $2 billion package). Project contracts that we have identified under the new facility include:

- A 1,200-MW thermal power plant at Al Yusufiyah, south of Baghdad.
- An 800-MW thermal power plant near Karkuk.
- Expansion of the Soviet-built Nasiriyah power plant.
- An oil pipeline

The new power plants, together with other Soviet-built plants under construction, will double Iraq's generating capacity, according to US officials. Other Soviet projects on the drawing board include increasing output at the Soviet-built Rumaylah oilfield by 15-20 million tons annually and managing construction of the thousand-kilometer trans-Iraqi gas pipeline, probably with funding to be agreed on later

This new support package, together with the estimated $1 billion in assistance for the West Qurnah oilfield under a 1983 agreement, makes Iraq by far the Soviets' most active development partner in the Middle East with $2.2 billion in credits. In addition, Moscow's position as general manager of the trans-Iraqi pipeline and several other petroleum industry projects gives it influence beyond that shown by the numbers alone. As general contractors, Soviet experts plan, award subcontracts, procure equipment, and handle the finances for many Iraqi undertakings. We estimate that 5,500 Soviet technicians were in Iraq in 1984 working on these and other development contracts. Moscow's deepening economic and military involvement in Iraq fostered a dramatic increase in trade to $1.2 billion in 1984, stemming almost entirely from Iraqi exports of oil to settle military and economic debts. We expect this level to be sustained through the rest of the decade as costly Soviet development activities are implemented.

About 12,000 personnel from East European countries also remained in Iraq in spite of the war.

Baghdad terminated Western contracts because of its hard currency shortage. East Europeans also were extensively involved in agriculture and irrigation projects during the year. Toward year's end, Cuba also tried to resurrect its lucrative contracting program in Iraq by negotiating the return of some of the several thousand personnel evacuated three years ago because of the war.

Libya. Periodic payment problems resulting from military purchases continued to mar the Soviet-Libyan economic relationship in 1984, but Tripoli was able to cover most of its obligations with more than 100,000 b/d of crude oil valued at $1.4 billion that the USSR sold to third countries for hard currency. The growth in Soviet-Libyan economic and military programs has pushed Libya to second place (behind India) among the USSR's LDC trading partners with exchanges close to $1.5 billion annually. However, further growth may be curtailed by Libya's current revenue squeeze that has already delayed the start of a number of scheduled projects using Soviet equipment and technical assistance. The largest project is the proposed nuclear power plant at Surt. Estimates on the value of proposed Soviet projects, including the power plant, range as high as $5 billion. Other projects include:

- New power transmission lines.
- The $3.8 billion Marsa al Burayqah–Misratah-Al Khums gas pipeline.
- A steel plant at Misratah.
- Several fertilizer plants.
- Oil and gas field projects.

We estimate that about 4,500 Soviet personnel supported Libyan development programs during 1984. The USSR also turned over the Tajura' nuclear reactor, under construction for nearly 10 years, and is supplying fuel for the new facility.

Libya is the major LDC employer of East European personnel, according to our estimates, and is the largest source of hard currency services earnings for most East European governments. East European companies maintained close to 50,000 workers in Libya in 1984 under several billion dollars worth of commercial contracts financed under Tripoli's current five-year plan. Bulgaria was active in support of Soviet military and economic projects, Poland worked on road construction and agriculture, while Romanians were building roads, public buildings, housing, and schools. We believe Libya paid for most of these services in oil during 1984.

Morocco. Soviet-Moroccan relations remained cool in 1984 in spite of the fact that Rabat is one of the largest recipients of Soviet aid pledges under a $2 billion agreement signed in 1978 to develop the Meskala phosphate deposits. In 1984, Moscow continued work on the mining project and also promised technical support for shale oil exploitation at Tarfaya and Timhadit, a fertilizer plant at Kenitra, and a potable water plant at Beni Mellal. Moscow also agreed to expand two Soviet-built hydropower plants and increase cooperation in fisheries and public health.

Morocco, which has a long history of hiring Communist teachers and doctors, hosted about 2,300 economic technicians in 1984. Nearly 1,600 were from Eastern Europe, dominated by contingents from Poland (700) and Bulgaria (500), working in all economic sectors

People's Democratic Republic of South Yemen. According to the [redacted], the USSR continued as Aden's main development partner in 1984. About 2,000 Soviet personnel were in Yemen, working on power projects, fishing industry development, and geological studies covering more than 72,000 kilometers under some $500 million of outstanding Soviet credits. The USSR also signed a protocol in 1984 to exploit gold in the Hadhramaut and submitted a general architectural plan to develop Aden over the next 25 years. Work dragged on at the 50-MW Aden thermal power plant, where slow progress has been a source of considerable friction between the two countries. Startup of the first generator is scheduled for 1985, according to the Yemeni press. In addition to development aid, the Soviets provide $100-125 million annually in balance-of-payments support through the trade account. Most of South Yemen's old Soviet debts also have been rescheduled and probably will never be repaid.

Syria. The momentum in Communist-Syrian economic relations that we saw in 1983 continued through 1984. Warsaw Pact countries provided nearly $1 billion in financing for Syrian development in 1984, a record commitment that raised the value of such assistance to Damascus to $3.3 billion since the program began in 1957. Moscow, in particular, reinforced Syria's position as the USSR's most important Arab ally with $820 million of new credits. The 1984 pledges included:

- $120 million in credits from the USSR for four oil and gas drilling rigs.
- $700 million to finance the Soviet-sponsored Nahr al Kabir dam and power plant and reclamation, and three new rail lines.
- $60 million from Bulgaria for an irrigation system.
- $100 million from Czechoslovakia for expansion of the Hims oil refinery and power development.

In addition, the USSR signed a $100 million contract to supply agricultural equipment that may have been financed but is not included in credit totals because of our uncertainty about the terms. [redacted]

Both economic and political factors have entered Syria's decision to seek greater Soviet economic involvement through commercial contract awards and the acceptance of large new financing packages. On the economic side, Damascus has been seeking barter deals worldwide to minimize foreign exchange expenditures; these new Communist contracts are repayable in goods. In the case of the $120 million oil rig deal, a particularly appealing condition for Damascus was the USSR's agreement to include financing for one Western deep-drilling rig not manufactured in the USSR. In our judgment, other decisions to accept less efficient Soviet equipment, such as commercial aircraft and a nuclear research reactor, are clearly political and stem from President Assad's unwillingness to jeopardize his arms relationship with Moscow. [redacted]

The headlong expansion in Communist relations was reflected in personnel flows as well. In 1984, more than 4,000 Soviet and East European technicians were working on development projects and 6,400 Syrians were studying in Warsaw Pact countries. In addition, another 3,000 Syrian teaching assistants are scheduled to depart for the USSR and Eastern Europe under study grants awarded during 1984. [redacted] [redacted] more Syrian students are in the Eastern Bloc than in the United States

As long as Syria remains strapped for foreign exchange and Communist countries remain willing to extend credits repayable in soft currency, we do not foresee any lessening of Soviet and East European influence in the Syrian economy. According to several reports, East European countries are negotiating $7 billion in new construction projects with the Syrian Government. The number of Communist technicians is likely to double over the next few years, and Syrians studying in Communist countries could easily reach

Table 12
South Asia: Economic Credits and Grants From Warsaw Pact Countries

Million US $

	USSR		Eastern Europe	
	Extended	Drawn	Extended	Drawn
Total [a]	8,210	5,585	2,115	740
1958-70	2,595	1,640	480	240
1971-79	2,720	1,620	505	325
1980	1,505	415	135	25
1981	110	330	225	45
1982	95	350	250	50
1983	860	560		40
1984	325	670	520	15

[a] Because of rounding, components may not add to the totals shown.

10,000 if current trends continue. The proposed Soviet construction of nuclear research and power facilities also could add a new dimension to Syria's requirement for follow-on support to economic projects.

Yemen Arab Republic (North Yemen). During the year, Soviet economic programs attracted considerable unfavorable attention in North Yemen. [redacted] The Soviet-built Bajil cement plant, recently expanded to produce 80,000 tons annually, is perpetually plagued with technical problems. Although Yemen has requested assistance, Moscow is absent from international relief efforts to rebuild areas devastated by a December 1982 earthquake and has not begun repairs to the Al Hudaydah-Ta'izz road agreed to in 1981. The only new Soviet offer was to conduct minesweeping off the coast, which Sanaa reportedly turned down in 1984. Moscow's influence in North Yemen derives from its role as the largest military supplier; economic programs run a distant second in terms of value and impact. We do not foresee any upgrading of this marginal Soviet program, which has averaged about $10 million annually over the last 20 years.

South Asia

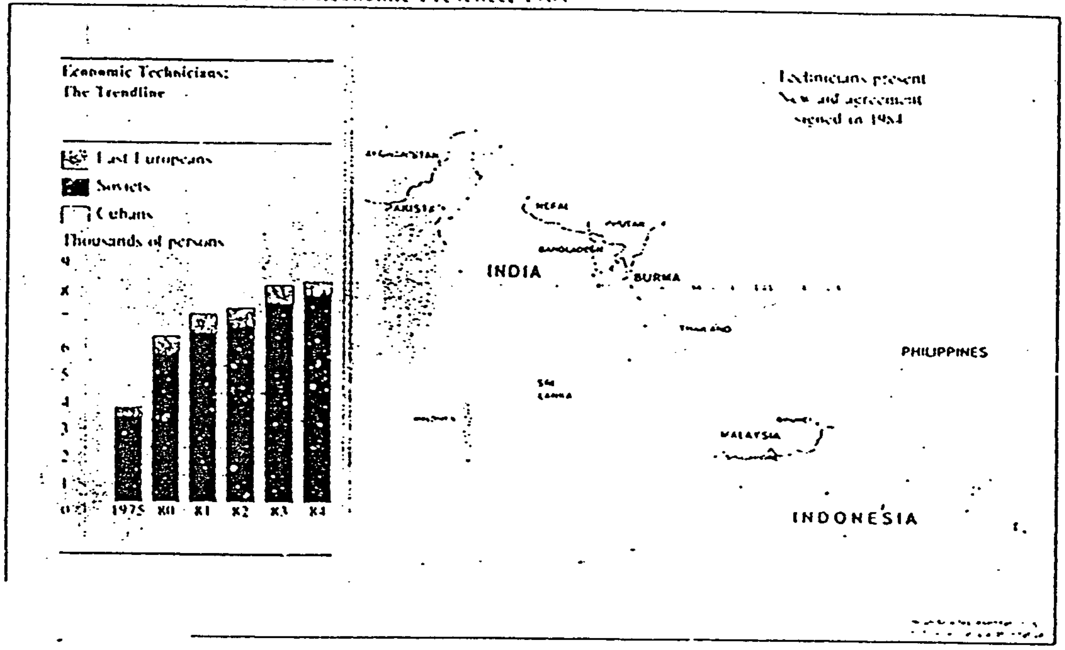
Communist countries pledged $840 million in aid to South Asian countries in 1984 and delivered a record $685 million as a consequence of Soviet involvement in Afghanistan. Moscow's presence in Kabul dominated its South Asian relations in 1984; the USSR devoted all of its new South Asian pledges and $420 million in aid deliveries to Afghanistan to overcome shortages caused by increasing rebel activity. Although Moscow did not provide new aid to India, it did move to protect its showpiece relationship with New Delhi by assuring its support to Rajiv Gandhi, who succeeded Indira Gandhi as prime minister after the assassination on 31 October 1984. Among other South Asian countries, whose fear of the Indo-Soviet axis colors their response to Soviet overtures, Soviet relations showed no progress. Pakistan accepted new Soviet aid in June 1984 for steel industry and other projects, although by yearend relations had deteriorated substantially because of Soviet allegations about Pakistani military support to Afghan insurgents. Bangladesh and Sri Lanka maintained workmanlike, but not cordial, relations with Moscow, and did not receive any new Communist aid.

Afghanistan. Against a backdrop of heightened Soviet military action directed at Afghan rebel forces in 1984, Moscow celebrated the 30th anniversary of its first economic agreement with Kabul by providing an estimated $325 million in new aid pledges for commodities, by delivering a record $400 million in commodities and project aid, and by signing contracts for a number of new projects. Trade rose to more than $1.1 billion in 1984 as a result of expanded Soviet support.

The new Afghan aid brought total Soviet pledges to nearly $2 billion since the Marxists took power in 1977 and $1.5 billion since Soviet forces crossed the Afghan border in December 1979. To safeguard the Marxist regime in Kabul, Moscow has mounted one of the largest and most concessional aid programs in the history of its relationship with the developing world. The USSR has provided:

- Some $1.3 billion in grants to Afghanistan, about two-thirds of its total program.

Figure 3
South and Southeast Asia:
The Warsaw Pact and Cuban Economic Presence, 1984



- Record amounts of basic commodities, such as wheat, sugar, oil products, consumer goods, and industrial raw materials, under a grant aid program.
- Funding for technical services, project studies, and local cost financing—areas not usually covered by Soviet aid agreements.
- Generous credit terms and regular rescheduling of debt payments.

On the negative side, much of the current development activity charged to Afghanistan is largely designed to support Soviet military logistic requirements. The new bridge over the Amu Darya River, two oil products pipelines, expansion at Kabul airport, the construction of seven new airfields, and work on road and rail transport of facilities will all assist Soviet troop movement. All were financed under credit agreements.

In 1984 all of the new aid was for commodities; no large new development contracts were signed. About $125 million worth of goods will be disbursed over the next five years to finance local costs of Soviet projects under construction. The few new projects allowed to continue under old agreements include four new airbases, construction of housing and communications facilities, and agricultural development. During the year, the USSR also completed a 220-kilowatt transmission line to supply power from the USSR, modernization of Kabul airport, expansion of the Naghlu power plant, and five major irrigation projects involving improvement of 115,000 hectares of land. Soviet geologists continued exploration for oil and gas and solid minerals in northern Afghanistan seven oil and gas fields have been located, two of them in the past few months. Some 5,000 Soviet technicians were in Afghanistan in 1984, working on some 50 projects.

[redacted]. Soviet aid accounts for up to 75 percent of annual receipts, and Soviet projects generate 70 percent of the industrial output of the state sector

East European countries continued their low-profile activities in Afghanistan during the year, working on agriculture, communications, and power development. Aid deliveries are estimated at $12 million for 1984.

India. Rajiv Gandhi has stressed continuity in foreign policy and reaffirmed Moscow's special relationship with New Delhi. [redacted] The Soviet-Indian economic relationship proceeded smoothly in 1984, as planners on both sides prepared for high-level negotiations to develop trade and economic relations through the end of the century. (A 15-year agreement was signed in May 1985 for $1.2 billion in new credits.) Soviet efforts in 1984 focused on stimulating sales to the private sector with aggressive trade promotion efforts and promises of credit to Indian businessmen who purchase Soviet products. The Indian engineering industry opened an office in Moscow in 1984 to assist Indian companies in dealing with Soviet foreign trade associations, and the two countries discussed forming a joint Soviet-Indian chamber of commerce

The few project contracts signed by the USSR during the year included:

- Participation in a $1.5 billion project to produce 22.5 million tons of coal annually at Jharia and Singraul.
- Utilization of Soviet technology for thermal recovery of dense crudes and the refurbishing of 200 onshore wells whose production has dropped.
- A draft agreement on the construction of the long-discussed alumina plant in Madhya Pradesh, still held up by local funding shortage

There were news reports that the USSR and India had reached preliminary agreement on Soviet construction of the 1,700 km Hazira-Bijapur-Jagdishpur gas pipeline to supply six gas-based fertilizer plants. This project is expected to cost at least $1.5 billion, and India expects substantial Soviet financing for it. The Indians shelved, however, a Soviet offer of a nuclear power plant that probably would require about $2 billion in Soviet credits to build. [redacted]

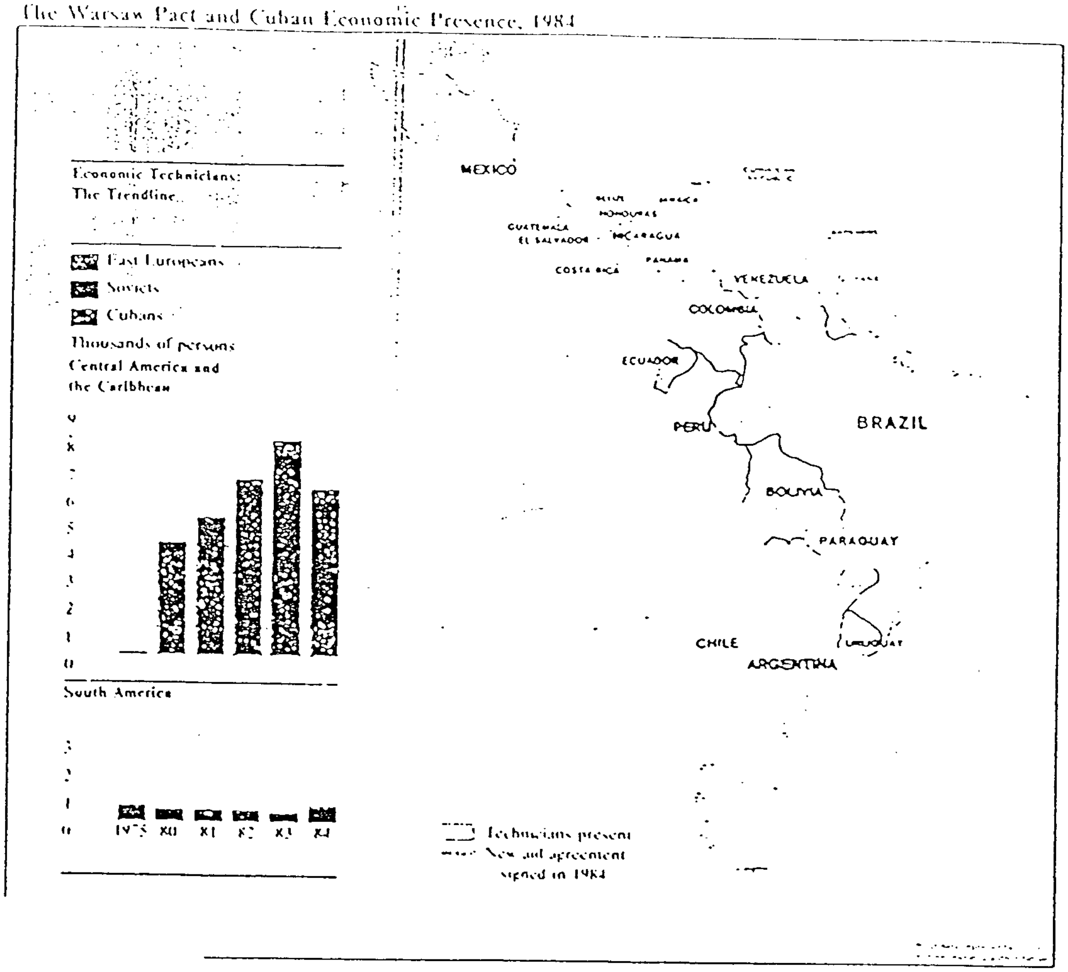
Soviet project deliveries rose to $130 million in 1984, their highest level in 10 years. These and other expanded economic contacts fostered a half-billion-dollar increase in trade to $3.5 billion in 1984. Soviet deliveries to India included 6 million tons of oil and products, a major element in the steady trade growth over the past few years.

Some 1,400 Soviet technicians were in India in 1984 continuing work on increasing the capacities of the Bhilai and Bokaro steel plants to 4 million tons each, on the Vishakhapatnam steel mill, oil and coal development, thermal power plants, and other projects

Pakistan. During 1984 the Soviets were still attempting to influence the policies of the Zia government through use of economic programs, their only substantial presence in Pakistan. To moderate Pakistan's opposition to the Soviet occupation of Afghanistan, the USSR promised (in June) assistance to a metallurgical institute, a steel fabrication plant, and a housing materials plant as part of a wide-ranging 1983 offer of up to $2 billion of assistance to 150 Pakistani development projects [redacted], the new aid could be worth up to $150 million. The two countries also inaugurated full production at the Karachi steel plant, which has a capacity of 1.1 million tons of steel annually and is Pakistan's largest industrial project. By October, however, the USSR had declined to participate in new Pakistani projects and refused aid to the Mangla and Kalabagh hydropower dams and the Chasma nuclear power station, citing Pakistan's support to Afghan refugees as a stumblingblock in their economic relationship. By mid-1985, [redacted] Moscow threatened to cut off aid to existing projects, accusing Pakistan of providing logistic support and military training to Afghan

In contrast to the increasing hostility in the Pakistani-Soviet relationship, Romania provided more than half a billion dollars in new credits to Pakistan for a

Figure 4
Latin America and the Caribbean:
The Warsaw Pact and Cuban Economic Presence, 1984



thermal power plant and coal development, continuing a relationship that began more than 10 years ago with an agreement to build an oil refinery in Karachi. As part of its trade promotion activity, Bucharest has recently allocated large credits to South Asia for development of heavy industry

The Caribbean and Central America
Because of opportunities provided by radical politics in Nicaragua, cuts in aid from Western countries, and limited regional access to funds from other sources,

Table 13 — Million US $

Central America and the Caribbean: Economic Credits and Grants From Warsaw Pact Countries

	USSR		Eastern Europe	
	Extended	Drawn	Extended	Drawn
Total [a]	340	165	1,095	325
1958-70				
1971-79	45		405	30
1980	NEGL		20	10
1981	85	10	90	20
1982	175	35	95	60
1983	25	80	255	90
1984	10 [b]	35	230	110

[a] Because of rounding, components may not add to the totals shown.
[b] Excludes oil originally provided under commercial contracts that we now believ_ will be repaid under long-term agreements.

Warsaw Pact aid to the Caribbean and to Central America in the 1980s has been the fastest growing of the regional programs. In 1984, Communist countries pledged $280 million (including $10 million from Cuba) in new assistance to the region, 85 percent of their commitments to non-Communist LDCs in the Western Hemisphere. Guyana, Mexico, and Nicaragua took up most of the new aid

The new pledges brought economic aid promised to these new clients to more than $1.4 billion, almost all in the past five years. Because much of the $760 million in assistance to Managua has gone to replace commodities, industrial raw materials, and machinery and equipment previously bought from the West, aid deliveries have averaged $120 million a year since 1981—much faster than those usually associated with Communist programs. In a major departure from its usual policy, the USSR apparently agreed that shipments of as much as 10,000 b/d of oil annually to Nicaragua, originally under short-term sales contracts, could now be financed with long-term credits.

The burgeoning aid effort has meant a rapid growth of employment of Communist technicians in the region for the past several years, mostly in Nicaragua. In 1984 the Communist technical presence stood at nearly 6,000, according to our estimates. The international aid community has been surprised by the European Communist countries' uncharacteristically rapid and generous response to the aid needs of Nicaragua, a country far from their spheres of economic and political influence. Cuba's interest in the area appears to be a major factor driving the program.

Nicaragua. Cuba remained the principal foreign presence in Nicaragua in 1984 through its economic, military, and personnel programs, but Soviet influence also grew rapidly because of decreasing Western aid and the steep slide in the Nicaraguan economy. [redacted] Declining production and export prices and erratic economic policies forced Managua to rely even more heavily on Communist states in 1984 for both project aid and commodities. Some 6,000 Communist personnel (mostly Cubans) were heavily involved in the day-to-day operation of the economy; and, although no major new development aid packages were announced, we estimate project disbursements at about $200 million, excluding oil. Moscow also committed itself to upgrade support of Managua by meeting its annual oil needs on credit terms

Moscow's decision to provide oil to Nicaragua—cut off by other suppliers because it could not pay—probably signaled a turning point in the Kremlin's economic relationship with Managua. Until then, the Soviets appeared lukewarm toward closer economic ties to Nicaragua, in spite of frequent press references to the generosity of Moscow's aid program. The oil supply contract, renewed in 1985, could cost the USSR about $100 million a year to meet almost all of Managua's oil needs. This indicates that the USSR has come out firmly in favor of support to Managua at a time when the Soviets are reevaluating the value and effectiveness of some of their traditional aid approaches in the Third World, according to recent articles in Soviet academic journals.

In the development field, [

] up to 300 Soviet technicians were in Nicaragua in 1984 working on a number of projects:

- A field hospital in Chinandega and construction of a permanent hospital nearby.
- Fishing surveys.
- The modernization of port facilities at El Bluff.
- Gold mining at Bonanza and Siuna and minerals prospecting elsewhere.
- Irrigation and power development.
- A satellite ground station.
- Constructing and equipping several schools.

The USSR also signed a contract for oil storage tanks and pipeline construction and was reported near agreement to provide more than $250 million in credits for hydropower development.

Cuba's economic influence in Nicaragua stems from more than 5,000 economic technicians in the country, nearly $300 million in assistance to the revolutionary government since 1979, and training slots for about 1,000 students annually. Current big-ticket projects under way with Cuban assistance include:

- Rehabilitation of the Jinotepe sugar plant.
- A rail line from Corinto to Managua.
- Completion of the coast-to-coast road.
- Construction of five airfields.
- Oil storage facilities near Puerto Sandino.

Dozens of smaller projects also are under way with Cuban assistance.

East European countries, led by Bulgaria and East Germany, provided more than $110 million of assistance under old agreements in 1984. About $18 million was for budgetary support, mostly food aid. Major East European projects included Bulgarian port development, hydropower, mining, and agricultural projects, and a Czechoslovak textile plant. Managua's new CEMA connection under an agreement concluded in October 1983 apparently fell short of Nicaraguan expectations in 1984. Nicaragua's planning minister is [ ] reported to have requested $2 billion in aid over five years at the annual CEMA meeting in Havana, an amount that would fill most of Managua's annual external assistance needs. No response from CEMA has been noted

Guyana. President Burnham's hostility toward Washington, aggravated by differences over Grenada and curtailment of the US aid program, favored increasing dependence on Cuba and the East in 1984. Among the initiatives that moved Guyana toward closer political and economic ties to Communist countries were:

- Receipt of the largest Communist commitment to the Caribbean/Latin America in 1984 with $155 million in Bulgarian credits for hydropower, mining, forestry, and fishing projects.

- Acceptance of an undisclosed amount of aid from North Korea for a hospital and other projects at midyear.

- Signature of a contract to buy Soviet helicopters, the first major deal with the USSR under a three-year-old Soviet offer of unlimited 10-year credits for equipment purchases. About 15 Guyanese airline personnel are undergoing one year's training on the aircraft in the USSR.

Burnham's successor has stated his intention to continue these policies since Burnham's death in August 1985

In 1984, Cuba, which has maintained a program in Guyana for the past decade, provided 25 doctors, laboratory equipment, and medical supplies. Havana also agreed to move ahead on a long-promised medical school at the University of Guyana, cement storage facilities, a prefab housing unit, and several agricultural projects.

South America

Moscow and its East European allies made little progress in expanding cooperation programs in South America in 1984; for the first time since 1973, the USSR failed to provide new credits. The area's deepening financial crisis and its cutback of ambitious development programs decreased opportunities for Soviet project investments throughout the region in 1984. Eastern Europe, whose Latin American program has been largely dormant since 1980, provided only about $40 million in new loans to Bolivia and

Table 14
South America: Economic Credits and Grants From Warsaw Pact Countries

Million US $

	USSR		Eastern Europe	
	Extended	Drawn	Extended	Drawn
Total [a]	1,465	440	1,745	575
1958-70	210	50	270	85
1971-79	760	170	1,215	310
1980	250	70	200	20
1981	90	25	10	20
1982	Negl.	60		25
1983	155	15	10	35
1984		35	40	80

[a] Because of rounding, components may not add to the totals shown.

Colombia. In contrast, Warsaw Pact aid disbursements rose somewhat above previous levels because of Poland's delivery of cargo ships to Brazil under a 1980 credit.

The nature of the Warsaw Pact aid program, which targets large-scale industrial (particularly power) projects in major Latin American countries, has led to its current state of stagnation. These programs have always been designed to promote Communist exports to balance annual imports of South American agricultural products valued at $2-3 billion. Domestic austerity programs, even in basically sound, newly industrializing countries such as Argentina and Brazil, have cut planned South American investments in some major development projects that have been under negotiation with Communist suppliers for years. Thus, there was no action on major Soviet offers of credit to fund power and transportation projects in Argentina, Bolivia, Brazil, and Colombia (although La Paz may have accepted $200 million in Soviet financing for machinery and equipment for the tin industry early in 1985). Unused credits remained at the $3 billion level, while agricultural purchases dropped off somewhat to $1.8 billion. We estimate that the Soviet trade deficit in 1984 was $1.6 billion, bringing total deficits with Latin America for the 1980s to $1[illegible] billion. Moscow was able to offset about $100 million of its deficit with oil sales to Brazil in 1984.

Argentina. The USSR's continuing support for Argentina on the Falkland Islands issue, its position as Argentina's number-one market for grain, and its willingness to offer generous financial packages for development have given the Kremlin considerable influence in Argentina in spite of the Alfonsin government's Western-oriented philosophy. Communist countries were unable in 1984, however, to translate the economic leverage provided by their multibillion-dollar trade deficits into increased sales to Argentina because of constraints on Argentine public spending and public-sector resistance to Communist technology. Soviet project offers that were dead in the water included:

- Equipment and financing for the Yacyreta and Parana Medio hydropower projects.
- Development of Bahia Blanca port.
- Fishing ports in Puerto Madryn and Ushuaia.

East European offers were similarly inactivated by Argentina's financial crunch.

Moscow's break into the local fishing industry was the only success story in 1984, when an Argentine private firm signed an agreement to repair and maintain 50 Soviet fishing vessels. For years the Soviets have attempted to gain some foothold in Argentina's fishing industry. Moscow probably hopes that this contact will promote the growth of more extensive ties. Argentine fishermen opposed this agreement because of the damage to the local industry by illegal fishing by 130 Soviet and Polish fishing boats off the coast.

In contrast to other Communist economic relationships, Buenos Aires expanded its economic ties to Cuba in 1984. The two countries discussed a joint fishing and processing venture, and Havana established a joint purchasing/trading company. Argentine firms also concluded several agreements to construct hotels and other facilities in Cuba.

Bolivia. According to the Bolivian press, the USSR offered up to $500 million in credits for the purchase of Soviet-manufactured tin industry equipment, particularly a second volatilization plant at Machacamarca following the completion of the plant at La Palca. Equipment for the new Machacamarca plant, estimated to require $135 million in financing, has begun to arrive at the construction site. The Bolivian go-ahead for the new plant was somewhat surprising, considering the experience with the La Palca plant. The $85 million facility, which has been plagued over its 10-year construction history with delivery and implementation problems, cost overruns, feedstock shortages, and a landslide that destroyed most of the plant, was closed by a strike in March. The shutdown was caused by workers' complaints about poisonous working conditions and environmental damage done by toxic sulfur and arsenic emissions from La Palca. Acid rain from the plant (the largest in the world) has cost the government substantial compensation payments for severe crop losses in neighboring areas for the last two years.

Brazil. Soviet economic initiatives went unheeded during 1984 as Brazil maintained its policy of cool relations with Warsaw Pact countries. Brazil sees little advantage to expanding Communist economic relationships, and Communist countries have been unable to convince the Brazilian businessmen who control trade and development to risk buying Communist equipment and other goods widely perceived as inferior. Among the Soviet offers that went begging were:
- Equipment for two power projects.
- Participation in the billion-dollar land reclamation program in Varzeas.
- Assistance to the $650 million copper development scheme under the Carajas project.
- Uranium enrichment.

The only significant economic deal under discussion at yearend was a Brazilian proposal to build $750 million of oil drilling platforms in exchange for Soviet oil, which could involve Brazilian credits to the USSR.

Soviet prospects were somewhat brighter in the area of joint projects in Angola and Mozambique. Brazil is providing civil construction services for the Soviet-[illegible] Capanda irrigation project in Angola scheduled to begin in early 1985 [illegible] Soviets in coal mining projects in Mozambique. [illegible] also agreed to buy [illegible] of Soviet [illegible] in 1984 to ease the USSR's annual trade deficit from agricultural purchases. According to press sources

Colombia. The USSR agreed to provide short-term, low-interest loans to the Colombian public and private sector under an open-ended trade agreement signed in April, according to the Colombian press. The new projects offered for financing by the Soviets included:
- A 500-kilovolt power transmission line associated with the Alto Sinu power project under construction with Soviet assistance.
- Turnkey construction of three hydropower projects.
- Prospecting for gold and other metals and minerals.
- Secondary and tertiary oil recovery and coal gasification.

The USSR also continued its attempts to break into Colombia's fishing industry with offers of joint ventures, technical services and training, fishing studies, and provision of port services to the Soviet fleet, but the Colombian reception has been cool.

Peru. Repayments by Peru on its $1.5-2 billion debt to the Soviets and the future of their fishing agreement dominated economic relations between the two countries in 1984. Moscow's agreement in late 1983 to accept about $125 million worth of goods (including up to 70 percent in nontraditional items) as a substitute for hard currency payments coming due in 1984 and 1985 was viewed by the Peruvian Government as a positive development. Soviet purchase contracts are already stimulating some local industries caught up in the current economic slowdown. On the other hand, recurrent accusations by Peru's former fishing minister that the Soviets were overfishing Peru's coastal waters caused frictions that still remain over the bilateral fishing treaty. According to the minister, the USSR takes 3 to 4 million tons of fish from Peruvian waters (an inflated figure, according to some observers), of which Peru receives only 15 percent. The dispute still has not been resolved, although in 1985 the new government of Alan Garcia indicated that it will honor Soviet fishing rights under the existing

Table 15

Sub-Saharan Africa: Economic Credits and Grants From Warsaw Pact Countries

Million US $

	USSR		Eastern Europe	
	Extended	Drawn	Extended	Drawn
Total [a]	4,645	2,215	2,360	915
1958-70	765	270	250	90
1971-79	1,795	380	1,425	245
1980	330	110	285	85
1981	155	230	105	135
1982	745	440	115	135
1983	310	430	100	140
1984	545	355	80	90

[a] Because of rounding, components may not add to the totals shown.

agreement. Peruvian ports and provisioning facilities earn at least $200 million annually from the Soviet fishing flee'

Lima plays a unique role in the USSR's Latin American policy as the only regional power dependent on the USSR for sophisticated military equipment and supplies. Economic programs have been secondary since the first military agreement in 1974. Despite Moscow's mediocre record in providing economic aid (only $25 million has been disbursed over the past 15 years), Peruvian officials hope that the Soviets will look with renewed interest at Peruvian development—particularly the $3 billion Olmos project to irrigate northern Peru, additional hydropower plants, and a phosphate project. Peru already has some $250 million in outstanding Soviet commitments for the Olmos hydropower proje

Sub-Saharan Africa

In 1984 the USSR pledged a near-record one-half billion dollars in assistance to Sub-Saharan Africa, more than 90 percent of it to Marxist-Leninist clients and hardcore socialist-oriented states. Moscow's effort came in the wake of a foreign policy setback as its two major southern African allies—Angola and Mozambique—reached agreements with South Africa in attempts to relieve military and economic pressures on their chaotic economies. According to Moscow feared that these accords could have diluted Soviet influence with both regimes and in southern Africa generally

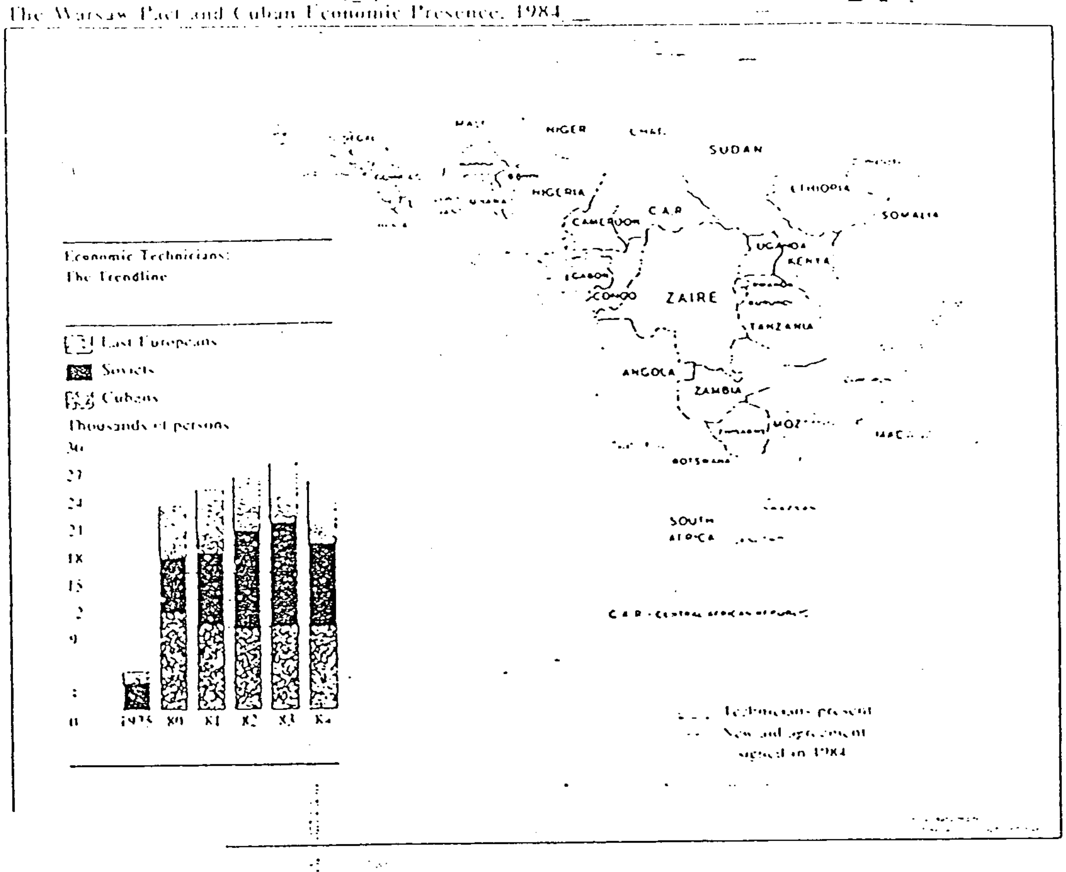
In spite of its large size in 1984, Moscow's economic program in Africa was in trouble, drawing criticism from Western-oriented countries and former ardent supporters alike. Guinea and Mali, whose economies are devastated by their 20-year experience with the Soviet economic model, have decisively implemented policies designed to attract Western investors. Smaller socialist-oriented states, such as Benin, Guinea-Bissau, Equatorial Guinea, and Madagascar, cut off from traditional markets and sources of funds for nearly a decade, also have begun to reorient their economies toward the West.

The new agreements also reinforced Moscow's pattern in Africa of placing most of its limited resources in allied countries that share its Marxist-Leninist beliefs. In the past five years, these states and other socialist-oriented countries in Africa have received 98 percent of the USSR's new pledges, and overall they account for more than two-thirds of Soviet aid to Sub-Saharan Africa. Nonsocialist countries in Africa have received only $1.5 billion in Soviet assistance over the past 30 years, less than 5 percent of the total Soviet Third World program

In 1984 the USSR provided more than $300 million for agricultural development, an unusually high proportion for the Soviet program. Some $75 million of that total supported Soviet fishing interests and probably will be more beneficial to Moscow than to the recipient. Otherwise, the USSR's program broke no new ground. As before, the program did not accommodate the special needs of impoverished African states:

- Grant aid accounted for only $55 million of total pledges.
- Credit terms were hard in comparison with Western loans—10 to 12 years to repay at 2.5- to 5-percent interest

Figure 5
Sub-Saharan Africa:
The Warsaw Pact and Cuban Economic Presence, 1984



- Only $10 million was provided for relief assistance. Overall, the USSR's interest in Africa still lies in the area of military sales; for every economic aid dollar expended, the USSR has transferred nearly $5 in military equipment and services.

Angola. Angola, where Moscow has made heavy investments of both money and prestige, is crucial to Soviet policy in Africa. Speaking at a symposium of African scholars held in Moscow in June, Soviet officials emphasized that the Kremlin would regard any potential Western threat to the current regime as grounds for a serious Soviet response. Meanwhile, by providing $2 billion in new military equipment, $50 million in aid for fisheries development, and 1,500 technicians in 1984, the USSR tried to tie Angola more closely to Warsaw Pact and Cuban support. Some 7,100 East Europeans and Cubans also were employed on Angolan economic projects.

Moscow's efforts have not slowed the critical deterioration in Angola's economy caused by its 10-year civil war (that some experts estimate has cost $7 billion).

and 1984 was marked by an Angolan decision to turn to the West for aid. [redacted] the Angolans have been disappointed both by Moscow's response to their ambitious development plans and by Moscow's refusal to respond to Angola's $150 million annual requirement for humanitarian assistance, such as food and clothing.

At the same time that aid needs have become more urgent, Luanda has become less receptive to Communist development offers because of the high cost of the Cuban and Soviet presence. For example, some sources report that the USSR has been charging more than $70,000 annually in hard currency for some economic technicians, and the cost of the Cuban economic contingent is said to be up to $75 million annually. Nonetheless, Luanda's mounting economic and military indebtedness to the Soviets seriously impinges on their ability to act independently.

Moreover, Moscow's new economic agreement with Angola in 1984 is beneficial to the Soviet economy. It called for comprehensive aid to fisheries development, which we estimate at about $50 million, and includes construction of a port, processing and refrigeration plants, a drydock and repair workshops, and training for Angolan fishermen in return for Soviet fishing rights in Angolan waters. Soviet overfishing has been a point of contention between the two countries for several years, and Angola has not yet signed the 1985 fishing agreement.

In other areas, the USSR is to build oil storage and transport facilities, hospitals, and fertilizer plants on easy terms, all of which could be financed under a 1982 agreement that ultimately could be worth $2 billion of credits. A Brazilian agreement to accept oil for contracting services on the billion-dollar Capanda dam project, which will use $300-400 million of Soviet hydropower equipment under a triangular agreement signed in 1982, clears the way for implementation of this major project. In contrast, we observed no activity on the 400,000-hectare Malanje irrigation project that the USSR agreed to assist in 1983.

Ethiopia. Ethiopia's overwhelming need for economic development and relief assistance was a key factor in its relationship with Communist allies in 1984. Addis Ababa's creation of the Ethiopian Workers Party in 1984 realized a longtime Soviet ambition and may have opened the way for increased Communist economic support. Ethiopia received nearly $550 million in new economic aid pledges from Communist sources in 1984, mostly from the USSR and North Korea. Moscow also agreed to reschedule payments due on Ethiopia's estimated $3.5 billion economic and military debt.

In spite of the disastrous state of Ethiopia's economy, Communist countries provided only about $25 million for refugees from drought-stricken areas. Communist diplomats have told [redacted] that only the West can provide the food and agricultural aid necessary to overcome the drought and famine. Moscow attempted to deflect international criticism of its own $5 million relief effort by providing aircraft, trucks, and personnel to transport assistance to refugee camps but is demanding that Ethiopia pay cash for these services. The USSR also continued to drain what foreign exchange is left in the economy by demanding that Ethiopia pay hard currency for oil shipments and has even withheld oil until payment has been received.

Nonetheless, the USSR's $270 million in assistance was generous by Soviet standards for the Sub-Sahara and brought total Soviet pledges to Ethiopia to $1.3 billion—the USSR's largest program in Africa. The agreements provided about $80 million in commodity credits over four years, with most of the remainder going to develop the agricultural sector—an area that Moscow has strongly recommended as the primary target in Ethiopia's 10-year development plan. New projects included:

- An 800,000-hectare land reclamation project in the Awash Wenz Valley, including construction of an irrigation dam.
- A dairy farm in the Gambela region.
- Equipment for additional tractor assembly capacity.

The new Soviet commitments were accompanied by an influx of nearly 1,000 Soviet economic personnel for the relief effort, bringing the Soviet economic presence to 1,700 persons

Among other Communist donors, North Korea provided its largest credit ever to a developing country $250 million to finance two power plants, nine collective farms, an iron ore mine, a pipe plant, and fishing boats. The aid is to be disbursed over seven years and is repayable over seven years at 1 percent interest. East European countries maintained 725 economic personnel in the country on development projects, and Bulgaria gave $12 million of new aid for drought relief. East Germany completed the Muger cement plant and the Kembolcha textile plant (jointly with Czechoslovakia) and promised some $30 million to the Ethiopian 10-year plan, probably under old credit agreements

The new Communist credits will not relieve the severe economic hardships facing the Ethiopian Government. The widespread drought and insurgencies in northern and central Ethiopia have virtually destroyed agriculture, displaced hundreds of thousands of people, and brought Ethiopian financial reserves to zero. We project Ethiopian aid needs at about $950 million for 1985, very little of which will come from Communist countries

Guinea. The change of government in Guinea in April 1984 appears to have accelerated the movement toward normalizing Western economic relations that had characterized the final years of the Toure regime. As the new leadership in Conakry increased Western contacts to obtain aid and other financing, Moscow moved to refurbish economic ties with nearly $165 million in new credits designed to protect its bauxite and fishing interests in Guinea. The credits are to rehabilitate the Soviet-built Kindia bauxite plant and to construct an industrial fishing complex in Conakry, as well as to support an agricultural self-sufficiency program begun in April by the new government. The new agreements will keep the Soviet economic presence at current levels (about 450 personnel) and may even increase economic aid flows slightly above the current $10-15 million in annual disbursements. Among East European countries, both Bulgaria and Romania signed agreements to provide assistance to projects, but no activity had begun at yearend

Ghana. The USSR, Eastern Europe, and Cuba increased their activities in Ghana in 1984 to counter Accra's improved relations with the West and to develop influence that could provide access to Ghana's resources and facilities if Communist interests suffer elsewhere in Afric

The USSR provided about $4 million to support public organizations; worked on the prefabricated concrete panel plant and the Tarkwa gold refinery; and was negotiating to assist a hospital, oil storage tanks, barges for fuel transport, and state farms. Bulgaria agreed to allocate an estimated $10 million for mining and agricultural projects; and the Cubans sent their first doctors to Ghana and offered assistance in education, public health, housing, fishing, and sugar production. Ghana, however, remains overwhelmingly dependent on Western aid

Mali. Driven by Mali's increasing dissatisfaction over Soviet economic and military programs, President Traore at midyear reiterated his commitment to liberalizing Mali's economy, developing a strong foreign policy, and seeking Western--particularly US--aid. Bamako is dissatisfied with the 20-year failure of the USSR and Eastern Europe to help Mali build an economy that responds to world market conditions and to the needs of Mali's largely rural population. In 1984 the USSR provided an additional $14 million in credits to accelerate its 20-year development effort at the Kalana gold mine. A US firm is already producing gold at a concession granted last year. The mine has become a major irritant to Mali because of the length of time it has taken to develop, the USSR's secrecy about mining operations, and the widespread Malian belief that Soviet technicians are stealing gold. The gold mine is the only economic project that the USSR has implemented in Mali since the early 1960s, when it provided credit for a cement plant, a stadium, training centers, and the Office du Niger agricultural project. The mine, whose output will be used to service Bamako's military and economic debts to the USSR, has taken up 40 percent of the USSR's $135 million in economic aid to Ma'

Mozambique. Unwilling to commit substantial economic resources to Mozambique's troubled economy, Moscow reluctantly endorsed President Machel's accommodation with South Africa and the West through signature of the Nkomati accords in early 1984. Nonetheless, the USSR has cautioned Machel that he could lose Communist support if he compromises his socialist principles in his attempt to overcome severe economic and security problems with Western assistance. After 10 years of reliance on Communist technical services, Mozambique's economic crisis has reached unmanageable proportions. Industry has collapsed (output has declined by 60 percent in the last five years), export earnings fell below $100 million in 1984, debt climbed to $2.3 billion, and reserves now stand at about $20 million. In 1984, Warsaw Pact countries provided only about $15 million in development credits and relief assistance, although in an unusual concession the USSR did agree to provide 200,000 to 300,000 tons of oil and products on credit terms ranging up to five years. It also is possible that the Soviets may have signed an agreement to reconstruct the Moatize-Beira railroad, which would require sizable credits to implement. We did not see any forward movement on several outstanding offers, such as the supply of $150 million of equipment for the Cahora Bassa hydropower project, mining and agricultural projects, an aluminum plant, and coal exploration

Among the East European countries, East Germany was the most active with an estimated 2,000 technicians in the country and more than 1,000 Mozambicans in East Germany. East Germany has provided about $125 million in credits and was involved in coal mining, agriculture, powerlines, and a textile plant; most of these activities are repayable in hard currency or coal that will supplement German domestic production. There were no developments in other Communist programs

Nigeria. The USSR's major African development project—the Ajaokuta steel mill in Nigeria—was stalled in 1984 because of a shortage of Nigerian local funding to support the project, planned for first-stage operation in 1985. Moscow has delivered more than $800 million of equipment to the construction site under a $1.2 billion contract signed in 1979, but the project has been plagued with local contracting, design, financing, and administrative problems since it began. According to some observers, Ajaokuta's remote location, lack of infrastructure, and poor quality local raw material inputs for the plant make it dubious that it will ever produce steel at competitive prices

Lagos remained an attractive trading partner for East European countries. Bulgaria offered $120 million in credits for school workshops, electrification projects, and pharmaceuticals and proposed an expansion of trade to $300 million annually. Hungary signed a $25 million contract to supply and install more than 1,000 workshops for technical schools over a two-year period. Together, East European countries have provided more than $500 million in credits repayable in hard currency and are attempting to increase their share of Nigeria's equipment and services market.